CHAPTER II

REVIEWS IN RESPECT OF GOVERNMENT COMPANIES

DEVELOPMENTAL AND FINANCIAL ASSISTANCE BY MADHYA PRADESH ADIVASI VITTA EVAM VIKAS NIGAM

Highlights

Performance of the Company with regard to its stated objectives was abysmally low. It failed to lift even a single Adivasi family above the poverty line. Both physical as well as financial achievements suffered and substantially declined during 2000-05 under all the schemes operated by the Company.

(Paragraphs 2.1.9 and 2.1.7)

The performance of the Company with regard to the benefits accrued was deficient in comparison to the amount spent. The Company incurred Rs.5.61 crore towards establishment expenditure to extend financial assistance of Rs.2.34 crore during 2000-05. Though the Company was aware that the failure of schemes was due to irresponsibility and rampant corruption on the part of staff, it failed to take any remedial measure to set right the deficiencies.

(Paragraphs 2.1.7 and 2.1.9)

The Company could draw only Rs.7.45 crore (22 per cent) and disbursed only Rs.2.07 crore (6 per cent) to beneficiaries out of Rs.33.89 crore sanctioned by National Scheduled Tribes Finance and Development Corporation (NSTFDC) during 2000-05. It had to refund Rs.5.38 crore in respect of 18 schemes due to its failure to identify the beneficiaries after drawal of loans. Loan assistance of Rs.12.01 crore was cancelled by the NSTFDC due to the Company's failure to furnish lists of beneficiaries.

(Paragraph 2.1.7)

Some of the schemes implemented by the Company were not beneficiary-friendly, not appraised adequately and were not approved by the Board of Directors.

(Paragraphs 2.1.14, 2.1.15 and 2.1.16)

Out of aggregate dues of Rs.30.05 crore recoverable during 2000-05, the Company could recover Rs.5.81 crore. The percentage of recovery declined from 12.5 (2000-01) to 1.6 (2004-05).

(Paragraph 2.1.25)

Though 82.78 lakh tribals (68 per cent) out of 1.22 crore are illiterate, the Company did not evolve any system of giving wide publicity and creating awareness of its activities among Adivasis living in Rural and Urban areas.

(Paragraph 2.1.12)

The Company provided financial assistance to only 2520 beneficiaries out of the tribal population of 51.29 lakh (age group 20-59) since its inception, depicting dismal coverage of 0.05 per cent.

(Paragraph 2.1.18)

Only 192 women (10.7 per cent) out of 1790 beneficiaries in 26 districts were given financial assistance. Though the Company identified (August 2001) specific schemes for the benefit of women, it did not implement any scheme (March 2005).

(Paragraph 2.1.19)

As against 90 days specified by NSTFDC for disbursement of loan to the beneficiaries, the Company took 4.5 to 60 months in disbursal of loans resulting in denial of timely benefit of self employment to beneficiaries.

(Paragraph 2.1.20)

Introduction

2.1.1 With a view to promote financial and economic developmental activities for the benefit of Adivasis, Government of Madhya Pradesh floated a non-profit making Government Company.

Madhya Pradesh Adivasi Vitta Evam Vikas Nigam (Company) was incorporated in September 1994 with the objective of implementing schemes, projects and programmes for social, economic and educational advancement of Adivasis of the State, improving their health, hygiene and sanitation, eradicating illiteracy, poverty, preventing exploitation, atrocities, malnutrition, superstition, chronic indebtedness and unemployment among them, and to lift them above poverty line.

The Company has so far been providing financial assistance for self employment schemes only. Further, the Company has not prepared any short term or long term perspective plan so far (March 2005) to achieve its stated objectives.

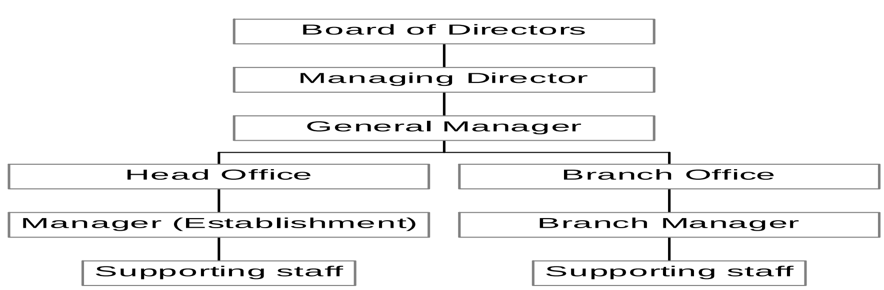
The schemes implemented by the Company were financed by the National Scheduled Tribes Finance and Development Corporation (NSTFDC), and the National Handicapped Finance and Development Corporation (NHFDC). The Company is also acting as a nodal agency for releasing State Government subsidies in respect of schemes financed by the commercial banks under refinance from the National Bank for Agriculture and Rural Development (NABARD).

The NSTFDC communicates to the Company the allocation of loan each year. The Company prepares the full time self employment schemes relating to agriculture, transport, industry and service sectors taking into account the needs of adivasis, their interests, experience, market potential, viability etc. After approval by the NSTFDC, the district offices invite applications from resident adivasi beneficiaries whose annual income does not exceed Rs.31,952/- in Rural and Rs.42,412/- in Urban areas. The applications, after scrutiny, are forwarded to the District Planning Committee for selection of beneficiaries considering factors like market demand, viability etc. A list of beneficiaries is then sent to NSTFDC for release of loan funds. The loan funds drawn are distributed to the beneficiaries through district offices and utilisation reports are sent to NSTFDC after implementation of the schemes. The same mechanism is adopted in case of NHFDC schemes except that NHFDC does not make annual allocation of funds.

NABARD schemes are prepared by the district offices of the Company with the help of *Janpad Panchayats* and submitted to commercial banks for sanction of loans. The Company releases subsidy, as and when received from the State Government, to the bank for disbursement to the beneficiaries.

Managing Director is the Chief Executive of the Company and is assisted by a General Manager at Head office and Managers at district level.

The organisation chart of the Company as on 31 March 2005 is as given below:



In 31 out of 45 districts, the activities of the Company are looked after by the respective District Industries Centres as per orders (July 1999) of the State Government. In the remaining 14 districts, the activities are managed by the Company through its branches headed by Managers who are drawn on deputation from the State Government.

Scope of Audit

2.1.2 Performance of the Company with regards to the developmental and financial assistance activities for the five years ended 31 March 2005, (including a sample of 15[*] out of 45 district offices selected on the basis of quantum of cumulative loan assistance disbursed) was reviewed during November 2004 to April 2005.

Audit objectives

2.1.3 Audit was undertaken with a view to assessing whether :

- the Company achieved its objectives efficiently, economically and effectively;
- the coverage of the targeted population was adequate and the outcome is commensurate with the mandate;
- the system of appraisal ensured selection of viable schemes capable of generating income on a sustainable basis not only to ensure repayment of loans but also the economic upliftment of the targeted group;
- the Company prepared its schemes based on detailed surveys of adivasis living below poverty line requiring full-time self-employment, or used the data on Adivasis available at the Block Level;
- the Company formulated schemes as per its guidelines and coverage of beneficiaries was commensurate with the size/area/density of population in the State;
- funds drawn from NSTFDC/NHFDC were put to effective use for the stated objectives and that there were no refunds or diversions;
- the Company put in place an efficient system of monitoring the implementation of the schemes after disbursement of loans and also the recovery to enable repayment of loans to NSTFDC/NHFDC for recycling of loan to new beneficiaries, for better coverage;

---

[*] *Jhabua, Dhar, Barwani, Hoshangabad, Khargone, Shahdol, Mandla, Balaghat, Chhindwara, Betul, Raisen, Guna, Seoni, Bhopal and Sehore.*

- the schemes formulated/implemented were periodically reviewed or evaluated to assess their efficacy and out come for necessary corrective action if any.

Audit criteria

2.1.4 Performance of the Company was assessed against the mechanism of selection, coverage of beneficiaries, guidelines on formulation and implementation of schemes, system for imparting training, time frame for drawal, disbursement, repayment of loans and implementation of schemes, targets committed to the State Government and norms for assigning priority for allocation of funds to schemes under different sectors.

Based on the preliminary findings of the pilot study conducted during April/May 2004, the thrust areas were decided to be the number of Adivasis covered compared to the total Adivasi population, deficiencies in pre-sanction and post-disbursement inspection, trend in overdues, efficiency and effectiveness of appraisal of the schemes, monitoring of recovery and follow-up and impact assessment of the schemes.

Audit methodology

2.1.5 A mix of the following methodologies was used:

Scrutiny of MoU with the State Government, extent of compliance with the scheme guidelines, review of procedures for processing and appraisal of schemes by branches/district offices and selection of beneficiaries by selection committees, scrutiny of sanctions and release of loans to beneficiaries with reference to utilisation certificates, examining the mechanism available for monitoring the implementation of schemes after disbursement of loans and test check of demand for subsidy, its receipt and utilisation with reference to reports sent to State Government.

Audit findings

The audit findings were reported to the Government/ Management in July 2005 and discussed in the Audit Review Committee for Public Sector Enterprises (ARCPSE) meeting held on 16 August 2005 where the Government was represented by the Secretary, Tribal Development Department and the Company was represented by the Manager, (Establishment). The review was finalised after considering the views of Government/Management.

Audit findings are discussed in the succeeding paragraphs.

Achievement of targets

2.1.6 The targets and achievements of the Company during the five years ended 31 March 2005 are indicated in ***Annexure-7***. It may be seen from the Annexure that :

The Company failed to achieve targets.

- The Company failed to achieve targets in respect of all the schemes sanctioned. The achievement in respect of its main activities viz schemes financed through NSTFDC* and NHFDC was very low and its physical achievement declined from 66 per cent in 2000-01 to 10 per cent in 2004-05 (NSTFDC) and from 64 per cent to less than two per cent (NHFDC);
- The financial achievement in respect of NSTFDC schemes declined from 44 per cent (financial) in 2000-01 to 11 per cent in 2004-05 and that of NHFDC from 60 to two per cent during the same period;

There was no system of preparing annual plans, fixing targets for coverage of area, beneficiaries and amount of loan.

- Though the targets were committed to the Government, year-wise targets for number of beneficiaries and amount of loans to be disbursed were not fixed by the Company as there was no system of preparing annual plans ;
- Low achievement was mainly due to deficient appraisals, ineffective monitoring and substantially low recovery.

Implementation of the schemes

Sanction of loan assistance

2.1.7 The following table indicates the details of year-wise allocations made by NSTFDC, schemes submitted, loans sanctioned, released, amount refunded and disbursed to branches by the Company during the five years ended 31st March 2005.

