TWO HUNDRED AND NINETEENTH REPORT

PUBLIC ACCOUNTS COMMITTEE (1984-85)

(SEVENTH LOK SABHA)

DISTRICT INDUSTRIES CENTRES PROGRAMME

MINISTRY OF INDUSTRY
(DEPARTMENT OF INDUSTRIAL DEVELOPMENT)

Presented to Lok Sabha on——————
Laid in Rajya Sabha on——————

LOK SABHA SECRETARIAT
NEW DELHI

July, 1984/*Asadha*, 1906 (*Saka*)

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CORRIGENDA TO 219TH REPORT OF THE PUBLIC ACCOUNTS COMMITTEE (1984-85)

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INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this 219th Report of the Public Accounts Committee (7th Lok Sabha) on Paragraph 35 of the Report of Comptroller and Auditor General of India for the year 1981-82, Union Government (Civil) on District Industries Centres Programme.

2. The Report of the Comptroller and Auditor General of India for the year 1981-82, Union Government (Civil) was laid on the Table of the House on 15 April, 1983.

3. The District Industries Centres Programme was launched in May, 1978 with an aim to decentralise industrial planning to suit the endowments and needs of each district and to bring about an inter-disciplinary approach to help establish and efficiently run industrial units in the small scale sector. If implemented well, the programme could have achieved not only rapid production growth but also large employment generation. The Committee's examination of the implementation of the programme has left them with the feeling that it has been inhibited by lack of direction and coordination. The institutional and other infrastructures needed are not yet fully available. The Action Plans of the DICs which are basic to implementation of the programme have evidently been prepared in most cases without adequate survey of the areas. Besides, specific targets to be achieved from year to year have not been laid down in the Action Plans. There is no effective monitoring of the functioning of the industrial units set up by the DICs with a view to taking appropriate measures to ensure that they functioned efficiently The units have not been assured of supply of inputs, chiefly raw materials and finance, nor are there uniformly well developed marketing outlets. The main objective of providing under one roof all services and facilities required by entrepreneurs has not been realised. Nevertheless, the Committee hope that on the basis of this Report steps would be taken to revamp the programme and put it on a sound footing.

The ultimate test of the success of the district industries centres is their impact on the economy of the country in terms of value added and employment generated. The Committee have, therefore, stressed in particular, the need for effective monitoring, *inter alia,* to assess the impact of the programme on the economy in terms of output and employment generated by the industrial units established by the District Industries Centres and to take steps to achieve their steady growth.

The Public Accounts Committee (1983-84) examined the Audit paragraph at their sittings held on 23 September, 1984 (AN) and 15 February, 1984 (AN).

4. The Committee considered and finalised this Report at their sitting held on 4 June, 1984 based on the evidence already taken and written information furnished by the Ministry of Industry. The Minutes of the sittings form Part II* of the Report.

5. For reference, facility and convenience, the observation and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix IV to the Report.

6. The Committee place on record their appreciation of the commendable work done by the Public Accounts Committee (1983-84) in taking evidence and obtaining information for the Report.

7. The Committee would like to express their thanks to the officers of the Ministry of Industry for the cooperation extended by them in giving information to the Committee.

8. The Committee also place on record their appreciation of the assistance rendered to them in the matter by the office of the Comptroller and Auditor General of India.

NEW DELHI;
July 2, 1984
Asadha 11, 1905 (*s*)

SUNIL MAITRA,
Chairman,
Public Accounts Committee

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REPORT

DISTRICT INDUSTRIES CENTRES PROGRAMME

Audit Paragraph

1.1 The Audit Para on District Industries Centres Programme as appearing in the Report of the Comptroller and Auditor of India for the year 1981-82, Union Government (Civil), is reproduced as Appendix I of this Report.

I. *Introductory*

1.2 In pursuance of the Industrial policy presented before Parliament on 23rd December, 1977, a programme for setting up District Industries Centres (DICs) was launched by the Government of India (Government) in April 1978, to be operational from 1st May 1978. A DIC was to be set up for every district, under a phased programme, in order to make the district headquarters a focal point for the development of small scale and cottage industries, to shift the emphasis from cities and State capitals to the district headquarters and to provide, under single roof, all services and support needed by small and village entrepreneurs. The main objectives of the DICs were economic investigation of the potential for development of the district, supply of machinery and equipment, provision of raw materials, arrangement for credit facilities, marketing assistance and quality control and research, extension and entrepreneurial training. They were also to coordinate the activities undertaken by Government and other agencies in the field of industries.

1.3 Asked how far these objectives have been achieved, the Ministry of Industry, in a note, have stated:

"The basic objective of setting up of the DICs in the final analysis, has been and continues to be the establishment of industries. DIC is meant to be the focal point or a single window where a prospective entrepreneur can receive or be guided and helped to obtain all the inputs required for the establishment and running of the units. These inputs would include preparation of feasibility report based on investigation, arrangements for supply of machinery and equipments as also raw material, arrangements for financing etc. as also his training. The measure of success of the programme, therefore, would be in the number of units that have been established over the years after the establishment of the DIC. The position in this regard is : 386 units per DIC were established in 1978-79, 715 per DIC in 1979-80, 744 units per DIC in 1980-81, 926 units per DIC in 81-82 and 964 units per DIC in 1982-83. Judged on this basis, it can be stated that the objectives have been met to a very large extent although it can be argued that the performance can still be improved."

1.4 In this connection the then Secretary, Ministry of Industry stated during evidence:

"I personally feel that the objec tive has been fairly well achieved because the number of entrepreneurs who have been helped is considerably large. As many as 3.56 lakh units have been established in 1981-82 preceded by about 2.8 lakhs in 1980-81 and 2.65 lakhs in 1979-80. and 1.33 lakhs in 1978-79. This number has been constantly rising from 1.33 lakhs in 1978-79 and though I don't have this year's figures but I feel it may reach to about four lakhs in 1983-84. This is the ultimate thing which should reflect the failure or success of the scheme. From that point of view, I would say it has started working well."

1.5. In reply whether the Ministry of Industry were satisfied with the working of the programme so far and what suggestions they have to make for the full achievement of the objectives underlying the launching of the DIC Programme, the Ministry have stated:

"Considering that the actual implementing agencies are the State Governments, the programme has made good progress in spite of the complexities involved and the high degree of co-ordination needed amongst the large number of agencies both Governmental and non-Governmental. If the programmes as conceived were to be implemented in letter and spirit not only by the State Governments, but the banking and financial institutions as well then, in the opinion of the Ministry it would not suffer from any deficiency.

The shortcoming if it could be so called, is that various State agencies and other institutions have not universally delegated enough authority and power to the DICs which would make the DICs an effective single window where most, if not all, the in-puts required by the unit would be available. If more liberal delegations of authority were to be made to the DICs they would be able to play a much more effective role."

1.6 Regarding the present position of setting up of DICs in all the districts, the Ministry of Industry have stated in a note:

"The present position is that 6 districts of Karnataka which were left to be covered have been covered under the DIC programme. Sikkim has 4 districts which are very small in size with small population and the State Government proposed for the DIC to cover all the 4 districts, which was sanctioned to them. The State Government want to continue that position. The proposal for setting up of a DIC in Union Territory of Lakshadweep has so far not been received from the UT Administration. Lakshadweep UT has a very small population scattered over a number of small islands. Industrial potential is limited. However, the matter is again being taken up with the Union Territory Administration."

1.7 In the Industrial policy announced in Parliament on 23rd July 1980, it was stated that the DICs programme had not produced benefits commensurate with the expenditure and it was proposed to initiate more effective alternatives. After a close scrutiny of the work done in five selected DICs. (one from each region), it was decided (August 1981) to restructure the DICs. The restructured DIC would consist of 1 General Manager and 4 Financial Managers (3 for economic investigation, credit and village industries, and one for any other area such as raw materials, infrastructure, marketing, training, information, at the discretion of State Government), and upto 3 project managers in disciplines considered relevant to the needs of the district. The State Governments were to complete the reorganisation of the DICs by 31st October, 1981 so that the impact of the re-orientation of the DICs, could be felt in the financial year 1981-82 itself.

1.8 When asked if any evaluation of the DIC programme was made before announcing the above policy and if so, the shortcomings which came to the notice of the Government, the Ministry of Industry have stated:

"In the wake of monitoring at different levels it was observed that the DICs were mostly functioning as an extension of the Directorate of Industries at the district level and not as a hub of promotional activities and were not able to provide a new thrust to the task of generating industries in rural areas, as expected. After the announcement of the Industrial Policy Statement in July 1980 an intensive review of DIC programme by high level teams consisting of representatives of Ministry of Industry, Commerce, Rural Re-construction, RBI and State Governments was undertaken. The review teams while appreciating the concept of DIC programme confirmed the thinking of the Government and were of the view that instead of substituting it with another programme and organisation it would be better to make certain changes in its structure so that it could make the desired impact."

1.9 Asked about the latest position of restructuring of various DICs which was to be completed by the end of October, 1981, the Ministry of Industry have stated in a note:

"In the wake of Industrial Policy Statement of July 1980, DIS Programme was reviewed and DICs are being restructured in order to make them more effective by giving them the required technical edge so that they can become nucleus of project activity. Hence the number of Functional Managers is being reduced and in addition technical personnel designated as Project Managers are being appointed. It was initially desired that the restructuring would be completed by October 1981 but due to the problems of redistribution, redeployment and absorption of surplus staff and the hesitation of the State Governments to undertake additional burden in absence of any assurance for the continuance of DIC Programme as a Centrally Sponsored Scheme beyond Sixth Plan, the process of restructuring is getting delayed. However, Ministry of Industry in every forum and through repeated correspondeness are urging the State Governments to complete the process expeditiously. Interactions have already taken place with about 20 States/UTs and the proposals are being scrutinised and finalised. The Secretary (ID) has sent a DO letter to all Chief Secretaries of the State/UT Governments to complete the process of restructuring by the end of September 1983 positively."

1.10 At the Central level, the Small Industries Development Organisation acts as a policy formulating, coordinating and monitoring agency for development of small scale industries. The

National Small Industries Corporation is another organisation at the national level, which is entrusted with the work relating to the development and promotion of small scales industries. Being a State subject, the responsibility for execution of programmes for development of small scale industries mainly rests with the State Government. The state level, there are several organisations, such as Directorates of Industries, State Small Industries Corporations and District Industries Centres which are providing guidance and assistance to small scale industries.

1.11 The Committee desired to know if there was any overlapping of functions at different levels. In reply, the Ministry of Industry have stated in a note:

"The area of small scale industries is a vast one, spread all over the country and there is increasing emphasis on its development. Operationally, it is a subject matter of the States who have created various instruments in the shape of Directorates of Industries, Small Industries Corporations etc. The National Small Industries Corporation is in the nature of an organisation created by the Central Government to prform certain specified functions in this sector. The roles of these organisations are more in the nature of complementarity than of overlapping. District Industries Centre, on the other hand, is the focal point of various activities and acts as a funnel for channelising and coordinating the inputs available on the one side and matching them up with the requirements and needs in various fields of the entrepreneur/industry."

