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IALA in Cherlapalli

The creation of IALA in Cherlapalli has made a significant impact on the development of core infrastructure such as roads and provision of basic amenities. Service delivery is efficient and IALA authorities have been able to save a significant portion of the revenue generated. Any grievances related to maintenance of the area come under the jurisdiction of the IALA. Its performance has been much more efficient than GHMC in terms of execution of work.

Background of IALA

Under Article 243Q of the Constitution of India (74th

Amendment), IALA was constituted to function as a separate local authority, provided the Telangana State Industrial Infrastructure Corporation (TSIIC) would remit 35% of the property tax and 50% revenue collected to the concerned local bodies. TSIIC is a state government agency which provides civic and social infrastructure in industrial areas. Since 1994, over 80 IALAs have been set up in the state. Its statutory functions and powers include:

- Management and maintenance of civic services like garbage disposal, street lighting in industrial parks

- Levying and collecting property and advertisement tax
- Conducting regular assessments of the services provided

Research team at FDR interacted with entrepreneurs of some Micro, Small and Medium Enterprises (MSME) and IALA (Industrial Area Local Authority), Cherlapally and discussed the core issues in the functioning of local industrial authorities.

Observations from 2 units



(1) FDR team visited Mohan Wood Works, a fabrication unit that manufactures modular and other wooden furniture. The factory manufactures products with the help of its 300 migrant unskilled workers hailing mostly from Uttar Pradesh and Bihar. Some of the work involves the use of

highly advanced machinery imported from Germany and Italy. The unit manufactures a total of 150 doors on a daily basis with their clients ranging from the state government to various industries.

(2) Hi-Tech Hydraulic Technologies



The second unit FDR team visited was Hi-Tech Hydraulic Technologies, a medium-sized industry using highly mechanised equipment including heavy lifters, and automated metal fabrication units which employ software such as AutoCAD. They manufacture components like rollers used in big conveyor belts. The workforce is permanent and most of them have an ITI certification. The proprietor of Hi-Tech Hydraulics is also

the Secretary of IALA,
Cherlapalli.

Governance issues

One major change occurred over the years, has been the shift of executive powers from IALA to TSIIC, resulting in delays in execution of work. Over time, the IALA's functions have been reduced to undertaking an advisory role. For example, the Secretary of IALA recollected an instance where they had to wait for several months just to get bus shelters built by TSIIC.

It was also observed that all tasks that were time-consuming and tedious were left to the IALA authorities. Issues related to sanitation and water supply are hardly addressed. Some clinics have been set up, but their functioning is not as efficient as the ESI hospitals. In some cases, these units do not have even the most basic infrastructure and patients are referred to private hospitals.

Defaults and Delayed Payments

Unfortunately, many of the units are not receiving the payments on time. Most payments from the government are delayed by a minimum of 12 months and such delays impact the finances of companies and have a cascading impact down the supply chain. Delayed payments from buyers also affects timely repayment of loans to banks and as a result, interest amount gets compounded.

As a result of such delays, the units have an increasing number of non-performing assets which later propel the unit to go sick. However, there is still hope when the government is the defaulter as payments are eventually cleared unlike private companies, where there is no guarantee of receiving payments if they are declared insolvent.

Finance

Businesses, especially the smaller ones, go bad for various reasons,

not necessarily fraud. Banks do not readily disburse loans to MSMEs and even if they do, they are aggressive in recovering bad loans as attaching the collateral assets is profitable unlike in the case of big corporates.

Over-regulated and Over-burdened

“Small businesses are crumbling under heavy government regulation and have to file nearly 720 forms every year related to GST, forest clearances, ESI, PF, etc. Unlike other big companies, there is no authority to create a separate department looking into these matters” says an entrepreneur who has 2 industries at the IALA. He also explained that government agencies like the Pollution Control Board (PCB) exercise a lot of discretion and issue notices at their will. There exists rampant corruption at every level and the entrepreneurs find it challenging to get their issues resolved through bureaucracy.

The introduction of TS-IPASS has aided in setting up new businesses but the system does not tackle the hurdles faced later. There are very little incentives provided by the government to set up small and medium industries compared to those availed by other big companies and branded enterprises. As a result of this, many second-generation owners of small and medium manufacturing units are not keen on continuing the business.

Legal Recourse

In case of any dispute, the small and medium industries suffer the most. Although the MSME Act guarantees a council for adjudicating cases of conflict, hardly any action is taken on time. In the case of big defaulters, the problem is severe, as MSMEs do not have the finances to fight cases for a prolonged period of time. An entrepreneur narrated how a dispute took almost 20 years to settle. MSMEs simply do not have the resources to fight these lengthy and expensive battles.

Unskilled Workforce

Several units suffer from a shortage of skilled employees. Most of the ITI certified workforce is not equipped with the skills required to work in the units and have to undergo training again. Most of the workforce in the smaller factories are migrant labourers who do not work for more than 3 months at a stretch making it difficult for small scale industries to retain them.

Way Forward

The Telangana government aims to identify and develop potential growth centres in Telangana. IALAs are a step toward realising this vision. They are entrusted with powers to maintain and deliver services in an industrial area and stand for localisation of power by fusing authority with accountability. Speedy results are achieved when the local people and entrepreneurs have the authority to deal with their problems in a democratic manner, and this has been demonstrated by the functioning of the IALA in Cherlapalli. Restoring the executive

powers of IALAs could propel the development of the industrial sector. The issues faced by the MSME sector are complex and wide-ranging, however, quoting Jane Jacobs - *“a government works best most responsibly and responsively when it is closest to the people it serves and the needs it addresses”*. •

- Moksha Tamma,
Anvitha Ramadugu