Year	Allocation by NSTFDC	Schemes submitted		Loan sanctioned		Loan released by NSTFDC		Loan refunded by the Company		Amount disbursed to branches	
	Amount (Rs. in lakh)	No. of beneficiaries	Amount (Rs. in lakh)	No. of beneficiaries	Amount (Rs. in lakh)	No. of beneficiaries	Amount (Rs. in lakh)	No. of beneficiaries	Amount (Rs. in lakh)	No. of beneficiaries	Amount (Rs. in lakh)
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12
2000-01	914.18	372	851.90	190	474.80	190	341.80	201	235.82	558	557.37
2001-02	864.18	1493	1012.72	303	754.52	1	6.80	26	7.64	216	354.08
2002-03	1128.11	2750	1270.38	839	1201.12	355	281.93	67	50.97	116	149.69
2003-04	1411.00	50	198.32	2302	500.93	83	114.59	--	-	195	216.71
2004-05	1411.00	306	590.16	206	457.88	--	-	172	243.62	59	56.38
Total	**5728.47**	**4971**	**3923.48**	**4840**	**3389.25**	**629**	**745.12#**	**466**	**538.05@**	**1144**	**1334.23***
Percent			**68 (col. 4 to 2)**		**86 (col. 6 to 4)**		**22 (col. 8 to 6)**		**72 (col. 10 to 8)**		**23 (col. 12 to 2)**

 # Includes Rs.23.80 lakh relating to schemes sanctioned prior to 2000-01.

* ***NSTFDC: National Scheduled Tribes Finance and Development Corporation.***

@ Includes Rs.238.88 lakh relating to loans drawn prior to 2000-01.
*** Includes loan of Rs.11 crore received in earlier years**

It would be seen from the above table that:

Only 22 per cent of sanctioned loan was obtained from NSTFDC.

- The Company could submit schemes to the extent of 68 percent of allocation only. It obtained sanction for 86 percent of schemes submitted and received funds for only 22 percent of sanctioned loan.
- The effective amount of drawal of loan by the Company was Rs.2.07 crore [@] i.e. only four per cent of the allocation (Rs.57.28 crore) and six per cent of the loan sanctioned (Rs.33.89 crore) indicating gross under performance of the Company in implementing the schemes.
- Out of Rs.13.34 crore disbursed to branches only Rs.2.34 crore pertained to schemes sanctioned during 2000-05 and Rs.11.00 crore were for schemes sanctioned prior to 2000-01.
- The amount disbursed to branch/district offices reduced from Rs.5.57 crore in 2000-01 to Rs.56.38 lakh (10.1 per cent) in 2004-05.

Loan of Rs.12.01 crore was cancelled by NSTFDC due to Company's failure to furnish list of beneficiaries.

It was observed in audit that under performance of the Company in drawal of loans and number of beneficiaries was due to failure of the Company to furnish lists of beneficiaries to NSTFDC for release of loan and consequent cancellation of loan to the extent of Rs.12.01 crore out of Rs.33.89 crore sanctioned. Further, out of net loan of Rs.4.22 crore[1] drawn by the Company during 2000-05, it disbursed only Rs.2.34 crore[2] to 211 beneficiaries for which it incurred Rs.5.61 crore on establishment expenditure. There was no system in the head office to ascertain disbursement of funds by branches to the beneficiaries on monthly/ quarterly basis to regulate quick disbursement and also to effect timely refund of undisbursed amounts to NSTFDC to avoid loss of interest.

There was no mechanism to ensure quick disbursement of loans to the beneficiaries.

The Management stated (August 2005) that the decrease in loan assistance was due to want of continuing guarantee from the State Government. The reply is not tenable because the release of less financial assistance was due to non-furnishing of lists of beneficiaries by the Company to NSTFDC and default in repayment of loans. Further, loan funds of Rs.5.38 crore drawn by the Company were refunded and loans of Rs.12.01 crore were cancelled for the same reason.

[@] *Rs.745.12 lakh – Rs.538.05 lakh = Rs.207.07 lakh.*

[1] *Rs.745.12 lakh minus (Rs.23.80 lakh plus Rs.299.17 lakh) = Rs.422.15 lakh.*

[2] *Rs.1334.23 lakh minus Rs.1100.54 lakh = Rs.233.69 lakh.*

Execution of schemes

2.1.8 During 2000-05, the Company executed 25 schemes relating to various sectors like agriculture, transport, industry and other services. Audit scrutiny of 17 schemes revealed various deficiencies/lapses in formulation, implementation and monitoring of schemes and management of loans. Some major lapses in respect of six schemes are as detailed below:

Tent House, Dairy Farming & Jeep Taxi

The Company prepared a Tent House scheme for 150 beneficiaries for a cost of Rs.1.43 crore without assessing the demand/ willingness of the beneficiaries to participate in the scheme. A loan of Rs.1.11 crore drawn in March 2000 remained unutilised to the extent of Rs.84.36 lakh (60 *per cent)* as the Company failed to disburse loans to 73 (48.7 *per cent)* beneficiaries.

Similarly, the Company prepared a scheme for establishment of 200 dairy farming units at a total cost of Rs.1.40 crore without assessing the demand. The Company drew funds of Rs.1.06 crore from the NSTFDC (January 2000) hut failed to identify 74 (58.73 *per cent)* out of 126 beneficiaries and funds amounting to Rs.49.82 lakh (47 *per cent)* remained unutilised.

In respect of both these schemes, the management stated that the branch managers belonged to other departments on whom it has no control. The reply is not tenable as the Company should have regulated the working of branch managers through the administrative departments of the State Government.

In yet another scheme for Jeep Taxi the Company got sanctioned phase VIII of the scheme without ensuring completion of the earlier phases and in which the recovery rate was only 32 *per cent.* Phase VIII was also not successful as the loan of Rs.1.25 crore drawn in March 2001 could not be fully utilised and the beneficiaries were not regular in repayment of the loan.

The management stated that poor recovery was due to insufficient officers in branches; the reply is not acceptable as the Company should have taken steps to improve the recovery.

Goat farming Phase-II

The Company drew Rs.1.40 crore (March 2003) against the scheme sanctioned in March 2002. Even after identification of 60 beneficiaries, the Company did not release (March 2005) full loan to all beneficiaries for reasons not on record. This resulted in an amount at Rs.95.53 lakh (68 *per cent)* remaining unutilised. It was also noticed during audit that the recovery in phase-I of this scheme had been only upto 10 *per cent* in six districts and that in Phase-II also the recovery rate was poor.

The management stated that poor recovery was due to insufficient officers in branches. The reply is not tenable and is also silent about failure to disburse the loan to identified beneficiaries.

Mini dumper Phase-II

The scheme was got sanctioned (January 2000) for Rs.1.45 crore without ascertaining the demand, and by furnishing fictitious names of 25 beneficiaries. The Company drew funds (March 2000) amounting to Rs.1.14 crore from NSTFDC. Out of 25 beneficiaries, the Company disbursed loans of Rs.27.3 lakh to only six (24 *per cent*) beneficiaries in February 2001 and Rs.86.45 lakh (76 *per cent*) remained undisbursed. It was also noticed that the delay in disbursement of the loan viz. 11 months also led to the extra burden of Rs.4.37 lakh on the six beneficiaries as by that time the price of dumper had increased.

Management stated that the delay was on the part of its branches, the reply is not acceptable as the Company should have taken steps to regulate the works of its own branches to avoid delays. Further, drawal of loan funds without identifying the beneficiaries defeated the objective of the scheme.

Printing Press

The Company drew Rs.1.03 crore (March 1998) under a printing press scheme sanctioned (February 1998) for a cost of Rs.1.30 crore (term loan : Rs.1.03 crore, margin money loan by the Company : Rs.19.50 lakh, beneficiary contribution : Rs.6.50 lakh and subsidy : Rs.1.20 lakh). In terms of the scheme it was planned to supply to tribal beneficiaries, 20 rejograph digital duplicator/ printer with digital scanner and accessories with five step printing speed and peripherals (Machines) each costing Rs.4.36 lakh. The Company fixed March 1998 as the target for selection of 20 beneficiaries and simultaneously placed order for supply of 20 machines on a supplier on DGS&D rate contract FOR destination. The addresses of the beneficiaries were to be provided later on. Although the Company had not furnished the addresses of the beneficiaries the suppler despatched the machines to the Company (April and May 1998) and requested for payment of 98 *per cent* of the sale price in terms of the contract. The Company also paid (April/June 1998) Rs.90.44 lakh to the supplier (the balance amount of Rs.6.51 lakh was paid in November 2002).

The Company identified 19 beneficiaries during November 1998 to April 2001 and on receipt of their contribution, the Company supplied 19 machines to them. It was noticed during audit, from the minutes of the Board's meeting held in March 2002 the scheme was commercially not viable and that the beneficiaries could not repay the loan as the income earned by them from the machines was insufficient to meet the high cost of operation. The Company's Board ordered (July 2002) to seize and sell the machines through auction.

Thus, as a result of the Company having formulated an unviable scheme expenditure of Rs.98.95 lakh on purchase of machines proved infructuous as the machines were lying idle. This had deprived the tribal beneficiaries of intended benefit. The Company is also faced with risk of diminution in the value of the machines due to prolonged storage (the machines have not been disposed off for over three years). The Company has not fixed any responsibility for formulating and implementing an unviable scheme.

The Company could not lift even a single Adivasi family above the poverty line during 2000-05.

2.1.9 The Company attributed (April 2004) the failure to irresponsibility and rampant corruption on the part of its staff. It, however, failed to take any remedial measure to set right the deficiencies. As per scheme guidelines, a beneficiary who had successfully established his business and repaid the entire loan is considered self reliant and deemed to have been lifted above poverty line. During the years 2000-05 though financial assistance was given to 1144 beneficiaries, none of the beneficiaries fulfilled this criterion. Audit verified the list of beneficiaries produced by the Company and noticed that the Company could not lift even a single Adivasi family out of 12.13 lakh BPL families above the poverty line.

Surveys on industrial/ employment potential and of Adivasis living below poverty line were not conducted.

2.1.10 As per the population census of 2001, Madhya Pradesh has a tribal population of 1.22 crore (20.3 per cent) out of the State's population of 6.03 crore spread over 45 districts (Male 61.95 lakh; female 60.38 lakh; Rural 1.14 crore and Urban 8 lakh). The Company was incorporated with the objective of implementing schemes for the social, economic and educational upliftment of Adivasis of the State. It, however, did not conduct any survey of Adivasis living below poverty line (BPL) in order to formulate a base for preparation of schemes nor did it utilise the data on industrial potential as available with Small Industries Service Institute, GOI at Indore or data on BPL prepared by the Panchayat and Rural Development Department. Thus, the schemes formulated and implemented by the Company lacked focus and direction required for achievement of its objectives.