1.12 Asked as to what steps the Ministry would suggest to bring about complete coordination among all these organisations, the Ministry have replied as under:

"Coordination is already being done to the extent possible. However, there are certain constraints like statutory powers of other organisations which they cannot delegate to the DICs without changes in the statute. These can be overcome to a large extent by including the representatives of other concerned organisations at Central, State and district-level Committees of DICs and by ensuring their regular and effective functioning."

1.13 In reply to another question about the precise role of the Central Government in relation to DICs, the Ministry of Industry have stated that DIC is a Centrally sponsored Scheme where the Central Government's role is mainly to help State Governments in accelerating the process of development of small, cottage and tiny industries in the context of national priorities.

II. *Release of funds—Recurring and non-Recurring*

1.14 It is seen from the Audit paragraph that in 1978-79, Government provided a non-recurring grant of Rs. 5 lakhs per centre [cost of building Rs. 2 lakhs cost of capital asets such as office equipment, vehicles (preferably diesel-operated jeeps), furniture and fixtures Rs. 3 lakhs]. The State Governments were to divert funds from the provision for capital assets towards construction of building to meet the excess on account of higher cost of construction. A grant of Rs. 3.75 lakhs per annum per centre was provided by Government for recurring expenses, to be matched by a grant of Rs. 1.25 lakhs from the State Government. Cent per cent funds were also provided by Government for promotional schemes, incentives and loan assistance to small and cottage units. From 1979-80, the pattern of assistance was revised and funds were to be provided equally by the Central and State Governments for all components of the scheme.

1.15 Asked about reasons for revising the pattern of assistance, the Ministry of Industry have stated:

> 'The pattern of assistance was revised by the National Development Council in 1979 because substantial amount of Central pool funds were transferred to the State Sector. Several Central and Centrally-sponsored schemes were transferred to the State Sector along with this transfer of funds. For the Centrally-sponsored DIC programme, the pattern of assistance was revised to 50 : 50 basis."

1.16 When the Committee desired to know how the Ministry of Industry ensured that the matching grants were being provided by the State and that there were no unspent balance with the State Governments, the Ministry have replied:

> "In the expenditure statement received from State Governments, information relating to Central as well as State contribution is reflected. To the extent of only 50 per cent of the total expenditure subject to ceiling and looking to their budget provision, Central funds are released by the Ministry of Industry. Unspent balances are

located when the actual expenditure statements furnished by State Governments are available and these unspent balances are adjusted against the subsequent Year's release."

1.17 When asked about the steps taken to prevent excess release of funds to State Governments, the Ministry of Industry have stated in a note as follows:

"We have been releasing Central funds at one time for the first two quarters of a year most of the times on *ad hoc* basis and to have a closer watch on the expenditure, most of the times we have been releasing funds at less than pro-rata basis. For the 3rd and 4th quarters, the funds are being released generally at one time before the end of the financial year on the basis of the actual expenditure for the first three quarters and estimated expenditure for the last quarter of the year furnished by the State/UT Governments. Release for the 3rd quarter is not done separately because of the fact that most State/UT Governments do not furnished the actual expenditure statement for the first two quarters in time. This also enables us to have a close watch of the expenditure for the first three quarters of the year.

The item-wise actual expenditure during the previous years as furnished by the State/UT Governments is taken into account in order to arrive at over-payments and under-payments made to them. The actual expenditure for the first three quarters is examined in the light of the pattern of assistance and estimated expenditure for the last quarter is examined on the basis of the pro-rate monthly expenditure probable lumpsum expenditure to be made at the end of the year, pattern of assistance etc. On the basis of these, accepted estimates of the expenditure for the entire year are arrived at. Against this, over-payments and under-payments of the previous year and the *ad-hoc* pro-rate basis releases made during the year are adjusted and then net release is made. So, whatever balances remain are due to the divergence between the estimated expenditure and actual expenditure incurred by State/UT Governments in the last quarter of the on-going year, as also due to the saving out of *ad-hoc* release made for the first two quarters."

1.18 The Audit paragraph point out that the Financial Assistance provided by Government to the State Governments/Union Territories during the period from 1978-79 to 1980-81 was as follows:—

Year	Non-Recurring grants	Recurring grants	Grants of promotional Schemes	Total grants	Loans	Grand Total
			(Rs. in lakhs)			
1978-79	1,411·20	430·86	58·56	1,900·62	700·00	2,600·62
1979-80 . .	151·50	582·00	141·20	874·70	212·56	1,087·26
1980-81	Nil	300·37	80·18	380·55	159·44	539·99
	1,562·70	1,313·23	279·94	3,155·87	1,072·00	4,227·87

The expenditure incurred out of the grants released by the Central Government was as follows:

Year	Non-Recurring	Recurring	Promotional Schemes	Total	Loan	Grand Total
			(Rupees in lakhs)			
1978-79	744·18	293.87	47·96	1,086·01	322·46	1,408·47
1979-80	371.52	450·63	47·84	869·99	273·87	1,143·86
1980-81	128·45	616·07	68·54	813·06	294·98	1,108·04
	1,244·15	1,360·57	1,64·34	2,769·06	891·31	3,660·37

1.19 It is seen from the Audit paragraph that unspent balances remaining with the State/Union Territories out of the Central Releases (reurring and promotional schemes) in the previous years amounted to Rs. 372.32 lakhs, which had been authorised to be spent during 1980-81 in addition to further releases under recurring grant head and at the end of 1980-81, an amount of Rs. 567.50 lakhs remained unspent with the States/Union Territories. When asked for the circumstances leading to the above unspent balances of Rs. 567.50 lakhs remaining with the States/Union Territories in spite of the above instructions/procedure, the Ministry of Industry have stated:

"The unspent balances at the end of 1980-81 were to the tune of Rs. 566.21 lakhs as per our records, comprising of

Rs. 65.14 lakhs under recurring grant head for establishment and promotional Schemes, Rs. 320.37 lakhs under non-recurring grant head meant for construction of DIC buildings, purchase of vehicle, furniture, equipments, etc. and Rs. 180.70 lakhs under loan head to be used as Seed/Margin Money. It may be mentioned that the unspent balances under recurring grant head which is really relevant from the point of view of unspent balances is very small if seen against the amount released upto 1980-81 which comes to Rs. 1593.17 lakhs. It may further be mentioned that the unspent balances unde this head declined to 'Nil' (in fact under-payments) at the end of 1981-82.

The Non-Recurring grant of Rs. 5.00 lakhs per DIC was not intended to be released over a period of time. The unspent balances may be seen as against the total releases made under this head amounting to Rs. 1562.70 lakhs. The unspent balances under this Head relate to funds meant for construction of DIC buildings while funds under this head for other components have already been utilised...Ministry have permitted from year to year the State UT Governments to utilise the unspent balance during the subsequent year, since non-recurring grant is an one-time grant and Ministry did not want them to surrender the balance amount and again re-sanction it to avoid many other budgeting complications. However, we are persuading the State Governments to expendite the construction of DIC buildings and State Governments have taken effective steps to expedite the construction."

1.20 The State-wise position of unspent balances as at the end of 1981-82 as furnished by the Ministry of Industry is given below:

(Rs. in lakhs)

Name of the State	Non-Recurring Grant	Recurring Grant	Loan
1. Andhra Pradesh	9·03	+0·75	18·85
2. Assam	7·85	+1·51	4·68
3. Bihar	96·52	+20·04	20·02
4. Gujarat	Nil	Nil	6·60

1	2	3	4
5. Haryana	20·03	1·24	5·37
6. H. P.	+2·96	0·45	12·31
7. J. & K.	+7·56	+8·32	2·07
8. Karnataka	11·33	2·39	21·15
9. Kerala	Nil	Nil	2·20
10. Madhya Pradesh	15·00	2·32	68·24
11. Maharashtra	Nil	10·00	50·85
12. Manipur	Nil	Nil	0·50
13. Meghlaya	+3·00	7·22	6·62
14 Nagaland	Nil	+0·97	8·91
15. Orissa	0·63	+4·31	Nil
16. Punjab	9·19	10·15	7·14
17. Rajasthan	39·64	+10·32	11·68
18. Sikkim	Nil	0·59	2·50
19. Tripura	5·96	2·45	3·71
20 Tamil Nadu	Nil	4·97	+0·04
21. U.P.	50·77	+3·85	1·70
22. West Bengal	8·23	1·54	+0·45
Total	274·18	43·33	255·10
	+13·52	+54·54	+0·45
Net Total	260·66	+11·21	254·61

Note : +indicates over-spending or excess expenditure.

It may be mentioned that these unspent balances except those under non-recurring Grant Head had been adjusted with releases made at the year-end of 1982-83. The unspent balances under recurring grant is reduced to Nil at the end of 1981-82."

1.21 In this regard, the Ministry of Industry have informed the Committee as under:

"Under non-recurring Grant Head, the State/U.T. Governments are being persuaded and pressurised to complete the construction of DIC buildings at the earliest, since a part of the non-recurring grant is meant for construction of DIC buildings and the unspent balances relate to that portion of funds for construction of DIC buildings. Ministry had given a dead line *i.e.*, 31-3-1983 by which Central non-recurring grant meant for construction of office buildings has to be utilised failing which the unspent balances would have to be surrendered to the Central Government or balance amount woud be adjusted against recurring grant. Only in exceptional cases with genuine difficulty Ministry may consider further relaxation of time limit. The time limit of 31st March, 1983 implies that after receiving the actual expenditure statement for 1982-83, necessary adjustment would be made at the time of year-end release of 1983-84."

1.22 The Ministry of Industry have given the following reasons for unspent balances of Rs. 180.69 lakhs lying under loan Head:

"Direct loaning under the erstwhile RIP pattern to small entrepreneurs and artisans was integrated with the DICs when initiated in 1978-79. Planning Commission desired discontinuance of the Direct loaning with effect from 1979-80 and suggested utilisation of DIC loan funds entirely as Seed/Margin Money. The Seed/Margin Money Scheme by then was not found to be helpful to artisans and small entrepreneurs. The sudden discontinuance of the direct loaning had a major bearing on accumulation of unspent balance under loan head. Secondly, the terms and conditions of DIC Seed/Margin Money are different from those in vogue in the State Plans. Central Seed/Margin Money Scheme was transferred by the Planning Commission to State Plans with effect from 1979-80. The matter regarding modification of Central terms and conditions for Seed|Margin Money has been considered in the last Central Coordination Committee meeting held in May, 1983 and necessary measures are being adopted in this regard to make them correspond to terms of State Margin Money Scheme.

It may, however, be mentioned that so far as the Central Government are concerned, these loans are given not to individual DICs or to individual borrowers but to the State/UT Governments as such. Along with other Central loans, this loan is taken into account by the Reserve Bank of India and the Central DIC loan is paid back by the State/UT Governments with interest.

With regard to loan funds it is worth mentioning that the States having considerable unspent balances were not given loan funds during the year-end releases in 1982-83. For the *ad hoc* releases to be made for the first two quarters of the current year, loan funds would be released keeping in view the unspent balances.

The terms and conditions of Seed/Margin Money are also being re-considered."

