

# Report on Evaluation Study of the Growth Centres Scheme

## Summary

### Background

- Of the total 71 Growth Centres identified for development in the country, 68 Growth Centres were sanctioned.
- The Sample size consisted of 17 Growth Centres and 170 Industrial Beneficiary Units, spread over 14 States. These 14 States were sanctioned 52 Growth Centres.
- Of the 170 selected industrial units, 92 were operational, of which only 55 submitted the required information for the evaluation study.
- For generation of data, structured Questionnaires at various levels, i.e. State, District, Growth Centre, and Beneficiary levels were canvassed. Qualitative Notes were used to supplement quantitative information gathered through structured schedules.
- The reference period for the Study was from 1991 to 31<sup>st</sup> March, 2002.
- Services of MECON, MITCON, Dalal Consultants and ICRA were used for the study.

### Analysis of the Aggregate Level Data

#### *Financial Appraisal*

- At the aggregate level i.e. for 52 Growth Centres in 14 selected States, total funds released as on 31.3.2002 amounted to Rs. 637.57 crore (32.06 per cent) as against the approved cost of Rs. 1988.82 crore.
- Of the total funds released, the share of Central Government was 35.40 per cent, the States' share around 44 per cent, and the balance raised from banks and financial institutions.

- A total expenditure of Rs. 700.46 crore was reported to have been incurred, while Rs. 637.57 crore was actually released.
- Of the total expenditure of Rs. 700.46 crore, 49.16 per cent was spent on land and site development, 46.23 per cent on development of industrial infrastructure, 1.28 per cent social infrastructure and the remaining 3.33 per cent on others.

### ***Physical Performance***

- A total of 23197 hectares of land had to be acquired. But the land actually acquired was 14959 hectares i.e. 64.49 per cent.
- As against the target of 10367 plots, only 3232 (31.18 per cent) plots were actually developed and allotted, of which 1733 (53.6 per cent) were occupied at the time of survey.
- Only 186 sheds were reported to have been constructed in 9 out of 52 Growth Centres, constituting a meager 5.75 per cent of allotted plots.
- Only 328 kilometers of road length was constructed in 28 Growth Centres, water connections for industrial purposes provided in 24 Growth Centres, water connections for domestic purposes in 9 Growth Centres, drainage facilities provided in 17 Growth Centres, power distribution system set up in 31 Growth Centres, power to industrial units given in 13 Growth Centres, street lights provided in 11 Growth Centres, electricity connections for domestic consumption provided in 2 Centres and telecom facilities provided for industrial and domestic purposes in 13 and 4 Growth Centres respectively.
- Industrial units had been established in 8 States only. A total of 840 industrial units were established, resulting in employment for 21606 persons. On an average, 26 persons got employment per industrial unit.
- A total of 385 units i.e. 46 per cent, were reported to be closed/sick/non-viable etc.

### **Analysis of Data Generated by Sample Survey**

#### ***Financial Appraisal***

- For all the 17 Sample Growth Centres taken together, total funds released amounted to Rs. 418.52 crore ( 61.15 per cent), as against the approved cost of Rs.684.37 crore.
- Of the total funds released, 28.83 per cent was released by the Central Government, 41.12 per cent by the respective State Governments and the remaining 30.04 per cent contributed by the other sources.
- An expenditure of Rs. 464.34 crore was shown to have been incurred, which is 110.95 per cent of the amount actually released.
- Of the total expenditure of Rs. 464.34 crore, Rs. 41.29 per cent was spent on land and site development, 54.60 per cent on creation of industrial infrastructure, 1.76 per cent on creation of social infrastructure and the remaining 2.35 per cent on other miscellaneous items of expenditure.