The Management stated (August 2005) that the survey was generally conducted by the branch managers. The reply is not tenable as no survey report was made available to Audit, though called for.

Schemes formulated were not approved by the Board of Directors.

2.1.11 During 2000-05, the Company forwarded 39 schemes to NSTFDC for financing without the approval of the Board of Directors.

The Management stated (August 2005) that the Board had authorised the Managing Director to approve the schemes. No such authorisation was, however, furnished to Audit, when called for.

There was lack of publicity and awareness among Adivasis about Company's schemes.

2.1.12 Though 82.78 lakh tribals (68 per cent) out of 1.22 crore are illiterate, the Company did not evolve any system of giving wide publicity and creating awareness of its activities among Adivasis living in rural and urban areas. No *Sampark Shivirs* (contact camps) were conducted to create awareness. It had only been advertising its schemes through local newspapers. Thus, failure to create awareness among the targeted population about the self-employment schemes deprived the needy Adivasis of the advantages/opportunities of the schemes.

2.1.13 As per the guidelines (May 1996) of the Company, branch managers were responsible for preparation of project proposals. It was, however, observed in audit that the schemes were prepared at head office only with the help of staff (having no experience in project /scheme formulation) and without considering geographical, social and economic factors, market demand and viability. This was in violation of the Company's own guidelines.

Schemes implemented were not appraised properly.

2.1.14 As the schemes were selected and prepared at the head office, the branch managers, who had to give comprehensive reports after site inspection never gave detailed reports about the sustainability of the project, as observed (July 1999) by the Managing Director himself. Consequently, appraisal of the schemes was not based on ground realities and was thus deficient. This was one of the reasons of failure of all the schemes as admitted (June 2004) by the Company itself. The selection committee at the time of selection of beneficiaries also did not consider aspects like viability, capacity of the applicant, market demand for the products manufactured under the schemes. This rendered the process of selection deficient.

2.1.15 The head office selected the schemes and offered them to the beneficiaries without regard to their local interests and needs. Thus, the beneficiaries were compelled to take up unsuitable schemes. This contributed to the failure of the schemes.

Subsidy element was included in cost of schemes, without approval from State Government.

2.1.16 Without obtaining specific approval of the State Government despite Board's direction (May 2000), the Company included subsidy element of Rs.10,000 per beneficiary in the estimated cost of the schemes. This led to avoidable extra commitment of Rs.50 lakh for 2000-01. The element of subsidy for 2001-05 has not been worked out by the Company.

The Management stated (August 2005) that subsidy would be payable only when it was made available by the State Government. The reply is not relevant because it was not proper for the Company to expect the Government to pay subsidy when the same was not approved by it.

2.1.17 The Company implemented schemes without any linkage with density of Adivasi population in different districts as evidenced by a test check in audit as shown below:

District	Adivasi population		Loan disbursed	
	In lakh	Percent@	Rs. in lakh	Percent*
Guna	2.04	1.67	239.31	7.27
Jhabua	12.11	9.93	262.82	7.98
Dhar	9.48	7.77	191.71	5.82
Mandla	5.12	4.20	201.56	6.12

@ Percentage of total adivasi population (1.22 crore) in the State.
*** Percentage of total loan disbursed (Rs.32.93 crore) under NSTFDC schemes.**

2.1.18 The Company did not lay down any priority in allocation of assistance to different sectors, regions, type and cost of schemes.

Core sector like agriculture got lower allocation of loan

It was observed in audit that there were anomalies in the distribution of loan assistance to adivasis in different sectors, which resulted in lower allocation to important sectors like agriculture and larger allocation to transport sector, as detailed below, in respect of loans disbursed since inception to 31 March 2005:

Sector	Cost of scheme		Number of beneficiaries	
	Amount (Rupees in crore)	Percentage		Percentage
Agriculture & allied	13.51	33.74	683	27
Transport & allied	19.89	49.67	784	31
Industry	3.33	8.32	457	18
Other service	3.31	8.27	596	24
Total	**40.04**	**100**	**2520**	**100**

Further, since its inception, the Company has provided financial assistance to only 2520 beneficiaries of the tribal population of 51.29 lakh (age group 20-59) depicting dismally low coverage of 0.05 per cent.

Women and most neglected tribes were not given due preference, in spite of Board's directive.

2.1.19 it was observed in audit that only 192 women (10.7 per cent) out of 1790 beneficiaries in 26 districts were given financial assistance. Though the Company identified (August 2001) specific schemes for the benefit of women, it did not implement any scheme (March 2005).

The Management stated (August 2005) that women beneficiaries were not neglected. The reply is general and not supported by any evidence.

As against three months, the Company took 4.5 to 60 months for disbursement of loan.

2.1.20 The Company was required to release loans to the beneficiaries within 90 days of drawal from NSTFDC. Audit noticed that the Company took 4.5 to 60 months in disbursal of loans resulting in denial of timely benefit of self employment to the beneficiaries.

The Management stated (August 2005) that the delay was due to non completion of formalities by the beneficiaries. The reply is not convincing because in the event of failure of an applicant to pay margin money (being the only formality), the Company should have, as per its guidelines, cancelled the loan and sanctioned it to the beneficiary-in-waiting or refunded the loan.

2.1.21 The schemes implemented by the Company were only for family based tribals. Though the Company formed (during 2000-05) Self Help Groups (SHG), it did not make any efforts to identify schemes for SHGs, in spite of noticing (June 2003) success of such schemes financed by the State Government.

The Management stated (August 2005) that it was exploring possible avenues for implementation of schemes for Self Help Groups.

2.1.22 NSTFDC provides grant to the Company for imparting skills and entrepreneurial development training to the eligible beneficiaries. Under the scheme, 85 per cent of recurring expenditure on training programme was to be treated as grant and the remaining 15 per cent was to be borne by the Company.

Only 213 of the 2520 beneficiaries were imparted training in operating schemes.

In spite of availability of grant from the NSTFDC, the Company could impart (during 2000-05) training to only 213 out of 2520 beneficiaries who had availed financial assistance under seven schemes leaving the remaining 2307 beneficiaries untrained in their respective areas of work. The Company's failure in imparting training lacked justification.

The Management stated (August 2005) that it was imparting training only to the needy beneficiaries to save funds. The reply is not convincing as there was no evidence of assessment of the need of beneficiaries by the Company.

Company failed to extend necessary help to beneficiaries as and when required.

2.1.23 As per the guidelines, the Company shall extend all possible help to beneficiaries in operating the scheme as and when needed by them. It was, however, noticed in audit that the Company failed to extend necessary help to the beneficiaries as requested, in several cases including arranging replacement of defective/old batteries supplied along with the vehicles from the dealers, getting the seized vehicles released from Police/Forest/RTO authorities, restoring the vehicles from others' possession to the allotted beneficiaries and helping the beneficiaries in getting route permits reserved etc.

The Management stated (August 2005) that the failure was due to non compliance of legal formalities.

2.1.24 NSTFDC provides, at its cost, training to the officials of the Company for up-gradation of their skills in the field of project identification, formulation, appraisal, implementation, monitoring, and recovery of loans etc.

The Company failed to avail facility of free executive development training from NSTFDC.

Though the Company did not have officers trained in these areas, it did not avail of the free-of-cost facility, for reasons not on record.

The Management stated (August 2005) that the facility was being availed as and when the need arose. The reply is not convincing as the Board itself admitted (June 2004) that its schemes had failed mainly due to improper formulation and selection of beneficiaries and inadequate appraisal thereof.

Recovery performance

2.1.25 The following table indicates the recovery performance of the Company for the five years ended 31 March 2005.

(Amount : Rupees in crore)

As on 31 March	Amount recoverable	Amount recovered	Percentage of recovery
2001	15.74	1.97	12.5
2002	19.86	1.30	6.5
2003	24.16	1.02	4.2
2004	29.12	1.04	3.6
2005	30.05	0.48	1.6

It was observed that :

- the rate of recovery progressively declined from 12.5 per cent in 2000-01 to 1.6 per cent in 2004-05;
- the percentage of recovery ranged between nil and five in six districts, six and ten in 13 districts and 11 and 12.5 in four districts out of 23 districts selected for test check;
- during 2002-05, the recovery was nil in Bhopal district where Rs.70.71 lakh were disbursed out of which Rs.37.35 lakh were over due for recovery. In five other districts* also there was no recovery during 2001-05.

Implementation of NHFDC schemes

2.1.26 From 1999-2000, the National Handicapped Finance and Development Corporation (NHFDC), Faridabad had been financing certain schemes for the benefit of handicapped Adivasis with the objective of promoting self-employment and managerial efficiency to run the units, making available raw-materials and assisting in marketing their products. Under these schemes, an Adivasi (aged between 18 and 55 years) living in Madhya Pradesh having more than 40 per cent disability with an annual income of not more than rupees one lakh in urban area and Rs.80,000 in rural areas is eligible.

The table below gives the details of targets set, loan cases sent for approval, sanctioned and disbursed by NHFDC and loan disbursed by the Company to its branches during the last five years up to 31 March 2005.

---

* *Raisen, Narsinghpur, Dewas, Shivpuri and Rewa.*

(Amount : Rupees in lakh)

Year	Target		Loan cases sent		Loan cases sanctioned & received		Loan disbursed to branches	
	Physical	Financial	Physical	Financial	Physical	Financial	Physical	Financial
1.	2.	3.	4.	5.	6.	7.	8.	9.
2000-01	50	25	76	101.68	33	18.05	32	15.12
2001-02	50	25	42	33.09	25	11.35	10	4.85
2002-03	50	25	27	22.61	22	12.23	13	5.55
2003-04	200	120	2	3.85	-	-	15	6.59
2004-05	200	100	12	52.87	-	-	3	1.50
Total	**550**	**295**	**159**	**214.10**	**80**	**41.63**	**73**	**33.61**
Percentage				**73 (Col. 5 to 3)**		**19 (Col. 7 to 5)**		

In respect of NHFDC schemes Company achieved only 13 per cent of the targets committed.

It could be seen from the above table that the Company could submit schemes to the extent of 73 per cent of the targets of which 19 per cent were approved. Out of Rs.41.63 lakh received, it refunded Rs.1.93 lakh (relating to five beneficiaries) as the beneficiaries failed to avail of the loan. Thus, as compared to the target set, the actual achievement was only 73 beneficiaries with a value of Rs.33.61 lakh i.e., only 13 per cent of the value of target and the remaining Rs.6.09 lakh relating to two beneficiaries were lying undisbursed with the Company.

As per the census 2001 for Madhya Pradesh, there were 2.38 lakh handicapped Scheduled Tribe persons in the State. Out of this, 97,720 Adivasis were in the age group of 20 to 59 years. Considering the magnitude of this figure, the number of persons who availed the benefit (73) of schemes of the Company was negligible (i.e. 0.07 per cent).