III. *Construction of Buildings for DICs*

1.23 It is seen from the Audit Paragraph that out of 269 DICs sanctioned during 1978-79 to 1981-82, covering 15 States, construction of buildings had been completed in respect of only 112 DICs. The Ministry of Industry have informed the Committee that out of 395 DICs sanctioned, buildings have been completed in 256 DICs upto 31 December, 1983. (State-wise break-up is given in Appendix II). However while replying to Unstarred Question No. 5320 dated 28 March, 1984, the Minister of State for Industry informed the Lok Sabha that the buildings in regard to 287 DICs were completed upto 31 December 1983. The Statewise discrepancies according to the reply furnished to the Committee by the Ministry and the answer given by the Minister of State in Lok Sabha are as follows:

Name of the State/Union Territory	No. of sanctioned	No. of DIG buildings cómpleted upto 31-12-83.	
		Information given by Industry Ministry	reply given the by the Minister of State
Gujarat	17	13	15
Maharashtra	29	19	20
Meghalaya	5	2	3
Punbab	12	7	12
Rajasthaq	26	12	24
Tripura	3	Nil	2
U.P.	56	47	54

1.24 The Ministry of Industry have given the following reasons for delay in construction of DIC building.

"(i) The original estimate of Rs. 2 lakhs for a DIC Office building out of a total estimate of Rs. 5 lakhs for capital expenditure per DIC was not sufficient. Even after we permitted the State Governments to adjust the excess expenditure on buildings with the saving, if any, out of the funds meant for purchase of vehicles, furniture and equipment, it was difficult for the State Governments to effect a saving in the latter. The construction cost of the buildings rose sharply from 1979-80 and the cost of vehicles and other equipments also rose as much.

(ii) It is not to be expected that just with the sanction of DICs and funds, the State Governments could start construction of office buildings immediately. They have to take other preliminary steps, such as, acquisition of land, preparation of scheme, inviting tenders etc.

(iii) There are some States/UTs like those of North-Eastern Region, Andaman & Nicobar etc., where the cost of construction is still higher due to relative non-availability of construction materials locally. In fact the sudden escalation of the construction cost is the main reason for delay on the part of the State Governments to construct DIC buildings. It is gathered that State Governments have been incurring heavy expenditure on their own, sometimes as much as Rs. 7 to 8 lakhs, to construct a DIC building since the Central grant is limited to a ceiling.

(iv) As per the guidelines the land has to be given free of cost by the State Governments. In some States like Kerala and in some districts of some States, it is very difficult to find suitable vacant Government land or acquire land.

(v) It may also be mentioned that in 1978-79 the Central non-recurring grant was given on the basis of Rs. 5 lakhs per DIC. With effect from 1979-80, the pattern of assistance changed according to which the Central assistance was limited to 50 per cent of the actual expenditure on this score limited to Rs. 2.50 lakhs per DIC (raised to Rs. 3 lakhs from 1983-84). The DICs were sanctioned in stages. So far those DICs which were sanctioned later, the Central assistance was only to the tune of 50 per cent with a ceiling. As such upto 1981-82 for about 92 DICs, Central assistance has been provided on 50 per cent basis. For these DICs, also money was immediately placed at the disposal of the State Govts. to ensure speedy implementation of this scheme. However, in some cases the State Govts. have been finding it difficult to provide the matching contribution."

1.25 The Audit para points out that in 7 States (Andhra Pradesh, Assam, Himachal Pradesh, Kerala, Maharashtra, Rajasthan and Uttar Pradesh), Rs. 206.61 lakhs remained unutilised with the construction agencies, resulting in blocking of funds. In Madhya Pradesh completed buildings were taken over by the respective General Managers (GMs) of the DICs without getting them technically inspected by authorised agencies. Three DIC buildings which were inspected by the GM after taking over were found to be defective. Asked as to why buildings were taken over in Madhya Pradesh without inspection and what steps have been taken to get the defects rectified, the Ministry of Industry have stated:

"Since Laghu Udyog Nigam is the authorised agency of the State Government, further inspection by any other agency is not necessary. However, various deficiencies in quality and workmanship were brought to the notice of competent supervising authority who have taken steps to rectify defects."

1.26 It is seen from the Audit para that in Rajasthan, construction of DIC buildings was entrusted (April 1978) to Rajasthan State Industrial Development and Investment Corporation (corporation), and funds, to the extent of Rs. 71.50 lakhs (Rs. 9 lakhs in March 1979, Rs. 39 lakhs in March 1980, Rs. 13.50 lakhs in March 1981, Rs. 10 lakhs in March 1982) were sanctioned for the purpose and the total expenditure incurred up to 31st March 1982 was Rs. 35.40 lakhs, leaving Rs. 36.10 lakhs utilised with the corporation. Assigning construction of all the 26 DIC buildings to a single agency, whose normal function was not construction of buildings, contributed to the delay in completion of construction When the Committee desired to know whether construction of buildings fall within the normal activities of Rajasthan State Industrial Development and Investment Corporation, the Ministry of Industry have replied:

"Though RIICO's normal activities do not include construction of building the work was entrusted to RIICO as the Corporation is suitably equipped with a team of technical officers. Moreover RIICO is closely associated with DIC programme and its representative D.D(infra) is a Functional Manager in DIC. Therefore, RIICO was an appropriate choice for undertaking the task of construction of

DIC buildings. The company had suitable complement of staff at the time of accepting the work. The decision to entrust the work of construction to RIICO is not responsible for delay but delay in construction is attributed due to the non-availability of suitable land."

1.27 According to Audit although it was envisaged that the land for construction would be provided free of cost by the State Government, in 3 States (Uttar Pradesh, Sikkim, Karnataka), Rs. 6.85 lakhs were advanced to DICs for enquiring land for construction. To a question if it was not envisaged that the land for construction would be provided free of cost by State Government, the Ministry of Industry have replied in affirmative and stated:

"The Central Government have never released funds on this account. It was made quite clear to the State Governments that the land for the purpose of construction of DIC building would be provided by the State Government free of cost. It is learnt through discussion with the State Directorate of Industries that Central DIC funds have never been advanced by them for purchase of land."

1.28 It is also pointed out in Audit Para that in 2 DICs in Kerala the hired buildings were shared by other organisations-Kerala Financial Corporation (May 1979 to April 1981) and Kerala State Small Industries Development and Employment Corporation (SIDECO) for which proportionate share of rent had not been recovered (February 1982). When enquired about the reasons for not recovering the proportionate share of rent from the Coporation, the Ministry of Industry have replied:

"In Kerala the S.I.D.E.C.O. is occupying about 300 square feet area at DIC Centre, Kottayam out of the total area of about 5000 square feet. They are still continuing. The Kerala Financial Corporation occupied about 1|3rd of the additional space rented out for accommodating the District Industries Centre, Quilon for about a year. They vacated the building in 1980. Rent for the portions occupied by the S.I.D.E.C.O. and Kerala Financial Corporation have not been realised so far. The objective of the District Industries Centre Programme is to make available under a single roof all services required by the entrepreneurs. The S.I.D.E.C.O. and the Kerala Financial Corporation are the premier promotional organisations for Small Scale Industries and the accommodation of the

Branch Offices of these organisations in the District Industries Centre building is in conformity with the above objective."

1.29 Asked whether the Central Government had no responsibility in the matters such as non-inspection of buildings, construction of buildings by such corporation whose normal activities were not construction of buildings etc., the Ministry of Industry have stated:

"Central Government has no direct responsibility in the matter since the implementation of the programme lies entirely in the hands of the State Governments.

Matters like construction of DIC Buildings, and the agency to which this work is to be entrusted inspection of buildings and its takeover etc. lie with them. Shorcomings if any, coming to the notice of the Central Government are pointed out to the State Governments for taking appropriate remedial measures."

1.30 In reply to another question whether there is any proposal for increasing the amount of non-recurring grant for buildings keeping in view the general grievance of being the amount of Rs. 5 lakhs given for the each DIC building too low, the Ministry of Industry have stated:

"From 1983-84, the ceiling of Central assistance under non-recurring grant has been raised from Rs 2.5 lakh to Rs. 3 lakh per DIC provided the State Governments give equal matching contribution. There is no doubt that the building cost has very much escalated during the recent years. But it is also a fact that the State|UT Governments had not utilised the Central assistance given for this purpose during the first two years from the inception of the programme when the building cost was not so high. With these considerations in view the Ministry for the present have no proposal to increase the non-recurring grant for buildings."

1.31 The Ministry of Industry have also assured the Committee that if within 1984-85 all the buildings are not completed, Ministry would think of taking more concrete steps in this regard.

IV. *Purchase of capital assets*

(*a*) *Vehicles*

1.32 The Audit has pointed out that non-recurring grants for purchase of vehicles (preferably diesel-operated jeeps) for DICs were released to the State Governments. The guidelines issued in June 1978 by the Development Commisioner (Small Scale Industries) envisaged that not more than 2 vehicles were to be provided per DIC and vehicle provided under the Rural Industries Project Programme were to be utilised so as to reduce the purchases and the State Governments were advised to have one vehicles in every DIC until the full complement of staff was in position. A total expenditure of Rs. 83.02 lakhs was incurred towards purchase of vehicles for DICs by 8 State Governments|Union Territories (Andhra Pradesh, Assam, Haryana, Manipur, Punjab, Rajasthan, Uttar Pradesh and Arunachal Pradesh). Some States (Andhra Pradesh, Haryana, Rajasthan, Uttar Pradesh) purchased Ambassador cars in preference to diesel-operated jeeps. Haryana and Rajasthan purchased 5 and 2 cars respectively, at a total cost of Rs. 3.75 lakhs.

1.33 Enquired whether the above State Governments, before purchasing cars instead of Jeeps, sought prior approval of the Central Government, the Ministry replied:

> "It may be mentioned that in the Central Guidelines on this matter, it was indicated that Diesel Jeeps may "preferably" be purchased. As such, there is no stipulation that Ambassador cars were ruled out."

The Ministry of Industry have stated in another note:

> "At the time of the initiation of the DIC Programme, the Central Government issued guidelines suggesting to the State Governments that Diesel jeeps may be 'preferably' purchased. But many State Governments reported that they had to wait indefinitely for the supply of Diesel jeeps and again the repair and maintenance cost of Diesel jeeps were reported to be much more than those of Ambassador cars. It was also reported that the life of Diesel jeeps is much less than that of Ambassador cars in place of Diesel Jeeps."

1.34 When the Committee desired to know whether the Ministry of Industry agreed with the above arguments advanced by the State Governments, the Ministry have replied in affirmative and stated that the supply position of Diesel Jeeps eased later on. However, the matter was left to the State Governments to decide.

1.35 It is seen from the Audit Report, that Andhra Pradesh had 22 vehicles for 11 DICs set up during November 1978, although the full complement of staff had not been in position in any of these

DICs. 11 Ambassador cars, 3 jeeps and 8 trekkers were procured during 1979-80 at a total cost of Rs. 11.70 lakhs. Asked as to what was the justification for acquiring 22 vehicles in Andhra Pradesh including 11 Ambassador cars even before the full complement of staff has been placed in position, the Ministry of Industry have replied:

"Whenever a new Scheme is launched, actions need to be initiated simultaneously on various requirements of the programme, such as, recruitment of staff, finding office accommodation, purchase of furniture, equipment and vehicles. It seldom happens that all these requirements are met and synchronised at a fixed point of time. Some components take more time than others and this time lag is not always predictable. Therefore, it may be that in Andhra Pradesh vehicles were received earlier than posting of full complement of staff. After all, vehicles had to be purchased and with the opening of office and with appointment of General Manager and some other skeleton staff, the necessity of vehicles could not be ruled out. It may also be mentioned that during that time vehicles were not available on demand due to tight supply position of vehicles and it may be fortunate for AP that they got them earlier than full complement of staff were in position."