### ***Physical Performance***

- For the 17 selected Growth Centres, of the total 8518.81 hectares of land to be acquired, the land actually acquired was 6114.93 hectares i.e. 71.78 per cent.
- As against a target of 4493 plots, only 2374 (52.84 per cent) plots were developed and allotted out of which 1237 (52.11 per cent) were reported to be actually occupied at the time of the survey.
- Sheds/factories were reported to have been constructed only in 3 Growth Centres. However, of the total sheds/factories constructed, 82.8 per cent were under actual occupation.
- Roads have been constructed in 12 out of 17 Growth Centres, water provided in 76.47 Growth Centres, drainage facilities in 64.71 per cent Growth Centres, electricity and street lights provided in 47.06 per cent Growth Centres and telecom facilities provided in 58.82 per cent Growth Centres.
- No industrial units had been established in 7 Growth Centres. A total of 562 industrial units were established resulting in employment for 17955 persons. On an average, employment of 32 persons had been generated per established industrial unit. Further, per Growth Centre, an average employment of 1056 persons had been generated.

- A total of 129 units i.e. 23 per cent were found closed /sick/non-viable etc.
- As per available information, an amount of Rs. 495.73 crore was invested by 49 selected beneficiary units belonging to 10 sample Growth Centres.
- Information on capacity utilisation was provided by 37 per cent beneficiary units only. The average capacity utilisation was 76 per cent.
- Of the total annual turnover of Rs. 1424.57 crore in the year 2001-02, the share of exports was 19.2 per cent. The rest was for the domestic market.

## **Overall Impact and Recommendations**

- As is evident from the physical and financial performance presented in the report, the Growth Centres Scheme has suffered from a number of problems like inappropriate design, inordinate delay in acquisition/ allotment of land, slow development of infrastructure etc. The financial institutions too did not lend the necessary support for setting up of the industrial units, perhaps because they perceived that industrial activities were non-viable without the supporting infrastructure. Except a few Growth Centres belonging to Category I, the Scheme has not been able to achieve its basic objective of minimizing regional imbalances. On being asked to express opinion on the industrialisation through the Growth Centre Scheme, only 18 industrial units in 3 Growth Centres i.e. Bawal, Abu Road and Ongole, expressed views. Two industrial units in Ongole felt that the scheme had been helpful to a great extent in promoting industrialisation. Majority of units i.e. 13, were of the view that the scheme had helped partially whereas the remaining felt that the scheme did not have any impact on industrialisation.
- The Scheme has neither been able to attract entrepreneurs in adequate numbers to set up industries due to inability of project authorities to develop the infrastructure facilities under some time bound programme nor generate adequate employment to justify the huge investment of the funds.
- There already existed a number of similar schemes. Schemes like Industrial Estates and Industrial Area have been in operation which also included Backward Areas Scheme with almost similar aims. This might be one of the reasons for there being not too many takers for the Growth Centres Scheme.
- The poor development of most of the Growth Centres shows that the industrial potential of these Centres had not been assessed realistically at the time of preparing feasibility reports. This scheme should not have been

extended to comparatively industrially more advanced States. The resources thus saved could have been better utilized for industrial development of most backward areas of comparatively industrially backward States.

- The Scheme has not proved to be a viable scheme (as assessed by financial institutions also) and therefore, it has failed to make any dent in the industrial backwardness of the areas brought within the ambit of the scheme. Thus, there should not be any further funding by the central government and states may be allowed to operate it as a state scheme with funds from the state governments and the loans etc. from the financial institutions.

## KEY TO THE ABBREVIATIONS USED

A.P.I.I.C	Andhra Pradesh Industrial Infrastructure Corporation
A.I.D.C.	Assam Industrial Development Corporation
G.C.	Growth Centre
G.I.D.A.	Gorakhpur Industrial Development Authority
G.G.D.C.	Gujarat Growth Centres Development Corporation
H.S.I.D.C.	Haryana State Industrial Development Corporation
I.A.D.A.	Industrial Area Development Authority
M.P.A.K.V.N.	Madhya Pradesh Audyogic Kendra Vikas Nigam
M.I.D.C.	Maharashtra Industries Development Corporation
S.I.D.A.	Sathariya Industrial Development Authority
S.I.P.C.O.T.	Small Industries Promotion Corporation of Tamil Nadu
W.B.I.D.C.	West Bengal Industrial Infrastructure Development Corporation