Implementation of NABARD schemes

2.1.27 With the objective of providing self-employment/additional source of income to Advasis living below poverty line in the State, the State Government releases subsidy for the schemes sanctioned to Adivasis by commercial banks under refinance from NABARD.

Under the scheme, the Company is the channelising agency for subsidy sanctioned by the government. The bank keeps the subsidy as deposit in the beneficiary account. Recovery of instalments due from the beneficiary is made first and then subsidy is adjusted in subsequent instalments.

The details of beneficiaries, subsidy targeted and released under these schemes during the five years ended 31 March 2005 are given in ***Annexure-7***.

It was observed in audit that the performance of the Company with regard to coverage was below target during 2000-04 (except 2002-03) and negligible (three per cent) in 2004-05. The Company failed to get the required number of schemes processed through the bank, to achieve the target. The company also failed to assess its funds requirement to meet the targeted subsidy.

There was diversion of subsidy of Rs.2.37 crore for repayment of loans to NSTFDC.

Though the Branch Managers were required to conduct physical verification of assets of the beneficiaries, as per orders (December 1996) of the Government, no such verification was conducted. Subsidy of Rs.90.90 lakh refunded by the banks to the Company in 25 districts during 2000-05 and required to be refunded to the Government was either utilised against subsidy due to the beneficiaries for the subsequent period or was lying in the branches. The Company did not evolve any mechanism to monitor refund of subsidy by banks at periodical intervals. The Company diverted subsidy of Rs.2.37 crore towards repayment of loans from NSTFDC.

Internal control/Audit

The following deficiencies were noticed in the Company's Internal Control System.

Accounting control

2.1.28 Inspite of being in existence for a decade, the Company did not introduce a proper accounting system either in the Head office or in branches.

It was observed in audit that :

- the Books of accounts were not kept on accrual basis of accounting
- the interest collected from the beneficiaries was adjusted against the principal
- the Bank Reconciliation Statements were not prepared regularly
- Details of consolidated balances shown in the financial statements were not kept on record
- Fixed assets registers were not properly maintained in Head office and at branches
- The accounts finalised for 1998-99 and 1999-2000 did not reflect the correct position of income/expenditure and assets/liabilities

- Internal controls to check regularity of the expenditure /defalcation were absent

Differences in expenditure accounts of earlier years were charged off without verification.

- Differences in expenditure accounts for Rs.1.29 crore (for period prior to 1997-98) were charged to the Profit and Loss Appropriation Account for 1999-2000 without investigation. Similarly, expenditure pertaining to earlier period for Rs.81.90 lakh was proposed to be written off in the accounts for 2001-02.
- Interest payments due to the financing agencies were not checked before releasing payment.

Operational control

2.1.29 The Board of Directors did not review planning and execution of the schemes and also did not ensure maintenance of proper books of accounts.

Accounts of Branch offices from April 2001 to March 2005 were not reconciled with head office.

- The accounts at the Head office and branch offices were not reconciled periodically.
- Statement of accounts was not obtained from the banks regularly.
- Loans and advances were not shown in the accounts according to age, realisability, and security.
- Assets of the beneficiaries were not verified at periodical intervals.
- Beneficiary-wise ledgers were not maintained properly
- Receipt of funds from Head office was not acknowledged by branches
- Monthly statement of expenditure, and details of recovery of instalments and loans disbursed were not obtained from the branches.

Internal Audit

Corrective action was not taken on deficiencies pointed out by Internal Audit.

2.1.30 The internal auditors were appointed long after the expiry of the relevant financial years. Timely completion of internal audit was not ensured. Internal Audit Report for 1999-2000 was not submitted to the Board. The deficiencies pointed out in the reports for 1999-2000, 2000-01 and 2001-02 persisted without any corrective action having been taken.

Conclusion

The Company did not conduct any survey to identify the magnitude of the problems faced by the Adivasis and to set priorities in formulating need-based schemes. It neither evolved any perspective/strategy for executing the schemes nor effectively appraised them. The Company did not submit

schemes to the financing agency to the extent of allocated funds. Further, loans sanctioned by the financing agency had to be subsequently cancelled due to the Company's failure to furnish list of beneficiaries. There was no mechanism to monitor disbursement of loans to the beneficiaries and overall implementation of schemes including recovery of dues. The quantum of achievement was not commensurate with the expenditure incurred. There were serious deficiencies in the system of record keeping/accounting. All these resulted in poor coverage of the targeted section of Adivasis, drawal of less funds against sanction, cancellation of loans by NSTFDC, substantial refund of funds by the Company, poor recovery of dues and thereby insignificant achievement of its goals.

Recommendation

The Company needs to :

- reorient its planning process by evolving a suitable strategy,
- improve the entire gamut of the process of selection of schemes/ beneficiaries and execution,
- strengthen the machinery for submission of schemes for loans, sanction and release thereof and disbursement of loans to the beneficiaries,
- take effective steps to improve the performance of recovery and maintenance of records,
- generate awareness across the tribal population;
- install a mechanism to assess the impact of implementation of different schemes for the Adivasis;

Attention is invited to para 2.1.9 above where the Company has attributed the poor implementation of the scheme to irresponsibility and rampant corruption on the part of its staff. In this context it is recommended that the Company undertake a thorough investigation into the cases of irresponsibility and corruption in implementation of schemes and take appropriate action against those responsible for the same. Steps may also be taken simultaneously to install a control and monitoring system that is effective enough to ensure that such cases of irresponsibility and corruption are not allowed to reoccur.

The above matters were reported to Government (July 2005); its reply had not been received (September 2005).

CREATION AND DEVELOPMENT OF INFRASTRUCTURE FACILITIES BY MADHYA PRADESH AUDYOGIK KENDRA VIKAS NIGAMS

Highlights

AKVNs neither evolved any long term plan or strategy for acquisition of land nor fixed any annual targets in this regard. Against 23 growth centres to be developed by 1994, AKVNs developed only 14 growth centres during the last five years ended 31 March 2005. Expenditure on acquisition of land (Rs.6.63 crore) and development of plots (Rs.68.94 crore) remained unfruitful due to non completion of development of land and non-allotment of plots.

(Paragraphs 2.2.6 and 2.2.7)

Irregular change in foundation design resulted in extra expenditure of Rs.87.56 lakh. Failure to levy penalty for delay in completion of infrastructure facilities resulted in loss of revenue of Rs.1.06 crore. Continuance of unviable water supply scheme resulted in a loss of Rs.1.45 crore.

(Paragraphs 2.2.8, 2.2.9 and 2.2.13)

Delay in acquiring/developing land and allotting plots in SEZ resulted in the expenditure of Rs.27.45 crore remaining unfruitful. Injudicious decision to reduce the premium of land in respect of industrial units of Special Economic Zone (SEZ) resulted in loss of revenue of Rs.22.58 crore.

(Paragraphs 2.2.18 and 2.2.19)

Failure to charge additional premium on corner plots and or plots located at 80 feet wide road in SEZ resulted in loss of revenue of Rs.2.76 crore. Extension of undue favour to two industrial units resulted in a loss of Rs.4.23 crore.

(Paragraphs 2.2.20 and 2.2.21)

Deficient planning and inefficient operation of Food Processing Industrial Parks resulted in unfruitful expenditure of Rs.31.26 crore.

(Paragraphs 2.2.22 to 2.2.30)

Setting up of Integrated Infrastructure Development Centres without field study/survey, common facilities and assessment of demand rendered the expenditure of Rs.8.79 crore unfruitful.

(Paragraphs 2.2.31 to 2.2.39)

Introduction

2.2.1 Madhya Pradesh State Industrial Development Corporation Limited (Company) was entrusted with the responsibility of developing infrastructure in selected growth centres in the State. For this purpose, the Company incorporated five subsidiaries at Bhopal, Gwalior, Indore, Jabalpur and Rewa* during 1981 to 1987 in the name of Madhya Pradesh Audyogik Kendra Vikas Nigams (MPAKVNs), under the Companies Act, 1956.

AKVNs are required to maintain roads, water supply, street light and administrative and other buildings in the growth centres under their control. For this purpose, lease rent and maintenance charges (annually) and water charges, street light charges (monthly) are collected from the industrial units. The AKVNs took up the implementation of Special Economic Zone Project (SEZ), Food Processing Industrial Park (FPIP) and Integrated Infrastructure Development Centre (IIDC) for development of export oriented, agro based and small and tiny industries respectively. Managing Director of the holding Company is the Chairman of each Company and is appointed by the State Government. Managing Director of each subsidiary (AKVN) is the chief executive and is assisted by Senior General Manager/General Managers, Executive Engineer and Financial Advisor/Accounts officer in development, technical and accounts wings.

The review on the working of all the five AKVNs for the period up to 31 March 1992 had featured in the Comptroller and Auditor General of India report (Commercial) for 1991-92. The Report was discussed (April 1999) by the Committee on Public Undertakings (COPU) and recommendations were given (July 1999). The action taken report on COPU's recommendations has already been received.

Scope of Audit

2.2.2 The present review conducted between December 2004 and April 2005 covers activities of these Companies (except AKVN, Rewa) during last five years ended 31 March 2005.

---

* *Stopped all its core activities since 1996-97.*

Audit objectives

2.2.3 Audit was undertaken with a view to:

- assess the adequacy and extent of land acquired by these AKVNs;
- examine economy of development of land and its utilisation including the process of planning;
- determine the AKVNs' efficiency in allotting the industrial plots developed, examine the basis of fixation of premium in respect of 'Special Economic Zone Project' and see whether the rate of premium was prima facie fixed to watch the interest of the company;
- ensure the extent of compliance by AKVNs with the rules, powers, orders of the Board/Company/Government;
- assess the performance of execution of work relating to Food processing industrial park (FPIP) and Integrated infrastructure development centre (IIDC);
- review the management of funds in the best interest of the Company/ Government; and
- assess the performance of recovery of dues by these companies for proper and smooth flow of recycling of funds.

Audit criteria

2.2.4 Based on the preliminary findings of the pilot study conducted between November and December 2004, the performance of these Companies with regard to the creation and development of infrastructure facilities was assessed against the extent of land acquired and number of growth centres developed against identified area, including :

- Number of plots allotted out of developed plots;
- Delegation of financial powers, compliance with terms and conditions of agreements;
- General Policy for levy and collection of additional premium and norms as per Detailed Project Report in respect of Special Economic Zone;
- Guidelines of Government of India for Food Processing Industrial Park and Integrated Infrastructure Development Centres;

- Provisions of State Government for recovery of dues from industrial units.