1.36 In this connection the Andhra Pradesh Government have commented as follows :

"By the time the new vehicles were supplied at one to each DIC, minimum complement of staff as suggested by the Development Commissioner, Small Scale Industries, i.e., one General Manager, and 4 Functional Managers were posted in most of the DICs and the implementation of the programme in rural areas had gained momentum and there was also need to put the new vehicles for use...... No more vehicles were purchased to the District Industries Centres even though full complement of staff is working and they were advised to utilise the old RIP vehicles etc. also to the extent available and road-worthy.

Ambassador cars were purchased to the 11 District Industries Centres sanctioned in the first phase as per the Orders issued by State Government *vide* GOMS No. 761 Ind & Com (SSI) dated 3-10-1978 and GOMS No. 56 Ind & Com (RIP) Dept dated 20-1-1979 to facilitate extensive tours by team of officers of DICs in rural areas in connection with the implementation of promotional programme of DIC Scheme."

1.37 The Audit para also points out that the Government of Uttar Pradesh drew Rs. 56.20 lakhs during 1978-79 and 1979-80 and deposited in March 1980 in the personal ledger account of Uttar Pradesh Small Industries Development Corporation, Kanpur. Of this, Rs. 45.82 lakhs were advanced during 1979-80 and 1980-81 to the respective firms for the supply of 63 jeeps and 6 Ambassador cars The delivery of 5 jeeps was still awaited and Rs. 6.07 lakhs were outstanding against the supplier in March 1982. The Ambassador cars were retained by the Directorate of Industries of the State Government for their own use. The comments received from U.P. Government in this regard are as follows:—

"6 Ambassador cars were purchased for the important industrially developed districts of UP with prior approval of the Government of India. Out of this 4 cars were sent to the districts as per instructions and 2 cars were retained at Headquarters for the use of officers at Directorate who are responsible for implementation of the DIC Scheme in the State and keep supervision over the working of DICs which involves frequent visits to districts for inspection and guidance."

1.38 The Ministry of Industry have informed the Committee that 'U.P. Government has since been requested to transfer the 2 cars which are retained at State Headquarters to the DICs'.

1.39 The Committee note that the Central Government issued orders in September 1980 that DICs vehicles should be used for the work of the DICs, except in case of natural calamities (floods etc.). It was, however, observed in test-check by Audit that vehicles purchased for DICs had been utilised for other purposes in some State| Union Territories (Nagaland, Punjab, Rajasthan, Uttar Pradesh, Arunachal Pradesh), although the cost of their maintenance and repairs was borne by the DICs. For example, in Uttar Pradesh and Arunachal Pradesh, the vehicles were used in the Directorate of Industries and in Nagaland, Punjab and Rajasthan these were deployed in other branches of the Department of Industries. For want of vehicles the work of the DICs had suffered in Nagaland and Arunachal Pradesh.

1.40 Asked how the utilisation of the DICs vehicles for other purposes by the Departments of Industries in various States (UP, Arunachal Pradesh, Nagaland, Punjab, Rajashan) has helped in achieving the objectives of the DICs Scheme, the Ministry of Industry have stated:

"Regarding the use of DIC vehicles for purposes other than DIC work, Audit has already noted that Ministry have already advised the State|UT Governments to see that vehicles purchased for DIC should only be used for DIC work except in case of natural calamities and General Elections. In spite of these instructions some State Governments might have been using vehicles for other purposes. Whenever any such matter has come to the notice of the Ministry, concerned State Governments have been requested to take remedial action."

1.41 Stating that the problem is not general in nature, the Ministry of Industry have forwarded the following replies received from State Union Territories Governments in regard to the misutilisation of DIC vehicles:

Punjab

"....All GMs have been instructed to comply with instructions regarding use of vehicles issued by Government of India. There was only one instance i.e. the use Jeep of DIC Ludhiana for a short period of 3 months for expediting the work regarding to United Nations Development Programme implementation at Ludhiana. This also concerns developing technical facilities in small scale industries."

Rajasthan

"DICs have been using the vehicles for implementing the DIC Programme. The monitoring cell of the Directorate is entrusted with the task of overall supervision of this programme for which vehicles has been provided."

Nagaland

"The vehicles provided by the DICs are being used only for the work connected with DICs. On rare occasions the vehicle might have been detailed and deployed for other departmental duties but mostly related to DICs either directly or indirectly ensuring that DIC works are not suffered."

Arunachal

"Jeeps are used for DIC work only".

Uttar Pradesh

"As per Government Orders DICs are to work under the District Magistrates who being the Head of District Administration, utilise DIC jeeps for relief work as well as for other official purposes. The expenditure on maintenance and repairs of jeeps was made out of the Budget sanctioned for DICs for the purpose."

(b) *Furniture, fixtures and office equipment*

1.42 It was seen in audit that some State had diverted items procured under this head to offices other than DICs. In Andhra Pradesh, out of 22 typewriters worth Rs. 0.69 lakh, 19 were kept in store and another 3 provided to offices other than DICs. In this connection the Government of Andhra Pradesh have stated that 'out of the 22 typwriters, 4 typewriters have been supplied during 1980-81 to the District Offices covered under DIC programme subsequently and which were functioning under the control of the Department. Arrangements are now being made to supply the remaining 18 typewriters to the District Industries Centres for whom they were purchased.

1.43 The Audit has also pointed out that in Madhya Pradesh an amount of Rs. 5.50 lakhs, drawn in March 1979 by the Director (Industries) out of non-recurring grant for purchase of office equipment was lying unutilised under 'Civil Deposits'. A sum of Rs. 62.30 lakhs was advanced by the State Government (March 1979) to Madhya Pradesh Laghu Udyog Nigam (MPLUN) for supply of office equipment of which details of expenditure were not available with the Industries Department upto 1982. The Government of Madhya Pradesh have stated that the details of the above expenditure have since been obtained and are available with the Directorate and that the supplies have been made against the above advance.

1.44 The Rajasthan Government purchased furniture worth Rs. 2.07 lakhs, during 1978-79 and 1979-80, out of non-recurring grant, but the same was not supplied to the DICs. In this regard the Rajasthan Government have informed the Committee that 'it is not true to say that the furniture purchased for Rs. 2.07 lakhs out of non-recurring grant was not supplied to DICs. In fact a common stock register had been made at the Directorate for all the purchases and from the Directorate the furniture had been supplied to the DICs.'

1.45 Asked for the reasons for maintaining a comon stock register for the furniture of the Directorate and the DICs, the Ministry of Industry have stated:

> "Since the DICs are the field formation of the State Directorate of Industries and are under the latter's administrative control, it is up to the State Government to decide appropriate procedure for such purposes."

V. Management

(a) *Staffing pattern and recruitment*

1.46 The programme laid emphasis on manning the DICs with personnel of proven ability and adequate experience, having qualities of leadership and organisational ability. The Centres were to be headed by a General Manager of the rank of Joint Director of Industries (or a Senior Deputy Director if found exceptionally suitable) to be assisted by 4 to 7 Functional Managers (FMs), depending upon the requirements of every DIC. The general guidelines issued in 1978 *inter-alia* suggested that the staffing pattern for the DICs would be as follows:

> "General Manager: should preferably be of the rank of a Joint Director of Industries in the State. A senior Deputy Director drawing not less than Rs. 800 (Basic) in the scale may also be considered if found exceptionally suitable.
>
> Functional Manager: may be of the rank of Deputy Directors/Senior Assistant Directors (if found exceptionally suitable).
>
> Depending on the requirements of the districts, the number of Functional Managers may range from 4—7. If necessary the activities of two contiguous districts could be combined under one Functional Manager."

1.47 Asked about the pay scales and the qualifications prescribed for these posts, the then Secretary, Ministry of Industry replied that those would vary from State to State...... There is no guideline from the Centre with regard to educational qualifications relating to General Managers and Functional Managers.

1.48 In reply to another question how the Staff shifted from Cities to Districts for DICs was to be compensated, he stated:

> "One can support this argument that people who go to the least developed places should be given certain incentives.

As an individual I am prepared to express that opinion. But the probiem for the State Government is going to be a resource problem because thousands of people, not only for the industry but also for other purposes, are posted in those smaller places and in that case they have to give the same thing to everybody. That is upto the State Legislature and the State Government to decide."

1.49 From the staffing position of DICs personnel as on 31 December, 1982 in 371 DICs out of a total 395 DICs sanctioned, the Committee find that out of 363 sanctioned posts of General Managers only 344 were in position. There were 1222 Functional Managers against the sanctioned posts of 1676 and against 502 Project Managers suggested by the Development Commissioner Small Scale Industries and 398 proposed by the various DICs. There was not even a single Project Manager in position till 31 December, 1982. In this connection, the Ministry of Industry have informed the Committee as under:

"....the selection and appointment of the staff was left to the State Governments and they were permitted to absorb their Industry Department staff, recruit on contract basis from the open market and take on deputation from other Central/State Government Departments|Undertakings suitable personnel including the Functional Managers to man the DICs. It may be further mentioned that full complement of staff differs from DIC to DIC. From the very beginning, Central Government had flexible approach in this regard since requirements and priorities differed from State to State and from district to district in a State....Again due to difficulties in getting required calibre of personnel some posts of Functional Managers in various States might still be vacant. Barring a few DICs, the staff position is effective....The position has since further improved. In the wake of re-structuring the DICs, the number of Functional Managers has to be reduced. As such, the State Government are not trying to fill up the vacant posts quickly. The State/UT Governments are constantly pursuaded to appoint the full complement of Functional Managers. Union Minister of Industry has himself in February, 1983 addressed the Chief Ministers/Ministers of Industry on this matter. Recently the matter was taken up in the Central Coordination Committee on DIC and a letter has been issued by Secretary (ID) to all Chief Secretaries to expedite the matter."

1.50 Study Group-I of Public Accounts Committee were informed by the representatives of West Bengal Government that the DICs programme in the West Bengal State suffered from the following major constraints:

(i) Lack of management efficiency.

(ii) Lack of critical raw material support.

(iii) Marketing difficulties.

(iv) Lack of adequate financial support.

1.51 It was found that all the States visited by the Study Group in the Eastern Zone except Orissa suffered from the constraint of lack of management efficiency in a big way. The DICs in Assam were badly understaffed at the managerial level. They were not finding proper persons for Functional Managers posts. In Meghalaya there was a serious shortage of staff at the managerial level. Though 3 DICs were functioning in the State, only 2 Functional Managers were in position. There was no Project Manager in any of the DICs. The last DICs loan in the State was sanctioned in December 1979. Thereafter, no application was scrutinised by DICs.

(b) *Training of Staff*

1.52 To ensure that Functional Managers in the DICs have a clear perception of their duties and effectively discharge their responsibilities, the programme envisaged training programmes for them. However, according to the Audit Para, "the requisite training was found to be either partial for the Functional Managers in position in various DICs or no training was imparted at all in some States/Union Territories (Himachal Pradesh, Sikkim and Chandigarh)."