Audit methodology

2.2.5 Audit followed the following mix of methodologies:

Analysis of data/information on acquisition of land for SEZ, FPIP, IIDC, area developed and plots allotted, scrutiny of administrative reports of FPIP and IIDC and utilisation certificates, case studies of individual units, review of sundry debtors, comparison of actuals with estimates in respect of civil works, scrutiny of records relating to management of funds.

Audit findings

The audit findings were reported to Government/ Management in July 2005 and discussed in the Audit Review Committee for State Public Sector Enterprises (ARCPSE) meeting held on 18 August 2005 where the Government was represented by the Industries Commissioner and the Companies were represented by their Managing Directors. The review was finalised after considering views of the Government/ Management.

Audit findings are discussed in the succeeding paragraphs.

Acquisition of land for Growth Centres

2.2.6 The State Government provides land free of cost to the AKVNs to enable them to set up growth centres. None of the AKVNs acquired any land during 2000-05 for growth centres and continued the development work on the land acquired earlier. AKVNs, however, acquired 998.881 hectare land for SEZ, FPIPs and IIDCs during the last five years. The details of land acquired, developed, allotted and expenditure on acquisition and development are shown in the ***Annexure-8***. It was observed in audit that :

- The AKVNs neither evolved any long term plan or strategy for acquisition of land, nor fixed any annual targets in this regard.

- Out of 6777.43 ha land acquired by the AKVNs from the State Government, only 4317.259 ha (63.7 per cent) land was allotable[@] to industries units.

[@] *Allotable land means the area available net of area used for civic facilities, power and water supply services.*

1501.383 ha of allotable land remained unallotted even after lapse of period ranging from nine to 22 years.

- Out of this allotable land, the AKVNs allotted only 2816.146 ha (65.2 per cent) land as on March 2005 and 1501.383 ha (value Rs.6.63 crore) remained unallotted even after lapse of periods ranging from 9 to 22 years.

- The percentage of allotable land to total land in respect of growth centres at Chainpura, Pratapura (AKVN, Gwalior) and Maneri (AKVN, Jabalpur) was only 34.8, 34.5 and 45.7 respectively as against the Companies' overall percentage of allotable area of 63.7.

Expenditure of Rs.6.63 crore on land acquired remained unproductive.

- Thus, AKVNs failure to take up new area for development hampered the process of industrialisation in the State. Moreover, expenditure of Rs.6.63 crore on the land acquired had remained unproductive due to non development/allotment of land.

Development of Growth centres

2.2.7 Development work includes construction of roads, drains, culverts and buildings, arrangement for supply of water and electricity etc. by constructing pump houses/intake wells and electricity substations respectively and providing civic amenities.

As per GOI's declaration, (1984 to 1989), the AKVNs were required to develop 23 growth centres within five years i.e. by 1994. AKVNs could, however, set up only 14 growth centres by 31 March 2005 resulting in a shortfall of 9[*] (39 per cent).

Details of growth centres/industrial area developed as on 31 March 2005 are shown in ***Annexure-8***.

Failure to allot plots resulted in the development expenditure of Rs.68.94 crore being unfruitful.

It was observed in audit that the AKVNs' 1501.383 ha land developed prior to 2000-01 remained unallotted due to lack of demand. As a result, the expenditure of Rs.68.94 crore incurred on development remained unfruitful so far (September 2005).

- The Companies mandated to create and develop infrastructure facilities did not prepare a long term corporate plan indicating centres to be identified and or developed annually;

- No new growth centres were identified by the AKVNs during 2000-05.

- In respect of growth centre at Mandideep II which was sanctioned by GOI in 1989 and to be completed by 1994, AKVN, Bhopal did not even start the acquisition of land. The entire 324.43 ha land was acquired in 1996 at a cost of Rs.93.90 lakh and developed incurring Rs.13.23 crore up to 31 March 2005. No land was allotted by the Company up to March 2005.

---

[*] *AKVN Bhopal-2, Gwalior-3 and Jabalpur-4.*

- In respect of Malanpur-Ghirongi growth centre, 447.290 ha land (55.7 per cent) acquired during 1985-92 had not been allotted so far (March 2005).

- Plots measuring 310.53 ha in respect of growth centres at Pithampur (177.72 ha) and Meghnagar (132.81 ha) developed prior to 1990 were not allotted by AKVN, Indore even after 15 years of their development.

AKVN, Gwalior stated (August 2005) that due to liberalisation of licensing policy, it had become difficult to attract entrepreneurs to start industries. The reply is not tenable because the liberalisation policy had only encouraged the entrepreneurs to set up new units and was not a deterrent.

Irregular expenditure due to change in foundation design

2.2.8 AKVN, Indore awarded (August 2003) the work of construction of multi storied buildings for Software Technology Park (STP) and Gems Jewelry Park (GJP) for a value of Rs.43.17 crore against estimated cost of Rs.37.50 crore. The estimates, designs and drawings were prepared by the consultant engaged by the Company on a fee of Rs.52 lakh and were approved by the holding Company.

It was noticed in audit that:

Irregular change in foundation designs by the Company resulted in extra expenditure of Rs.87.56 lakh

- Without the approval of its Board and the holding Company, the foundation designs in respect of STP Buildings were subsequently changed without any reason on record, which resulted in extra cost of Rs.87.56 lakh ***(Annexure-9)****;*

- Despite availability of space in the adjacent site for storing excavated earth, the Company paid extra lead for transporting earth beyond 500 M;

- The Company failed to decide on the change before starting the excavation;

- Even though there was no change in design in respect of GJP Buildings, there was a cost over run of Rs.34.79 lakh (3.18 per cent).

Management stated (February 2005) that the decision to change the design was taken by the then Managing Director and the change in design was due to change in structure from two basements plus one ground plus eight floors to one basement plus ground plus nine floors.

The reply is not acceptable as the reduction of one basement should have resulted in decrease in quantity of excavation, and approval of the Board and holding Company should have been obtained. Further, instead of excavating the areas identified for column foundation, the Company excavated the entire area which led to extra expenditure.

Delay in completion of infrastructure facilities

Non levy of penalty for delay in completing the work led to loss of revenue of Rs.1.06 crore.

2.2.9 In the case of nine work orders issued during December 2001 to August 2003 by AKVN, Indore for construction of infrastructure facilities like roads, drains, culverts, etc. the contractors delayed the completion of work by 6 to 33 months as against the schedule period of 2 to 11 months. The Company, however, did not levy penalty of Rs.1.06 crore though extension of time was not granted by the competent authority in any of these cases. This tantamounted to an undue favour and resulted in a loss of revenue of Rs.1.06 crore ***(Annexure-10).***

Management stated (May 2005) that the proposals for extension of time were recommended by the Executive Engineer and approved by the competent authority. The reply is not acceptable as in three works[@] of the Company, the contractors did not apply for extension of time and in case of five works[@@] the Managing Director did not grant extension of time, hence, penalty should have been levied in these cases. Further, in respect of one work[@@@], there was no provision for grant of extension of time without levy of penalty as per the terms of agreement entered into for this work.

Allotment of plots

2.2.10 Allotment of plot made to the entrepreneur on lease basis at premia fixed by the Company concerned from time to time. Letter of intent (LOI) indicating the terms and conditions for allotment, area allotted and amount of deposit, is issued to the allottee. LOI generally includes terms for payment of additional premium towards prime location of land, annual lease rent and maintenance/development charges besides premium.

The details of plots allotted by AKVNs during the last five years ended 31 March 2005 are given in ***Annexure-8***.

It was observed in audit that :

The performance of the Company during 2000-05 in allotment of plots was dismal (5.36 per cent) as out of 1586.436[*] ha land available for allotment as on 1 April 2000, letters of intent were issued only for 85.053 ha land during the last five years i.e. at an average of one per cent per year as against five per cent per year during the period since inception (1981) to 31 March 2000.

- The percentage of allotment (allotable plots) was only 64.8 and thus about one-third of the plots remained unallotted. Even this

@ *Three – Sl.no. 4, 7 and 8.*

@@ *Five - Sl.no. 1, 2, 3, 5 and 6.*

@@@ *One – Sl.no. 9 of Annexure 12.*

* *Unallotted land as on 31 March 2005 plus LOIs issued during 2000-05 = land available for allotment on 1st April 2000 (1501.383 + 85.053 = 1586.436).*

achievement could be made by granting 40 percent rebate in premium of Rs.1.99 crore ***(Annexure-11)*** during 2001-04. Out of 141 plots, 98 plots (70 per cent) were allotted with rebate in premium;

- Allotment of plots to allotable plots in respect of growth centres Mandideep II was Nil, Pratappura 26.1 per cent, Meghnagar 20.9 per cent and Maneri 22.9 per cent during the last five years;

- It was also noticed in audit that the AKVNs incurred Rs.1.06 crore during 2000-05 for business promotion. Despite this, the AKVNs failed to attract industrialists resulting in slow pace of industrial development in the State.

The AKVNs had shown the reduced premium (60 per cent) in the lease deed instead of the original premium. This resulted in short levy of stamp duty (Rs.15.98 lakh) at eight per cent of premium and registration fee (Rs.11.99 lakh) at 75 per cent of stamp duty which resulted in loss to the Government to that extent.

Loss of revenue due to non/less charging of additional premium

2.2.11 AKVNs were required to charge additional premium as per the terms of LOI, in respect of advantageous locations. Audit scrutiny revealed that there was no uniformity in the rates of locational premium charged by various Companies. While AKVN, Bhopal was collecting additional premium at 10 per cent each for corner plots and plots located at 80 feet wide road and 20 per cent for corner plots located at 80 feet wide road also, AKVN (Indore) Limited was collecting 15 per cent for corner plots and ten per cent for 80 feet wide road but only 15 per cent as against 25 per cent where the corner plots are located at 80 feet wide road.

AKVN's failure to collect additional premium for prime locations resulted in loss of revenue of Rs.45.20 lakh.

AKVN, Gwalior was collecting only 10 per cent in either case instead of 20 per cent and AKVN, Jabalpur did not collect any additional premium on plots allotted prior to July 1992 and was collecting only thereafter.

Thus, failure by AKVNs to collect additional premium as per LOI had resulted in a loss of revenue of Rs.45.20 lakh ***(Annexure-12)***.

AKVN, Gwalior stated (November 2004) that the matter would be placed before its Board, the outcome of which was still awaited (Auguat 2005). AKVN, Indore and AKVN, Jabalpur had not furnished their replies (April 2005).

Short billing of lease rent and maintenance charges by AKVN, Bhopal

2.2.12 The letter of intent (LOI) issued by the Company included a condition that annual lease rent (at two per cent of premium) and annual maintenance charges (at two and half per cent of premium) were also to be deposited by the unit.

It was noticed in audit that the Company ignored the additional premium while calculating annual lease rent and annual maintenance charges. This resulted in a loss of Rs.19.95 lakh towards lease rent and maintenance charges (including recurring annual loss of Rs.6.21 lakh) during 2000-05 ***(Annexure-13)***.

Company's failure to levy annual lease rent and maintenance charges on total premium led to loss of Rs.19.95 lakh.

While accepting (December 2004) the audit observations, Company stated that corrective action had been taken.

Maintenance of growth centres

Continuance of unviable water supply scheme by AKVN, Bhopal

2.2.13 Without ascertaining the rules/conditions governing the water supply arrangement and also without assessing the feasibility of continuing the scheme, the Company took over (July 1995) from Madhya Pradesh Laghu Udyog Nigam (MPLUN) the maintenance of the scheme along with assets such as pump well, pump house, water treatment plant, overhead tanks etc. and 49 employees. As the scheme was very old, it had suffered a loss of Rs.1.11 crore up to March 2000. Still, the Company, did not take steps to improve the operations. Later on, the Hathaikhera dam from which the water was drawn, was closed (July 2002) due to inflow of polluted water. Hence, the water treatment plant became idle. To meet the water requirement, the Company started drawing water from tube wells for supply to the units. This was expensive, because out of 500 units, only 72 units took water connections and the remaining units made their own arrangements for water.

Company's continuance of unviable operations led to loss of Rs.1.45 crore.

The Company did not take steps either to retransfer the scheme to MPLUN or get the loss reimbursed from the Government. Continuance of the unviable operations led to further loss of Rs.1.45 crore up to March 2005.

Management stated (September 2004) that the existence of a clause in the agreement enabling the units to make their own arrangements for water was not known to it as these were allotted by the District Industries Centre (DIC) and that steps would be taken to obtain grants from Government.

The reply was not tenable as the Company should have ascertained the conditions at the time of take-over of the scheme. Further, no proposal had so far been submitted to Government for financial assistance towards the grant (September 2005).

Non-collection of water charges from Nagar Panchayat by AKVN, Bhopal

2.2.14 The Company had been supplying water to Patel Nagar and Indira Nagar colonies of Mandideep since 1986 through Nagar Panchayat, Mandideep. Due to non-payment of water charges of Rs.1.15 crore by Nagar Panchayat, water supply was disconnected (November 1999). At the request of Nagar Panchayat, the Company decided (February 2000) to: (a) recalculate arrears at industrial rates (instead of at commercial rates), (b) waive the penalty of Rs.49.64 lakh and (c) demand clearance of arrears and regular payment of current water charges before 10 of every month. The Nagar

Panchayat agreed to these decisions. Accordingly, the Company revised the dues from Rs.1.15 crore to Rs.65.02 lakh and restored water supply to the colonies.

The Nagar Panchayat, however, failed to pay even reduced arrears and also current bills regularly which led to accumulation of dues of Rs.81 lakh (up to July 2004). But the Company did not take action for recovery of dues and the position continued (March 2005).

Company's failure to recover dues resulted in locking up of Rs.81.00 lakh and consequent loss of interest of Rs.39.01 lakh.

Thus, the Company's extension of water supply to units not covered by its mandate and failure to recover dues resulted in blocking of Rs.81 lakh with loss of interest of Rs.39.01* lakh. It also rendered the waiver of penalty of Rs.49.64 lakh unfruitful.

The Company stated (September 2004) that the matter was being pursued with the Nagar Panchayat and the Government.

Idle establishment cost

2.2.15 AKVN, Rewa stopped all its core activities since 1996-97. The Company, however, continued incurring expenditure towards salaries for the staff. Such expenditure during the period 1999-2004 worked out to Rs.2.41 crore. The Company has not yet been closed (August 2005).

Non recovery of dues from industrial units

2.2.16 The industrial units are required to pay advance annual lease rent, maintenance and development charges, water charges etc. to the respective AKVNs. As per orders (December 1981) of the State Government, AKVNs were required to meet expenditure on maintenance/ development of growth centres from such receipts. Further, the AKVNs were empowered to recover the dues as revenue recovery and initiate necessary action like issue of Revenue Recovery Certificate (RRC), legal notice, attaching the property and disposing thereof in case of failure by industrial units to pay the dues.

It was noticed in audit that

- AKVNs, despite being vested with powers, failed to initiate action like issue of RRC, legal notice etc. for recovery;
- Failure of AKVNs, Gwalior, Bhopal and Rewa to take timely action for recovery from the industrial units resulted in a loss of Rs.3.18 crore on account of dues against units already closed ***(Annexure-14);***

---

* *Rs.65.02 lakh x 60/12 x 12/100 = Rs.39.01 lakh.*

- It was decided (July 1998) in a meeting with MPSIDC and MPFC that the dues from units taken over by these two PSUs would be repaid to AKVNs. AKVNs, however, failed to recover Rs.72.50 lakh being the dues from the units which were taken over by the PSUs.

AKVN's failure to take follow-up action for recovery of dues resulted in loss of Rs.3.91 crore besides locking up of Rs.7.31 crore.

Thus, lack of follow-up action by AKVNs had resulted in a loss of Rs.3.91 crore (Rs.3.18 crore + Rs.0.73 crore) besides locking up of Rs.7.31 crore. This also affected the flow of funds required for speedy industrial development of the State.

Diversion of funds meant for infrastructure facilities

Diversion of funds by AKVNs hampered the flow of funds required for infrastructure.

2.2.17 The proceeds collected by the AKVNs towards premium lease rent, maintenance charges, etc are to be utilised for developing and maintaining the growth centres. It was observed in audit that the AKVNs diverted these funds and invested them as intercorporate deposits in the holding Company. As on 31 March 2004, Rs.18.70 crore (including interest of Rs.8.70 crore) remained to be recovered by four AKVNs[ψ]. The holding Company had already refused to pay the interest on these deposits. Thus, diversion of funds meant for development works hampered the flow of funds required for creating infrastructure facilities.

Special Economic Zone

Government of India announced (2000) a policy on economic zone with a view to increase export base of the country. The State Government framed special economic zone policy and passed an Act- Indore Special Economic Zone (Special provisions) Act, 2003. AKVN, Indore was declared (October 2002) the implementing agency for setting up special Economic Zone (SEZ) at Indore. Based on a detailed Project Report (DPR) (August 2002) prepared by State Government, AKVN, Indore set up (February 2003) Special Economic Zone Limited (SEZ).

Delay in acquisition and development of land and allotment of plots in the SEZ

2.2.18 The scheme envisaged that the following economic and social benefits would accrue to the Central and State Government, local bodies, industry trade on implementation. (a) Export and trade facilitation-foreign exchange earnings (b) Foreign direct investment (c) long-term development on account of employment generation, wealth maximization, financial returns for the promoters.

[ψ] *AKVNs at Bhopal, Indore, Gwalior and Jabalpur.*

The details of land required, acquired developed, allotted, to be allotted and cost of allottable land as on 31 March 2005 are given in ***Annexure-15***.

It was observed in audit that :

- The Company has not fixed any long term plan for acquisition/ development of land and allotment of plots under the scheme;

- As per a notification (August 2002) of the State Government, 1038 ha land was to be acquired for the SEZ scheme. Against this, the Company got transferred (February 2003) the entire 138 ha land belonging to EPIP[♥] project to this scheme as Phase I. Out of the allottable 105 ha land, it allotted 51.34 ha to industrial units, and the remaining 53.626 ha (cost Rs.7.65 crore) had not been allotted so far (August 2005);

- Against 900 ha land to be acquired in respect of phase II, the Company acquired only 544 ha land and the balance 356 ha land had not yet been acquired as on 31 March 2005, even after three years of notification of the project;

- Out of 544 ha land acquired, only 308 ha (57 per cent) was allotable. The Company allotted 19.84 ha land but the remaining land admeasuring 288.16 ha (cost Rs.19.80 crore) had not been allotted so far (March 2005);

- The Company got sanctioned (June 2004) a term loan of Rs.16.70 crore from Bank of Punjab (interest at 8.5 per cent including penal interest of two per cent) for meeting cost of acquisition of land. The Company, instead of utilising the loan for the said purpose, transferred Rs.16.20 crore to the holding company. As of June 2005, the holding company repaid Rs.9.11 crore, AKVN, Indore repaid Rs.2.12 crore to the bank and Rs.6.36 crore were outstanding towards principal (Rs.4.97 crore) and interest (Rs.1.39 crore). Thus, diversion of loan by AKVN, Indore resulted in denial of funds required for acquisition of land (356 ha).

Delay in acquiring/ developing land and allotting plots in SEZ resulted in expenditure of Rs.27.45 crore remaining unfruitful.

Thus, the Company's delay in acquiring/ developing land and allotting plots resulted in the expenditure of Rs.27.45[@] crore remaining unfruitful. The delay also led to postponement of the benefits expected from setting up the special project.

♥ *Export Promotion Industrial Park.*

@ *Rs.7.65 crore plus Rs.19.80 crore = Rs.27.45 crore.*

Injudicious reduction of premium affecting the viability of (SEZ) project

2.2.19 The State Government fixed the rates of premium for the plots in SEZ at (a) Rs.825 per square metre (Sqm) for plots of more than five acre and Rs.1030 per sqm for plots of less than five acre in respect of industrial plots and (b) Rs.4950 per sqm in respect of commercial plots. The management of AKVN, Indore, however, proposed (February 2003) reduction in the premium of commercial and industrial plots and sought Board's approval, without furnishing justification therefor.

Though the Board was not authorised to reduce the rates fixed by the State Government, it approved (February 2003) the reduction in premium from Rs.1030 to Rs.400/Rs.500 per sqm in respect of plots for area less than five acres and from Rs.825 to Rs.400 per sqm for area above five acres in respect of industrial plots and from Rs.4950 per sqm to Rs.600/Rs.800 per sqm in respect of commercial plots.

Unauthorised reduction of premium by the Company resulted in loss of revenue of Rs.22.58 crore.

It was observed in audit that the Company allotted 14 industrial plots and one commercial plot during February 2003 to January 2004. Thus, the irregular reduction of premium resulted in a loss of revenue that worked out to Rs.21.71 crore and Rs.87 lakh respectively ***(Annexure-16)***.

Management stated (May 2005) that the Board of Directors was empowered to decide on the rates of land in the capacity of developer and the Board approved (February 2003) reduction in the rates of premium. The reply is not tenable as (a) the State Government had appointed AKVN, Indore only as implementing agency and not as developer (b) the State Government had not approved the reduction of premium and (c) there was no justification for reduction of rates of premium which was beyond the Board's competence.

Loss of revenue due to injudicious decision not to charge additional premium

Company's decision not to charge additional premium led to loss of revenue of Rs.2.76 crore.