1.53 Asked how Government ensured the efficiency of the DICs in the absence of trained personnel, the Ministry of Industry have stated:

"The Government has given great stress in imparting training to the officers working in the DICs to ensure efficiency. During 1978-79 and 1979-80, training courses in various disciplines of DIC functionaries were organised in reputed Institutions. 227 General Managers and 640 Functional Managers of different disciplines were given training in these courses during the first two years of the launching of the DIC Programme. However, during the next two years, as a result of review of the DIC Programme, the training programmes were suspended.

The training programmes have now begun from the last quarter of 1982-83 during which three training courses for General Managers and one course for Credit Managers were organised. Several courses of Training have been planned for the current year for DIC functionaries. Two courses are to begin from August, 1983. It may be stated that since the number of personnel is very large, the training courses have necessarily to be spread over a number of years."

1.54 The Ministry of Industry have informed the Committee that 276 General Managers and 758 Functional Managers have been trained up to the year 1983-84.

1.55 The Committee desired to know the reasons for not giving training at all in the States/Union Territories of Himachal Pradesh, Sikkim and Chandigarh. In reply, the Ministry of Industry in a note stated:

"15 Functional Managers in Himachal Pradesh were trained during the year 1978-79 and 1979-80. Recently one Functional Manager of Sikkim has been trained. Other Functionaries of Sikkim and Chandigarh will be trained soon....The States/Union Territories with larger number of DICs were given preference during the initial years."

1.56 During evidence the then Secretary, Ministry of Industry stated that 'we feel that there is a need for continuing intensified training.' The Ministry have further informed that:

"The Ministry of Industry is planning to train all the General Managers and Functional Managers by the end of 1984-85."

1.57 When the Committee asked whether Government have visualised of preparing any scheme so as to depute trained personnel on the spot for solving problems faced by the entrepreneurs, the Ministry of Industry have stated:

"So far as DIC Programme is concerned, the General Managers and Functional Managers are expected to be experienced in their respective disciplines. Further training is imparted to them to increase their effectiveness. The purpose is to enable them to serve the entrepreneurs by offering on-the-spot solution to problems faced by them."

VI. *Targets and achievements*

A. *Delegation of Powers*

1.58 According to the Audit Para, the single-windows concept of the programme envisaged delegation of powers to DICs on a wide and reasonable basis. The DICs were to be delegated with administrative and financial powers by the Department of Industry as well as those under Import Trade Control Policy. In 9 States and one Union Territory (Bihar, Himachal Pradesh, Karnataka, Nagaland, Punjab, Rajasthan, Sikkim, Tamil Nadu, Uttar Pradesh and Pondicherry) powers had not been delegated to the DICs by the respective State Governments to enable them to function effectively. Asked as to what steps have been taken by the Government to ensure that their decision rgarding delegation of powers to DICs was implemented by all the States to enable the DICs to function effectively, the Ministry of Industry have, in a note, stated:

"Urged by the Ministry of Industry, substantial powers have been delegated to the DICs by the State Governments in most of the States and by other agencies concerned with decentralised industrial sector. However, the "One Window" concept cannot be pushed to the farthest limit because of existence of certain constraints arising out of statutory compulsions. Under these circumstances, attempt has been made to make the activities of other statutory bodies converge with those of DICs, instead of making the former surrender their statutory obligation. The matter was raised in the last All India DIC Conference and a model delegation of powers was evolved for uniform application throughout the country. The same was approved by the Central Coordination Committee on DICs, and the State/Union Territory Governments have been addressed to consider the implementation of this model delegation of powers at an early date."

1.59 During evidence, it was stated that the Central Government had circulated the model delegation of powers for guidance of States on July 1, 1983. When the Committee desired to know as to in how many States and Union Territories the above model delegation of powers has been accepted and powers have actually been delegated to the DICs as per the above model, the Ministry of Industry have stated:

> "Substantial powers have already been delegated to the DICs in all the States/UTs. However complete delegation of powers according to the model circulated by the Ministry of Industry is under consideration of all the States/Union Territory Governments."

1.60 Asked about the main constraints arising out of statutory compulsions in delegating powers to the DICs, the Ministry of Industry have stated:

> "The issue is that some of the organisations like KVIC, State Financial Corporations, State Small Industries Development Corporations etc. are statutory bodies with their functions statutorily fixed. These bodies cannot delegate these powers to DICs without changing the statute. As for example, the sanction of loans by KVIC is a statutory function. It cannot delegate powers to the DICs without changing the statute even though both are working in the field of village industries."

1.61 However the Union Industry Minister, in his D.O. letter dated 12 March, 1984 to all Chief Ministers etc. has again desired the States to ensure that the delegation of powers is in conformity with these guidelines.

B. *Economic Investigation and preparation of Action Plans*

1.62 One of the objectives of the DICs was economic investigation of the potential for development of the district. The first task entrusted to each DIC was the preparation of an action plan, concentrating on demands, skills and surplus resources of the district. The action plan was to indicate the details of industrial development programmes and needs for organisational support, bringing out various requirements of inputs including financial, entrepreneurial and employment, and production potential separately for artisan-based activities and tiny and small scale units. The Audit has pointed out that out of 382 DICs upto March 1981, 301 had prepared action plans. However, in most of the States/Union Territories (Bihar, Haryana, Himachal Pradesh, Karnataka, Manipur, Nagaland, Rajasthan, Tamil Nadu, West Bengal, Arunachal Pradesh and Chandigarh) action plans had been prepared without proper survey. In this connection the Ministry have informed the Committee that 'Action Plans have been prepared for all the DICs except those sanctioned since 1982-83. Preparation of Action Plans is a continuous process. Action Plans are now being updated by the DICs for which detailed guidelines have been issued by the Ministry of Industry with the objective of preparing development plans for the next five years from 1983-84'.

1.63 Asked whether any economic survey was conducted before preparing Action Plans, the then Secretary, Ministry of Industry stated during evidence:

> "I don't think there was any detailed study done before starting the scheme. One could visualise there is a potential for it. If we come to the conclusion that there is a potential for it, then the question as to whether there is a need for doing a very detailed study, is a matter of judgement."

1.64 In reply to a question as to how the Action Plans could be prepared without proper survey, the witness deposed:

> "The Action Plan is in fact intended for this purpose. But I would also concede that this is a continuous thing and even though an Action Plan was prepared two years ago, it has to be updated."

1.65 To a question whether the survey conducted by DRDA staff would be useful for DICs, he replied "definitely". In this connection the Ministry of Industry have informed the Committee, in their subsequent note, as under:

> "Action Plans were prepared by the DICs high-lighting the potentials, resources and facilities available in their districts on the basis of which candidates industries were identified and Block-wise plans were prepared. They were advised to formulate their plans in accordance with the district credit plans and other developmental programmes in operation in the district including IRDP."

C. *Project Profiles and Entrepreneurs*

1.66 According to the Audit Para in the States of Karnataka, Manipur and Uttar Pradesh, no State level targets were fixed for the preparation of project profiles. In Andhra Pradesh, only 3,232 project profiles were made out as against 22,946 industries targeted to be set up in 1979-80 and 1980-81, indicating thereby that a large number of entrepreneurs identified were not provided with the details of the project. In Manipur, the project profiles were prepared after identification of entrepreneurs though these should have been ready in advance to enable selection of feasible projects. These project profiles also lacked information regarding break-even points, list of suppliers of machinery and raw materials, and sale prospects. Asked if Government of India had issued any guidelines to States for proper preparation of project profiles, the Ministry of Industry in a note, have stated:

> "The Small Industries Development Organisation of the Government of India has already prepared project profiles for all the items reserved for exclusive development in the Small Scale Sector. DICs mainly adopt the project profiles to suit these to the local conditions and given scale of operation. From progress Reports received from 333 DICs for 1981-82, 96284 project profiles were thus adapted by the DICs with an average of 289 profiles per DIC. After the appointment of Project Managers under the restructuring plans DICs would be able to prepare project profiles, if and when required and more stress would be given on the work of projectisation."

1.67 In a subsequent note that Ministry of Industry added:

> "The Project Profiles are mainly prepared by SIDO and other technical institutions. The DICs mainly adapt these profiles to suit to the local conditions and desired scale of operation. Copies of the Project Profiles on all the reserved items in small scale sector have been made available to the General Managers of DICs by the DCSSI. The Project Profiles are also being updated by SIDO and the updated profiles are also made available to the DICs. If any specific tailor-made project report is required, they draw upon services of the SISIs and other technical institutions. SISI officers frequently visit the DICs and help the DICs also in this matter."

1.68 During evidence the then Secretary, Ministry of Industry stated in this regard:

> "... there are lakhs of entrepreneurs who went to get assistance....If you go by the figures of project profiles prepared by the DICs., this number has been increasing

from year to year. Last year they prepared 1.11 lakh profiles *i.e.* 289 per DIC. In 1978-79, the figure was 157 per DIC. So, one can say that each DIC is assisting more people in preparing their profiles than it was doing earlier....If in certain districts supposing we find that they have hardly developed any profiles, the Coordinator personally goes there or sends his officers there to find out what is wrong there."

D. *Industrial Accommodation*

1.69 Availability of industrial plots and sheds for the establishment of new units is an important factor for the development of industries in rural areas. The DICs had no control over the selection of sites and allotment of industrial plots which remained with the State Governments. The actual number of plots and sheds made available to industrial units, and their occupancy after the formation of DICs found during audit in 5 States (Himachal Pradesh, Madhya Pradesh, Rajasthan, Sikkim and Tamil Nadu) is given below:

S.No.	State (position as shown under each)	No. of DICs	No. of sheds/ plots developed	Allotment to units	No. of sheds/ plots yet to be allotted.
1	Himachal Pradesh (July 1982)	8	34 sheds 299 plots	26 sheds* 284 plots*	8 sheds 15 plots
2	Madhya Pradesh (March 1982)	13	239 sheds 1973 86 acres developed land.	232 sheds 1563·92 acres developed land.	7 sheds 409·94 acres (developed) and 351·23 acres (yet to be developed)
3	Rajasthan (March 1982)	2	1178 plots	389 plots	789 plots
4	Sikkim (March 1982)	1	6 sheds	2 sheds	4 sheds
5	Tamil Nadu (April 1982)	2	199 sheds	119 sheds	80 sheds

1.70 In Haryana, Manipur and Jammu and Kashmir, no industrial areas/plots|sheds were developed|constructed for allotment to industrial units by the DICs.

*But only 87 units had established their industries of which only 79 units had gone into production.

1.71 To a question whether the State Governments were instructed to place at the disposal of DICs some industrial plots for allotment, the Ministry of Industry replied in the negative and further stated as follows:

> "From the Central Government side, DICs have not been given any role in the allotment of plots|sheds since the matter is dealt with by State Governments and the cost of development of plots|sheds is not borne out of DIC funds. However, it is learnt that General Managers of DICs are authorised by some State Governments to allot plots|sheds in industrial areas and Industrial Estates subject to the guidelines issued by them, since the District Industries Centres are also the district level windows of the State Governments, replacing the erstwhile District Industries Officer's Organisation."

1.72 In reply to another question whether the remaining number of sheds|developed plots have since been allotted in the States mentioned in Audit Para, the Ministry of Industry have stated:

> "This aspect is not usually monitored by the Ministry of Industry, since from the Central Government side, DICs have not been given any role in this matter and the subject is dealt with by the State Governments."