2.2.20 AKVNs were a charging fixed percentage as additional premium in respect of corner plots and or plots located at 80 feet wide road because of the advantageous location. The Board of AKVN, Indore however, decided (February 2003) not to charge additional premium in respect of such plots in SEZ for reasons not on record. This had resulted in loss of revenue of Rs.2.76 crore ***(Annexure-17)*** in respect of eight plots allotted between February 2003 and December 2004.

Management of AKVN, Indore stated (April 2005) that its Board had decided not to charge additional premium. The reply was not tenable as (a) there was no justification on record for such decision (b) the proposal was not approved by the State Government and (c) If additional premium was not charged for such plots every entrepreneur would like to have only corner plots/80 feet wide road. This would lead to non-allotment of centre plots and thereby affect the viability of the project.

Extension of undue favours to SEZ units

2.2.21 SRF Limited (Unit) applied (September 2003) for allotment of land measuring 60,000 sqm in SEZ, Indore Phase-I. The Unit paid Rs.72 lakh as premium for the area at reduced rate of Rs.120 per sqm on the ground that it had earlier requested the Government for reduction in premium and that it would pay the difference after final decision by the Government. The Company informed the Unit that the issue was referred to Government. Before obtaining the orders of the Government, the Company accepted the payment and handed over (September 2003) possession of land measuring 60672 sqm without issuing allotment letter.

In the meantime, the State Government announced (June 2004) a new industrial promotion policy 2004 effective from 1 April 2004. As per this policy, mega projects i.e. industries with investment of Rs.25 crore and above, were entitled to concession of 75 per cent of the premium on land subject to a maximum of 20 acre on investment up to Rs.500 crore. The Company immediately (June 2004) got approval of its Chairman for allowing concession in premium to the Unit and issued (July 2004) letter of intent allowing concession in premium of Rs.1.82 crore. The issue of reduction in premium had not been decided by the Government (September 2005).

Similarly, IPCA Laboratories Limited (Unit) applied (August 2004) for allotment of 52 acre land for setting up new 100 per cent export pharmaceuticals industry in the SEZ, Indore, Phase-I and selected 52.63 acres (212994 Sqm) land including 3.62 acre (14628 Sqm) coming under power line. To this unit also, without obtaining approval from the State Government, the Company allowed concession of Rs.1.82 crore in the premium. Further, the Company submitted a proposal for not charging premium in respect of the 3.62 acres, got it approved by the Chairman and handed over possession (January 2005) of the entire area without collecting premium of Rs.58.51 lakh[♦] for the area (14628 Sqm.) falling under power line.

It was observed in audit that :

- As SRF had obtained the possession of the land in September 2003 itself, the premium should have been collected as per the then prevailing rules i.e. Rs.400 per sqm as against Rs.120 per sqm.;
- As the Company was having developed land, it should have issued LOI within 15 days of application as per guidelines of State Government instead of delaying it for nine months;
- The new industrial policy 2004 came into effect from April 2004 and should not therefore have been applied to the land given in 2003 as SRFs application for concession was still pending (September 2005);

♦ *Area multiplied by premium per sqm = 14628 x Rs.400 = Rs.58,51,200*

- The rules for allotment of land did not provide for non-charging of premium in such cases (IPCA);

- The proposal for not charging premium on area falling under power line (IPCA) and grant of 75 per cent concession was not approved by the State Government of Madhya Pradesh.

Company's decision to grant concession in premium without Government approval resulted in loss of revenue of Rs.4.23 crore.

Thus, the irregular decision of the Company not to charge premium tantamounted to undue favour and had resulted in loss of revenue of Rs.4.23* crore.

Management stated (May 2005) that as the State Government in the meantime declared concession in premium for mega projects, the unit SRF was given the benefit. Reply was not furnished in respect of ICPA.

The reply was not acceptable as the Unit was not entitled for the concession and the same was also not approved by the Government.

Food Processing Industrial Park

Deficient planning and inefficient operation

2.2.22 Under a scheme of food processing industrial park (FPIP), GOI sanctioned (between December 2000 and March 2003) six* Food parks in the State with the objective of providing common facilities such as uninterrupted power supply, water supply, cold storage (capacity 6000 M.T.), ice plant, ware-housing (3000 M.T.), Effluent Treatment Plant (ETP), testing lab, processing facilities like fruit concentrate, pulp making units etc. GOI also sanctioned rupees four crore as grant to each of such projects. AKVNs took up execution of five parks based on project reports prepared by them. These parks were to be completed between April 2002 and March 2004.

The details of five out of six parks taken up for execution, GOI sanction, project cost, actual expenditure envisaged benefits, expected and actual revenue earned etc. as on 31 March 2005 are given in ***Annexure-18***.

The deficiencies noticed in execution of the scheme are discussed below:

Out of these five parks, common facilities were completed for the parks at Mandsaur, Babai-Pipariya and Borgaon. In respect of the park at Nimarni warehousing and testing lab facilities were completed. In respect of the park at Maneri taken up for execution in March 2003, the works of common facilities were not yet started. No industrialist has been allotted plots in any park. The

---

* *Concession in premium Rs.1.82 crore + premium of area under powerline Rs.0.59 crore = Rs.2.41 crore (IPCA) + Rs.1.82 crore of SRF).*

* *Jaggakhedi, Nimarni, Babai-Pipariya, Borgaon, Maneri and Malanpur.*

AKVNs spent Rs.31.26 crore up to March 2005 on these parks. The expected earnings of Rs.14.61 crore by 31 March 2005 by these parks were not achieved so far (August 2005).

Setting up of parks on the basis of unrealistic project report

2.2.23 The parks taken up for execution were based on unrealistic project report as noted below:

- The project reports for the food processing park at Jaggakhedi and Nimrani were based on production of vegetable for 1993-94 and 1994-95 without considering the market potential for the latest period preceding the sanction i.e. December 2000 (Jaggakhedi) and September 2001 (Nimrani);

- The same project report for Jaggakhedi was adopted for the parks at Nimrani and Babai-Pipariya without taking into account market realities of the area;

- The project report for the park at Jaggakhedi envisaged that the estimated demand of 2 lakh litres of water a day could be met as the park would supply water upto 5 lakh litres of water/day. It was noticed that the Company had given the cold storage plant to one industrial unit on lease. The unit complained that the availability of water was not sufficient to meet its requirement. This indicates that availability of water was not ensured before taking up development of the park.

- The project report for installing testing lab and R&D equipments for food processing park was based on the assumption that these facilities could be availed by various industries like leather, cement, pharmaceauticals and metallurgical industries, paints, dye stuff etc. Inclusion of these categories of industries for setting up food processing parks lacked justification. The market potential for testing laboratory was projected to be the same for all the food parks citing the above factors;

- Further, the project report assumed that creation of testing lab facilities would cater to the needs of industrial units in the States like Uttar Pradesh, Rajasthan and Gujarat. The Company's expectation that industries in these States would approach the food processing parks for these facilities was unfounded.

The food processing parks set up on the basis of these assumptions consequently proved to be unsuccessful.

Wrong selection of site

2.2.24 The food parks are to be located near the area where fruits and vegetables are grown so that quality and cost are not affected during transportation. It was noticed in audit that the food park set up by AKVN Indore at Jaggakhedi was situated in a remote area about 10 km away from the district headquarters Mandsaur.

Similarly, AKVN, Bhopal decided to set up a park in an area of 50 acres of land. As this much land was not available in one locality, 32 acre in Pipariya and 18 acre in Babai were considered and the park as Babai-Pipariya was proposed and got approved. As the cold storage and warehousing facilities were created only in Pipariya and the distance between Babai and Pipariya was around 40 kms, the needs of processing industries in Babai were not met.

Thus, due to extra cost and risk involved in transportation, no industrialist was ready and willing to avail the cold storage and warehousing facilities.

Setting up of park without considering the cultivation of crop

2.2.25 AKVN, Indore set up a cold storage plant in FPIP at Jaggakhedi, District Mandsaur with a capacity for 6000 MT. It was noticed in audit that agriculture production in District Mandsaur is the lowest (2.5 percent) among the districts of the region. Cultivation of potato – the main produce to be stored in the cold storage was only 600 MT according to the Detail Project Report (DPR) as noted below:

(Production in MT)

Crop	Mandsaur	Ujjain	Ratlam	Dewas	Shajapur	Total
Potato	600	43700	6400	48600	43500	142800
Gur	900	1400	4500	7400	4300	18500
Onion	3300	6900	16400	6700	13900	47200
Chilli	600	100	600	100	100	1500
Total	**5400**	**52100**	**27900**	**62800**	**61800**	**210000**

Even if the entire produce of all crops (5400 M.T.) in this district was stored (without sale or local consumption) the storage capacity would not be fully utilised. Had the park been set up in other districts viz. Dewas (potato production-48600 MT) or Ujjain (43700 MT) having real potential, the expenditure would have yielded fruitful results.

Further, the project report for the park was prepared based on enquiries received from 21 industrial units. Interestingly, the Company did not conduct any survey on cultivation/production of tomato in the five districts of the region, though this is one of the important crops requiring cold storage facilities. It was observed in audit that out of these 21, only three units (tomato) could avail the benefit of cold storage while others were dealing in products not requiring such facilities (like *papad*, *dal*, *maida*, noodles, *besan* etc.).

Thus, setting up of a park with cold storage facilities without considering the actual production of crop and market potential led to the facilities remaining unused.

Incomplete infrastructure facilities

2.2.26 Availability of water and electricity are the basic needs to run cold storage plants. It was noticed in audit that :

- Cold storage plant at Jaggakhedi could not be put to use as the availability of water in summer in the area was not adequate to meet the requirements;

- No provision was made for HT line/sub station for electricity in the project report for Babai-Pipariya park set up by AKVN, Bhopal. Thus, the Company would have to incur further expenditure of rupees one crore in this regard as the existing HT line was nearly 1.25 km away from Pipariya;

- No provision for electricity was made in the estimate for the park set up at Nimrani by AKVN, Indore. The cost of this work is estimated at Rs.72 lakh;

- The park at Borgaon set up by AKVN, Jabalpur in February 2004 could not be put to use as the Company has not applied for electricity connection so far (August 2005) for reasons not on record.

Delay in completion of parks

2.2.27 The five food processing parks were to be completed between April 2002 and March 2004. The parks at Jaggakhedi, Babai-Piparia and Borgaon were completed after delays of 21, 19 and 11 months respectively. The park at Nimarani scheduled to be completed by September 2002 was not completed so far and in respect of park at Maneri taken up for execution in March 2003, the work of common facilities have not yet been started (September 2005) for reasons not on record. The delay in completion of parks led to delay in industrialization and the benefits thereof.