1.73 The following are the comments of the States in this regard:

Rajasthan Government

> "In two DICs 1153 plots were developed and not 1178. In Jaipur DIC out of 751 plots developed, 414 have been allotted and in Sawaimadhopur DIC, 345 have been allotted out of 402 plots developed by March, 1983."

Himachal Pradesh Government

> "26 sheds allotted at Mehatpur—all the units started production but a few of them has become sick. Efforts to revive them are afoot. In 8 sheds at Una Departmental Rural Industrial Training Institute and Girls training Institute are functioning. In Kangra against 35 plots allotted 10 units have taken effective steps and rest of the units have been asked to initiate action early. In Kinnaur district, 9 units have taken the effective steps. In Paonta Sahib in 29 plots, 19 units have started production and in 34 plots 23 units have taken the effective steps. 17 units in

33 plots have earlier taken the effective steps but later stopped further action. In Barotiwala all the units have come into production. At Mehatpur in 103 plots production have been started by taking effective steps. 4 plots are lying vacant."

Sikkim Government

"The Industrial sheds have been constructed by the Directorate of Industries Sikkim for allotment to Small Scale Entrepreneurs and 6 more sheds of bigger sizes have since been completed. The DIC has however not provided for construction of sheds."

E. *Arrangements of raw materials for units*

1.74 DICs were required to ascertain the requirements of raw materials for various units, assist them in making purchase economically and to watch proper utilisation. The following defencies have been pointed out in the audit para:

(i) *Non-setteing up of raw material depots*

1.75 Most of the DICs in Nagaland, Manipur, Assam, West Bengal, Bihar, Kerala and Karnataka had either not taken effective steps to establish raw material depots or could not arrange adequate supply of various raw materials required by the units. In some States, the authority for distribution of scarce materials rests with the State authorities and as such, no effective action could be taken by the DICs, although provision of raw materials is an objective of the programme. In this connection the Ministry of Industry have stated:

"The setting up of raw materials depots by the DICs was not contemplated under the DIC scheme. The raw material management is dealt with by the State Governments who have entrusted the work statutorily to the State Small Industries Development Corporations. However, since DICs are the district-level windows of the State Industries Department, they render some functions as required by the State Government like checking of utilisation of raw materials and assessment of raw material requirements etc. The question of opening raw material depots in a district is to be decided by the Small Industries Development Corporations in consultation with the State Government. Due to paucity of DIC staff, it has been recommended in the All-India Conference of General Managers that inspection of raw material utilisation sound be carried out by DICs on a sample basis, if required by SSIDC. Regarding provision of raw material to small scale sector there is a close liaison between the DICs and the SSIDCs. Recommendations made by the DICs are generally honoured by the later".

1.76 The then Secretary, Ministry of Industry stated during evidence:

"Neither we nor the DICs supply raw material. The State Governments have separate machinery to supply raw material".

1.77 Since the responsibility for distribution of scarce material is that of State Governments, the Committee desired to know as to why the DIC programme envisaged that raw material should be provided to DICs by setting up raw material depots. The Ministry of Industry have replied:

"DICs are, in fact, District-level agency of the State Governments and as such, they have to bear those responsibilities which are assigned to them by the State Governments. In raw material management which is an important input for development of industries, DICs coordinate their activities with those of SSIDCs without infringing upon their statutory rights. The setting up of raw material depot is the responsibility of the SSIDCs, who consider it from various angles including its viability".

1.78 It has come to notice of Study Group I of the Public Accounts Committee during their tour that lack of critical raw material support was a big constraint. Particular difficulty was experienced in case of those raw materials which were in short supply and whose distribution was controlled by the Central Government. In this connection, particular reference was made to supply of steel and cement. When asked about the steps taken or proposed to be taken to meet the constraint of raw material support particularly in case of those raw materials which are in short supply and whose distribution is controlled by the Central Government, the Ministry of Industry have stated:

"Except steel and cement raw material position in respect of other channelised items is easy. In regard to supply of steel also only some particular items are sometimes in short supply. However, as has already been stated above the raw material supply is looked after by the State Small Industries Development Corporations and the DICs recommend to them the supply of raw materials to the units and check the utilisation on sample basis".

(ii) *Misutilisation of raw materials*

1.79 The Audit has pointed out that in Uttar Pradesh and West Bengal, scarce raw materials worth Rs. 75.39 lakhs were misutilised by 69 units. Some of these units were non-existent; some units were closed down, and others were unable to produce records of utilisation. In this connection, Government of West Bengal and Uttar Pradesh have forwarded the following replies:

West Bengal

"Whenever any complaint in respect of misutilisation of raw material by any actual user is received, the case is enquired into and the result is made known to the respective authority by Joint Chief Controller of Import and Export, Regional Iron and Steel Controller and State Small Industries Corporation dealing with raw materials. Recommendations are also made in individual case on merit regarding temporary stoppage of supply of raw materials by the concerned authority. Action regarding cancellation of SSI Registration Certificate, is also considered when it is found necessary in view of the non-existence|closure of the unit".

U.P.

"In case of misutilisation of scarce raw material proper action against the unit is taken by the General Managers of DICs. General instructions have been issued to all General Managers to keep constant watch over utilisation of raw materials and take appropriate positive action against delinquent units, in case of misutilisation detected by them. Action against such parties have been taken accordingly in the past and in certain cases even references have been made to the vigilance establishment. Instructions to all General Managers have already been issued that they should check the raw material at the time of the receipt of raw material by the units as also during its consumption period. Inspection and detailed checking is being done by Asstt. Managers|Managers and General Managers regularly in this regard".

F. *Extension activity and Industrial awareness*

1.80 It is seen from the Audit Para that the DICs were expected to create industrial awareness among the rural entrepreneurs and artisans and motivate them to start industries by conducting seminars, exhibitions and entrepreneurial development programmes (EDPS).

In Karnataka, the number of EDPS and exhibitions conducted (1978—82) was small (282) compared to the number of growth centres (1189) indentified for development, due to constraints of staff and finance.

In Kerala, owing to non-filling of the posts of Industries Extension Officers, linkage of block, level industrial activities with the DIC set-up is yet to be achieved in 22 out of 59 blocks in 4 districts.

In Andhra Pradesh, extension activities were not adequate in any of the DICs. In the 6 DICs test checked in audit, there were only 39 Extension Officers for 101 blocks.

1.81 Asked about the steps taken to increase the industrial awareness among the rural entrepreneurs and artisans, the Ministry of Industry have stated:

> "All the activities of the DICs are oriented towards extension programme and to increase industrial awareness among the rural entrepreneurs and the artisans, as a result of which entrepreneurs are identified. Significant progress has been made in this regard in-as-much as 1049 entrepreneurs were identified per DIC in 1981-82 as against 421 per DIC during 1978-79. DICs hold or help others to hold seminars|industrial campaigns|exhibitions|EDP courses|group meetings etc".

G. *Marketing Assistance*

1.82 The Audit para points out that in order to assist the small scale industries, the DICs were required to make provision in their action plans for establishment of rural marketing centres. While the DICs in Karnataka had made provision in their action plans for opening rural marketing centres, the DICs in Andhra Pradesh, West Bengal and Kerala did not make any such provision in their action plans. The DICs in Andhra Pradesh, West Bengal, Kerala, Karnataka, Manipur, Sikkim, Nagaland and Rajasthan had not been able to extend any effective marketing assistance to the small-scale units and artisans, e.g. market surveys were not conducted, no product assessment was made nor any market development programme taken up and sales promotion activities did not achieve the expected results.

1.83 When asked whether the DICs have established rural marketing centres, the Ministry of Industry replied in negative. In this connection the then Secretary, Ministry of Industry stated during evidence:

> "In any case, the Centre will not be able to play the role. In some cases, I personally think that the States can even play this role. It will mean a very huge marketing organisation. It will mean the products will be sold at higher costs. In some cases the production happens to be such that needs some sort of centralisation. May be, they may study this and can do that in a way generally".

1.84 When the Committee desired to know the outcome of the review undertaken by the Government for setting up of rural marketing centres, the Ministry of Industry have stated:

> "The Scheme of Rural Marketing and Service Centres was formulated and launched by All India Handicrafts Board, Ministry of Commerce. The review of the Scheme was not undertaken by this Ministry. However, the working of the Scheme is being closely watched by the DICs where the Scheme is in progress and necessary integration may be done if found beneficial. West Bengal Government has recently launched a Scheme of Rural Marketing Centres. The working of this Scheme is also being watched".

1.85 However during the tours of Study Groups I and II of PAC, it was stated by representatives of several State Governments that one of the major constraint in the way of the successful functioning of the DICs is in the marketing of products. Entrepreneurs assisted by the DICs found it difficult to market their products. In Orissa this difficulty had been somewhat met by the establishment of a Directorate of Marketing and Export Promotion. But even there it was suggested that it would be helpful if the Central Boards such as, Khadi and Village Industries Commission. All India Handloom and Haricrafts Board could render positive assistance in marketing of goods produced under the DIC programme. In this connection the Ministry of Industry have stated as under:

> "It is good suggestion. However, as it also involves agencies under different authorities and Ministries, it could be done only if they also agreed".

H. *Progress in setting up industrial units and identification of Entrepreneurs*

1.86 The primary objective of the DICs was to help entrepreneurs and artisans to set up small-scale industries and establish their trades. In order to set up a small-scale industrial unit (SSI), each entrepreneur was required to obtain a provisional certificate from the concerned DIC to avail of the financial assistance and other infrastructural facilities provided through the DICs. On commencement of production, each such unit should obtain permanent registration certificates, based on which allotment of scarce raw materials, including import licence for procurement (if necessary), and marketing facilities would be arranged by the DIC. In the case of artisans, the DICs would provide technical advice, training in various crafts, subsidised tools, bank credits, etc. The number of new units established would serve as a yardstick for the success of the programme.

It was seen in audit that out of 1,18,761 provisional registrations granted to entrepreneurs by 91 DICs in six States (Jammu and Kashmir, Karnataka, Maharashtra, Manipur, Rajasthan and Uttar Pradesh), only 39,808 i.e. 33.51 percent had established SSI units. When the Committee desired to know theposition regarding the remaining 78953 cases, the Ministry of Industry have, in a written note, stated:

> "The Audit Para mentions 91 DICs in 6 States without mentioning the name of DICs. Without the names of the DICs, it would not be possible to furnish the figures of units established out of provisional registration.
>
> However, the All-India position regarding registration and establishment of new units are given below since the inception of DIC Programme:

Item	1978-79	1979-80	1980-81	1981-82
i) DIC Sanctioned (Nos,)	346	372	382	385
ii) DICs reporting progress (Nos.)	228	275	324	333
iii) New registration done (both provisional and permanent).	75997	116970	153197	188195
iv) New units established (Total Nos.)				
Artisans	61998	149920	177236	238241
S. S. I.	25966	46852	60328	69980
Total	87964	196772	237564	308221

It may be mentioned that most of the artisan units do not get themselves registered whereas all SSI units are getting themselves registered".

1.87 The Committee enquired as to how the entrepreneurs were being identified. In reply, the Secretary, Ministry of Industry stated during evidence:

"There are two or three methods. One is that entrepreneurs are got from the units through the District Indusries and through the Block Agencies. It is this organisation which is providing facilities of this nature. All these persons who are wanting or who have a desire to get into certain industry, converse through this method and they come here. We make efforts to send people outside. They go to the block headquarters. We have meetings etc. and are able to disseminate thoughts and that is how the people come. We talk to them and thus we are able to find out as to what sort of an industry would suit them ideally".

1.88 Asked as to whether DICs advertise or call for applications from the entrepreneurs, he clarified:

"DICs are really close to the District Industries Offices. There used to be a D.I. office earlier too. It did not have the qualitative and quantitative inputs that are available now from the District Industries Centres. It was known that there was some sort of a set up in the district which will take care of the industries aspect. In 1979-80 this had been made more comprehensive and effective. That was how the people know this. We also make our efforts from outside by undertaking compaigns so as to let the people know that these are various industries which are possible in these areas".

1.89 Regarding the modus operandi of their compaigns, he stated:

"Through blocks by holding seminars at various places and by holding exhibitions and their participation in them the information is disseminated....The DJs are inter-linked with the block staff. And we have a substantive number of block staff. All this informations percolate to the people through the block staff and through the Assistant Development Officers and through the V.L.Ws"

1.90. In this connection the Development Commissioner SSI Informed the Committee that the DICs identify some of the prospective entrepreneurs and sated:—

"In the sense that somebody comes to him and he says: I want to set up an industry; what should I do? He gets consultancy; he gets project profile; he gets bank loan paper prepared. He presents it to his bank. For electric connection he gets guidance. His requirement of power is being certified, and so on. The person has some motivation; he wants to set up industry. The village level worker is also there. If the DIC does not go to every village, there is this linkage."

1.91 Explaining the position further, the Secretary, Ministry of Industry stated:

"Once it is known that there is a facility available, people come and it is always a two-way traffic. We make the people know by way of publicity.... We try to understand what you want, how much money you have, how much risk you can take. I will give you certain options, would find out what appeals to you and I would then identify specific area in consultation with you and then prepares a project profile. After that, I would make sure that you have the necessary credit, the required amount of power, raw materials, machines etc. and then you would get going".

1.92 When asked about the number of units out of those set up which were actually working or had become defunct, the witness stated:—

"This would require verification at the field level from district to district, from village to village, from point to point. This would need an army of investigators. Even if it is done, it may be alleged that it is not correct. We have no means to verify at the moment".

I. Objective of all functions under single roof

1.93 The objective of the programme was to provide under one roof, as far as possible, all services and facilities required by entrepreneurs for setting up small and village industries at pre-investment, investment and post-investment stages, including identification of suitable schemes, preparation of feasibility reports, arrangements for supply of machinery and equipment, provision of raw materials, arranging credit and inputs for marketing and provision of extension services.

1.94 During test-check in audit the objective of single roof system was not found to have been achieved in any State|Union Territory. Number of States (Andhra Pradesh, Haryana, Himachal Pradesh, Karnataka, Kerala, Punjab, and Tamil Nadu) specifically reported that this objective had not been achieved, insofar as buildings had not been constructed, staffing was not complete and adequate powers had not been delegated; the DICs had mostly become extensions of the Directorates of Industries, with some additional powers and had not in fact been functioning as nuclei of project activities for which they were originally intended.

1.95 When asked as to what steps have been taken by the Government to achieve the objective of providing all facilities under a single roof, the Ministry of Industry have, in a note stated:—

> "Substantial powers have been delegated to the DICs by the State Governments and other concerned agencies. The DICs have been the main instruments of development of Small, Tiny and Cottage industries in the districts, especially in the rural areas. The useful role of DICs has been recognised by entrepreneurs and other agencies concerned with the development of decentralised sector. For the first time an effective and multi-disciplinary district-level agency has come into being which can draw the district and block-level development plan and furnish relevant information to the Planners. However, it may be stated that too literal application of the "single roof" clearance is neither feasible nor desirable. DICs are playing a useful role with regard to inter-linkages with all related agencies. The small units|entrepreneurs do not have now to run to the State Capitals and other agencies for essential services and inputs. Hence the objective may be interpreted as converging of the activities of the DICs with those of other agencies, which has been done in an effective manner".

1.96 In this connection the then Secretary, Ministry of Industry stated:—

> "....I do not think there can be such a window which would cover almost every possibility. For example, whether the bank also should become a part of that window, I

personally feel "no" it should not be and it cannot be but if tomorrow supposing the Parliament decides that even the bank manager should also belong to DIC, then we will see how to implement it, but I am reflecting my personal opinion. Bank is guided by DIC but it is not a part of DIC. So, you may say it is not a complete window. Supposing tomorrow we want to set up chemical units. For four or five such units which may be set up, nobody is going to post a specialist on environment as a part of DIC. So, one may say that it is not a complete window. At the same time, one can say that earlier he had to go to various places, even far off places, but now he goes to a shorter distance and at one place for most of the needs. That is the only thing achieved".

J. *Generation of additional employment*

1.97 It is seen from the Audit Para that the DICs were set up primarily with an objective of promoting generation of additional employment and the Government set out a national average target for employment generation of 25000 persons per year per DIC. When the Committee desired to know the steps taken by the Government to accelerate the generation of additional employment by the DICs so as to achieve the above target, the Ministry of Industry have, in a note, stated:—

"In the first All-India Conference held in July, 1979, it was announced that about a million jobs per year *i.e.* 2500 persons per DIC per year would be generated under the aegis of the District Industries Centres. The average achievements of generation of additional employment per DIC during the year 1979-80, 1980-81 and 1981-82 were 2420, 2491 and 2875 respectively as per progress reports' received from State Governments|DICs. Therefore, the target of generation of additional employment has in fact been exceeded.

1.98 However the Audit found during test-check in some States that generation of additional employment was far below the targets fixed, as shown under :—

Name of the State	Period	Target (No. of persons)	Achievement (No. of persons
Sikkim	1979-81	716	227
Tamil Nadu	1978-81	2,22,941	1,37,395
West Bengal	1979-82	59,112	52,425
Andhra Pradesh	1980-82	1,33,210	1,03,055
Madhya Pradesh	1979-82	2,37,380	1,69,967
Bihar	1979-82	58,609	51,773
		7,11,869	5,14,852

In Uttar Pradesh, generation of employment of 4,15,247 persons, against the target of 2,98,200 was reported to the Directorate of Industries by the DICs and to the Government by the Directorate. However, the former figure included employment of existing units; thus the achievement figures were inflated to that extent.

No documentary evidence was made available to audit with regard to generation of additional employment, in the State of Haryana and Union Territory of Pondicherry.

VII. *Bank loans and finance*

(a) *Bank/Institutional finance*

1.99 One of the main functions of the DICs was to assist the artisans and small-scale units in getting financial assistance from banks and financial institutions. For this purpose applications for institutional finance were to be assessed and recommended by the DICs through the Manager (Credit), an officer deputed by the "lead bank" of the district.

1.100 Cases recommended by DICs and those sanctioned by financial institutions/banks during 1978-79 to 1981-82 were as follows:—

S.No.	State/Union Territory	Cases recommended by DICs.		Cases sanctioned by financial institutions/ banks	
		No. of cases	Amount (Rs. in Lakhs)	No. of cases	Amount (Rs. in lakhs)
1	Bihar (1 DIC)	398	186·52	180	72·66
2	Himachal Pradesh (8 DICs)	3154	1,232·36	2332	795·38
3	Jammu & Kashmir (7 DICs)	5176	2,175·62	2521	748·98
4	Karnataka (4 to 12 DICs)	3960	1,232·35	2519	909·27
5	Madhya Pradesh (1979-80 to 1981-82) (32 to 45 DICs)	44165	NA	8642	692·54
6	Sikkim (1 DIC)	11	0.19	3	0 03
7	Tamil Nadu (7 DICs)	5689	NA	4341	792·12
8	Uttar Pradesh (12 DICs)	14454	1,309·05	8107	774·90
9	West Bengal (4 DICs)	2085	NA	1159	NA
10	Meghalaya (1 DIC)	146	4.96	26	3·14
11	Pondicherry (1 DIC)	307	145·65	205	65·45
		79,445		30025	

1.101 Out of 79,445 cases recommended by DICs in 11 States| Union Territories, only 30,035 cases were accorded sanction by the financial institutions banks. In Maharashtra, out of 38,883 cases recommended by DICs, 12,412 cases were rejected by the banks. In Andhra Pradesh, out of 10,902 cases recommended by DICs, 4,139 cases were pending (April 1982) with the banks for over 30 days. Out of 185 cases recommended by the DICs in Nagaland, only 33 cases were sanctioned by the banks.

1.102 Most of the DICs had not ascertained from the banks the reasons for rejection of a large number of applications recommended by them. Further, most of the DICs did not know the position of the utilisation of loans by the units and actual setting up of industries.

1.103 Asked whether the Government had analysed the reasons for such heavy rejections of the cases recommended by the DICs for institutional credit, the Ministry of Industry have replied as under:—

"The DICs have substantially assisted the artisans and small scale units in getting assistance from the financial institutions. The volume of credit under the sponsorship of DICs has increased from Rs. 8 .58 crores (in case of 228 DICs) in the year 1978-79 to Rs. 424.38 crores (in respect of 333 DICs) in the year 1981-82. It may be mentioned that in many cases the banks are reluctant to furnish information regarding rejection of applications recommended by DICs. In some cases due to procedural formalities many applications remain pending with the financial institutions. Sometimes the whole matter depends upon the individual attitude of Branch Managers. The matter was discussed in detail in the All-India DIC Conference of General Managers and need for closer coordination between the banks and DICs has been stressed. Ministry of Industry keep in touch with the Banking Division and the Reserve Bank of India on these matters. A streamlined process is being sought to be evolved in the matter."

1.104 During evidence, the then Secretary of the Ministry of Industry deposed:—

"This is such an organisation where we have to deal with three to four lakhs applicants. In such a large number of schemes, no doubt there will be several applicants and quite a few number will be rejected. Out of eight lakhs applications, it is quite possible that about four lakh applications get rejected.".....

1.105 The Secretary, Ministry of Industry stated before the Committee:—

"One of the persons for preparing this project and carrying out project appraisal is the person borrowed from the banking organisation so that the input of the banking discipline is available while appraising this project report.... There are two heads. As a Branch Manager of a bank, he is responsible for the realisation of the loan he has given. A banker who is on deputation as a functional Manager in the DIC, the same person could be doing the other jobs. If this very person becomes a Branch Manager in the same DIC, it is possible that the same proposal he may not be able to accept in the banking system of the country today. It is important that this Branch Manager is held responsible for the risk he takes, the loan that he makes. So long as this basic principle stays, I am afraid there would be some degree of rejection at the banking level."

1.106 He added:

"We have tried to have the best possible expertise in the DICs by borrowing General Manager from the banking organisation. Recently, if 50 per cent cases approximately have been sanctioned, it does not show that the balance has actually been rejected. It is possible that a part of it may still be in the pipeline. Thirdly, I would like to submit that the DIC would be very happy if there is an understanding of this nature that whatever has been recommended by the DICs, would be accepted by the banks but I do not know whether this would be acceptable to the banking system in the country."