AKVN, Jabalpur stated (August 2005) that there was ample scope for setting up of park at Maneri as six large and 40 small scale industrial units had already been set up. The reply was not convincing because had it been the case, the Company should have completed the park by June 2004, while it has not yet started the work (August 2005). Further, it appointed consultants for cold storage, warehouse and milk chilling plant only in March 2005 i.e., after delay of 24 months.

AKVN, Bhopal stated (August 2005) that the warehouse and cold storage were leased out on hire basis for Rs.3.70 lakh and Rs.16 lakh respectively. As it was a Central Government scheme and grant was released in instalments, time schedule could not be adhered to. The reply is not tenable as (a) hiring out the facilities was not the objective of the scheme (b) no agreement for lease with the unit was entered into so far and (c) electricity connection was not obtained by the Company so far (September 2005).

Loss of warranty-period advantage

2.2.28 The delay/failure of the AKVNs in putting the facilities of cold storage and milk chilling plant resulted in lapsing of warranty cover on the plant and machinery. Thus, the AKVNs by their delay, denied the facility of free repair/replacement/service of equipments.

AKVN, Bhopal stated (August 2005) that as it had not finalised the completion reports of cold storage, the question of lapsing of warranty did not arise. The reply is not tenable because inasmuch as the work was completed, the finalisation of report was only a formality and not a ground for extending the warranty period of equipments which lapsed.

Failure to attract entrepreneurs

2.2.29 Having set up Food Processing Parks, AKVNs should have taken serious steps for immediate use of the facilities by attracting industrialists so that the idling period could be minimised and expenditure on parks yielded benefits. It was noticed in audit that AKVNs did not take steps to (a) complete basic infrastructure facilities like supply of water, electricity and testing laboratory; and (b) Identify prospective entrepreneurs for allotment parks.

AKVN, Jabalpur stated (August 2005) that industrialists were being approached through conference, e-mail. It decided to take up construction of Research and Development (R&D) laboratory, Effluent Treatment Plant after establishment of some food processing industries. The reply is not tenable because the approach through conference/seminar should have preceded the setting up of the park. Further, unless the infrastructure facilities are complete no industrialist would be willing to set up the unit.

Diversion of grant received for execution of food park

2.2.30 AKVN, Jabalpur got released (March 2003) rupees two crore out of the grant of rupee four crore from GOI for setting up of food park at Maneri. Instead of utilising the grant for this purpose, the Company invested the amount in term deposit for reasons not on record. As a result, it could not obtain the balance grant of rupees two crore from GOI. Thus, the common facilities envisaged in the project could not yet be started (August 2005).

Deficient planning coupled with failure to provide basic infrastructure facilities resulted in the expenditure of Rs.31.26 crore remaining unproductive.

Thus, deficient planning coupled with AKVNs' failure to provide basic infrastructural facilities like electricity, water supply and unprofessional execution of the parks resulted in the expenditure of Rs.31.26 crore remaining unproductive. Besides, this did not prove to be an incentive for prospective agro-based entrepreneurs to set up their industrial units as they could not derive any benefit. Above all, neither the expected revenue nor employment generation could be achieved, thereby defeating the objective of setting up of these parks.

Integrated Infrastructure Development Centres

2.2.31 Pursuant to policy measures for promoting and strengthening of small, tiny and village industries in rural/backward areas, the GOI, Ministry of Industries introduced (1994) a scheme to set up Integrated Infrastructure Development (IID) centres with the objective to :

- promote cluster of small scale and tiny units to create employment opportunities and linkage between agriculture and industry
- provide common service facilities and technological back-up services; and
- create infrastructure facilities like power, water, communication etc. in the new/existing industrial areas.

The scheme was envisaged to be financed through grant by GOI (40 per cent), loan by SIDBI[*] (60 per cent) for a project up to rupees five crore. The cost in excess of rupees five crore would be financed by the State Government. The project cost includes cost of land, laying and leveling road, water supply, power, drainage etc. (Rs.3.05 crore) common facilities–post office, conference hall, bank, raw material depot, canteen (Rs.50 lakh) Effluent Treatment Plant (ETP) (Rs.50 lakh) telecommunication (Rs.50 lakh) and building for common service (Rs.45 lakh).

During 2000-05, AKVNs Indore, Jabalpur and Gwalior set up six IIDCs involving 1204 plots [ψ] of which only three plots were allotted to industrial units. Against expected employment generation for 14683 persons and revenue of Rs.12.05 crore by 31 March 2005, the achievement was negligible (Rs.0.12 crore) ***(Annexure-19)***. The AKVNs incurred Rs.8.79 crore[℘] on these IIDCs (including Rs.2.08 crore on the centre at Nadantola prior to 1998).

The deficiencies noticed in audit are discussed below:

---

* *SIDBI- Small Industries Development Bank of India.*

ψ *146+261+199+358+112+128=1204.*

℘ *1.97+1.16+0.44+2.27+0.36+0.51=6.71+2.08=Rs.8.79 crore.*

Absence of field study /survey

2.2.32 As per criteria prescribed by GOI for selection of IID centres, the selection should be preceded by a comprehensive potential survey of the area. Potentiality for small scale and tiny industrials should be clearly established with organic linkages between agriculture and industry. It was, however, noticed in audit that AKVNs did not conduct any survey/field study of prospective industrial units that would avail the benefit of these centres. No study was made on the likely small scale or cluster of units nor any enquiries, expression of willingness etc. obtained from existing industries. As the centres were formed without assessment of demand, AKVNs could not identify potential industrial units and the centres remained largely idle.

Lack of monitoring and evaluation study

2.2.33 As per the scheme, AKVNs were required to conduct concurrent and *post facto* evaluation studies to take corrective measures. It was observed in audit that out of 1204 plots developed during 2000-05 by the AKVNs in six IID centres, only three plots were allotted up to 31 March 2005. Still, the AKVNs did not conduct any study or review their performance to assess the reasons for the negligible demand nor took corrective steps. Consequently, the centres set up at a cost of Rs.8.79 crore continue to remain idle with their draw backs/ deficiencies like absence of common facilities remaining unattended.

Delay in taking up the scheme

2.2.34 GOI had announced the scheme of IIDC for small scale and tiny industries in March 1994. Three AKVNs, however, started implementing the scheme only between September 2000 and November 2003 and thereby delayed the development of infrastructure facilities for these categories of industries by six to eight years.

Failure to provide common facilities

2.2.35 GOI guidelines stipulated that the centres should have access to basic facilities like telecommunications, Effluent Treatment Plant, building for common service facilities to the extent of 40 per cent i.e. Rs.2.00 crore. It was, however, observed in audit that the project estimates for IIDC at Jaggakhedi, Nimarani, Lamtara and Jaderua did not include any provision and the estimate for Naugaon and Pratappura included insufficient provision for these facilities. Failure of AKVNs to provide common facilities envisaged in the scheme resulted in the entrepreneurs not being attracted to the centres.

Absence of time schedule

2.2.36 The project reports of AKVNs did not indicate any time frame for completion and as a result even after two to five years, the centres except center at Lamtara were not completed. As a result, the expected benefits of the scheme could not be derived as yet.

Non utilisation of loan drawn for the scheme.

2.2.37 It was observed in audit that AKVN, Indore received (November 2002) loan of rupees one crore from SIDBI for the centre at Jaggakhedi and refunded (February 2003) the same with interest (Rs.4.03 lakh) without utilising the loan. The reasons for refund without utilisation were not on record.

Failure to draw loan assistance

2.2.38 As per the scheme, 60 per cent of the amount i.e. rupees three crore would be availed as loan from SIDBI.

It was noticed in audit that AKVN, Gwalior did not provide for loan assistance from SIDBI in their project report and AKVN, Jabalpur did not receive any loan from SIDBI.

AKVN, Jabalpur stated (August 2005) that the remaining work would be completed on receipt of funds from the State Government. The reply is not convincing because the scheme was to be implemented from funds from GOI (grant) and SIDBI (loan) in the ratio of 2:3, which was not availed.

Setting up of more centres without identifying entrepreneurs for the already developed centres

2.2.39 AKVN, Gwalior took up for execution one IID centre at Nadantola in May 1997 and incurred Rs.2.08 crore on construction of roads, culverts drains (Rs.1.15 crore) and common facilities (Rs.51.45 lakh) water resources and distribution (Rs.3.73 lakh) and contingencies (Rs.28.40 lakh). However, for reasons not on record, the Company did not complete the scheme even after eight years. Consequently, it would have to incur additional expenditure on these items, as the infrastructure created eight years ago may have deteriorated/got damaged.

Without taking steps to complete the scheme, taking corrective action therefor, and also identifying prospective entrepreneurs, AKVN, Gwalior started implementing three more IID centres at different places and spent further Rs.3.14 crore and developed 598 plots of land out of which only three plots were allotted (August 2005). The remaining plots could not be allotted as the common facilities as per the scheme were not created by the Company. As a result, the entire expenditure of Rs.5.22 crore remained unproductive.

AKVNs' failure to provide common facilities and identify prospective entrepreneurs resulted in the expenditure of Rs.8.79 crore remaining unfruitful.

Thus, AKVNs failure to (a) approach the issue professionally adhering to the guidelines of Government of India (b) assess market potential and (c) identify prospective entrepreneurs, resulted in expenditure of Rs.8.79 crore remaining unfruitful. This defeated the objective of forming clusters of tiny units under the scheme.

Conclusion

The AKVNs neither evolved any long term plan or strategy for acquisition of land nor did they fix annual targets in this regard. No new growth centres were identified by the AKVNs during the last five years ended 31 March 2005, and such centres identified before 1990 were not completed even by March 2005. There were delays in acquiring and developing land, providing infrastructure facilities and allotting developed plots to industrial units mainly due to failure to attract prospective entrepreneurs. There were instances of loss of revenue due to non/less charging of additional premium. Implementation of the Central Government schemes was not professionally managed as special economic zone, food parks and Integrated infrastructure development centres were set up without proper survey/field study after assessing market demand and without synchronising various stages of implementation. There was laxity in collecting dues from industrial units and funds meant for infrastructure facilities were diverted. These deficiencies/lapses/ shortcomings resulted in denial of the scheme benefits to the targeted category of industries or clusters of units, loss of revenue, non-generation of employment and thereby returns to the State Government/ Companies. This defeated the objective of speedy and wider industrialisation of the State.

Recommendations

In view of the above, concerted efforts should be made by the AKVNs for

- acquiring land, developing identified growth centres, and allotting the developed plots; and
- completing the allotment of plots under SEZ, Food Parks and IID centres on priority and making use of them by attracting entrepreneurs.

These efforts should be according to a time bound programme to speed up the pace of industrial development in the State.

The above matters were reported to Government (July 2005); its reply had not been received (September 2005).