1.107. When asked if the DICs were facing difficulty in securing bank credits, the then Secretary, Ministry of Industry stated as follows:—

"We cannot say that the scheme has failed because with the help of DICs a very large amount of money has been disbursed. You can question why a large number of applications are rejected. For that we have to find out ways and means....But the situation is improving. I personally had a talk with the Governor, Reserve Bank. He has posted Lead Officers for a group of three or four banks playing their role properly."

1.108. Admitting that the Ministry of Industry have been facing difficulty in securnig credits for the entrepreneurs identified by the DICs since 1979 itself, the Secretary, Ministry of Industry stated during evidence:

"The problems of the banks rejecting some of the recommendations has been with us right through. The rate of acceptance has been something like 40 to 50 per cent."

1.109. Asked about the action taken by the Ministry during the last five years to overcome this problem, he stated:—

"I would only submit that at our instance the Department of Banknig have issued several instructions.....They are not to the effect that whatever is recommended by the DIC should be accepted in the shape as it is. But certainly there are instruction repeatedly sent that there should be a clear understanding of the requirements for encouraging the industries, that there should be more sympathetic consideration of the requests made by them. This sort of instructions have certainly gone. We would certainly like that our efforts should help them do better, but the people from the department of Banking will be able to enlighten further in this regard."

1.110. In reply to another question as to why the cases recommended by the DICs were rejected particularly when the technical feasibility reports were there, the witness stated:—

"If I may submit it is a judgement of the Branch Manager who is responsible for the loaning he does. Now I referred to orientation and attitude of the individual Branch Manager in order to highlight the fact that there are certain individuals who are more willing to run the risk and to make the scheme a success than others. But in spite of the Reserve Bank of India directions, even though they have to give all the encouragement etc. eventually in the banking system it is the Branch Manager who takes the final decision."

1.111. Giving details as to by whom the projects are appraised, he stated:

"There is a credit manager borrowed from the banking system, who is on our rolls, and this person has helped in appraising the projects, he has a banking background, he has made the financial analysis. Any other person from the bank would have done the same work because he has experience, orientation and qualification. Consequently, I would not say that the project appraised and prepared by the DIC would be just a piece of paper. It is a well-considered proposal. But still it is quite likely that when the banks appraise a project from their point of view, perhaps they find something deficient in it or some problem in being able to give the loan."

1.112. To a question whether there had been any analysis or evaluation of these cases, Secretary, Ministry of Industry deposed:

> "They must disclose the reasons to us......I am deriving this from the overall results, but what you are suggesting is a very valid proposition and there could be an analysis of this nature. On the basis of this analysis we can arrive at certain conclusions also. I do propose to take to with the Department of Banking that they must insist that the reasons for rejections must be intimated to the DICs so that they are wiser."

1.113. The witness further stated:—

> "So far as credit is concerned, it has caused us a very considerable amount of worry and anxiety and we have had several dialogues with the Reserve Bank of India on this subject. My predecessor had a meeting with the Governor of the Reserve Bank, on the subject. Even recently the Minister for Industries sent for the Governor of the Reserve Bank and had discussions with him on this specific subject that the rejections are very high, the funds are insignificant and the time taken is so long. They have sent a number of instructions on the subject to the branch managers. It would take a little time for the system to improve."

1.114. However, the Ministry of Industry have informed the Committee that at the time of inception of the DIC programme, at their request Reserve Bank of India issued the following instructions:—

> "It is not the intention that all such proposals for assistance must necessarily be routed through DICs. In fact, the branch Managers should continue to entertain such proposals directly as at present. Regular meetings and discussions between officers of the DIC and the banks and SFCs represented in the district as a whole as also senior representatives from State Industries Department should be held for closer coordination among the financial institutions and DICs, at least in the initial period of six months to a year."

1.115. The Ministry have also stated that there is, in each district, a District-level Consultative Committee of the Bankers which meet periodically under the Chairmanship of the Collector of the District to review the credit position of the district. DIC General Manager is a member of the Consultative Committee.

1.116. All the States visited by the Study Group I and II except Orissa complained of lack of adequate financial support. It was stated that there was generally a tendency on the part of banks to delay the sanction of loans to DIC entrepreneurs. In quite a number of cases, the Banks neither sanctioned nor rejected loan applications, keeping the prospective entrepreneurs in suspense. As to the reasons for this, it was stated that in rural areas banks were badly under-staffed and in many cases persons in important position in banks did not have the right attitude to help small scale and tiny entrepreneurs. A suggestion was made that a time-frame may be fixed within which a bank must take a decision on a loan application under the DIC programme.

1.117. All the Directors of Industries also expressed their unhappiness with the attitude of banks in granting loans to entrepreneurs recommended by them. It was brought to the notice of the Committee that Schemes/proposals appraised by them were independently appraised by banks and this led to delays. The number of cases rejected by banks also was quite high. Even the instructions of RBI regarding grant of loans were not being followed by bank officers. When asked whether the matter has been taken up with the Ministry of Finance/Reserve Bank of India, the Ministry of Industry have stated in a note:—

> "The matter is being continually taken up with banks, Banking Division and Reserve Bank of India and will further be taken up by the Ministry of Industry in the light of the experience gained in implementation of the Self-employment Scheme for Educated Unemployed Youth in which banks have given much better support and cooperation in sanctioning loans upto Rs. 25,000/-."

1.118. The Ministry of Industry have further stated:—

> "Ministry of Industry in their model delegation of powers have already requested the Banks and the Reserve Bank to see that loans upto Rs. 25,000|- recommended by the DICs should not be scrutinised for the second time by the Bankers and should be generally sanctioned by the Banks. Ministry of Industry have a further suggestion that loans beyond Rs. 25,000/- and upto Rs. 2 lakhs should be sanctioned within the shortest possible time say 4 to 6 weeks and when the cases are rejected by a Bank that should invariably be intimated to the DICs who have recommended the loans. That feed-back system from the Banks needs to be strengthened. If these suggestions are accepted much of the problems now faced will be solved."

(b) *Seed money/margin money loans to Industrial Units*

1.119. It is seen from the audit para that the scheme for advancing seed/margin money assistance to the industrial units with a view to increasing employment opportunities including self-employment, was merged (1979-80) with the DICs programme and the loan component was to be utilised as seed/margin money. The following points were noticed during audit.

(i) *Non-recovery of inadmissible drawals*

Seed/margin money assistance amounting to Rs. 14.39 lakhs was disbursed to 332 units which had either not gone into production or had closed down within 5 years of commencement or had not executed the agreement deeds, but no follow-up action was taken by the DICs to recover the disbursed amounts. The details are as under:—

Name of State	Number of units	Amounts involved	Type of irregularities
		(Rs. in lakhs)	
Haryana	42	1 74	Units closed down
	52	3 96	Units not gone into production
	22	1 78	Agreement deed not executed
Punjab	215	6·72	Ineligible units
Rajasthan	1	0 19	Units closed down
	332	14 39	

1.120. In response to a question whether the above amount of Rupees 14.39 lakhs had since been recovered from the units which either did not go in production or closed down, the Ministry of Industry have stated that the reply from the Punjab Government was awaited and forwarded the replies of the Governments of Rajasthan and Haryana which are reproduced below:—

"(i) *Rajasthan*: "Action for recovery has been initiated under Land Revenue Act."

(ii) *Haryana*: "According to the scheme,, seed money is sanctioned to the units on the basis of loans sanctioned by the banks and is disbursed to the units after the execution of the agreement deed and completion of other formalities namely submission of second charges etc. The unit normally takes time sometimes a year or so for establishing commercial production. Besides seed money is given against the second charge of the property/assets created with the loan obtained from the financial institutions which is a first charge on the property. The recovery of seed money is therefore to be affected simultaneously with the proceedings initiated by the financial institutions as according to the scheme seed money is recovered after the major loan of the bank is repaid. Recovery notices have been/or being issued in the case of units having closed down their activities or have otherwise defaulted in starting production and the matter followed in consultation with the financing institutions."

1.121. In this connection the Ministry of Industry have however stated:—

"The Central funds under Loan Head under DIC Programme are released to the State Governments and not to individual DICs as such and the State Government in turn use it for Seed/Margin Money Loans disbursed through DICs. DIC loans along with other Central Loans given to the State Governments are taken into account by Reserve Bank of India and the loans are repaid by the State Governments with interest. The responsibility for recovery of loans from the individual loanees rests with the State Governments. DIC loans used as Seed/Margin Money are not, however, yet due for recovery. Perhaps these may relate to direct loaning under the erstwhile RIP programme or direct loans given by the DICs in the initial years. These direct loans which are given under State-Aid to Industries Act are recovered as land revenue arrears if in default. There are some specified legal proceedings to recover these loans as land revenue arrears and these take time. The process of recovery becomes almost a Revenue Department work and if DICs are authorised by the State Government to recover these loans, they are given the power and authority of Revenue Department in some States".

(ii) *Undisbursed amount*

1.122. (a) Out of loans amounting Rs. 10.44 lakhs drawn by the Directorate of Industries, Nagaland (Rs. 5.44 lakhs) and by erstwhile District Industrial Officers and District Project Officers of 4 district of West Bengal (Rs. 5 lakhs), Rs. 8.45 lakhs remained unspent as margin money assistance, as detailed below:—

(Rs. in lakhs)

Name of State	Amounts drawn		Amounts given to DICs for disbursement		Amounts remained unspent	
	Month	Amount	Month	Amount	Month	Amount
Nagaland	March '81	1·94	July '81	1.91	May '82	0·99
	March '82	3·50	Not remitted to DICs		May '82	3·50
West Bengal	1977-78	5·00	NA		March '82	3·96
		10·44				8·45

1.123 (b) Seed Money amounting to Rs. 10 lakhs was drawn by the Directorate of Industries, Manipur in May 1979 and the amount kept with the Manipur Small Industries Corporation Ltd. from that date. The Corporation, retained with them Rs. 10 lakhs (May 1979—January 1980), Rs. 8 lakhs (February 1980—January 1981) and Rs. 0.37 lakhs (February 1981—August 1982) before releasing the amount to the DICs.

1.124(c) Margin money of Rs 1.28 lakhs deposited between November 1978 and August 1980 was retained by the banks without releasing the loans nor were refunds made to the department in Andhra Pradesh (February 1982).

1.125 (iii) *Diversion of Seed/Margin money* Loans of Rs. 147 lakhs released by Government to the State of Madhya Pradesh for giving soft loans as seed money/margin money to educate unemployed entrepreneurs through DICs, were, instead, utilised as loans to rural artisans, widows and disabled persons through Madhya Pradesh Apex Co-operative Bank. The accounts of these loans were yet to be finalised (March 1982).

1.126 In this connection the Ministry of Industry have stated:

"The observation of CAG is that the funds were meant for seed/Margin Money to "Educated" Un-employed entrepreneurs. No Central DIC loan has been given exclusively for "Educated" Un-employed entrepreneurs. DIC loans are meant for all classes of entrepreneurs, including educated unemployed, artisans, widows, disabled persons etc. However, the matter has been referred to the State Governments for comments/clarifications".

(C) *Rural Industries Projects/DIC Loans*

1.127 The Audit para points out that the scheme of advancing loans to small-scale units for construction of buildings, purchase of machinery and working capital under the erstwhile Rural Industries Projects was continued as part of the DIC programme. Test-check in audit revealed the followings:—

(i) *Outstanding loans*:—In 8 States, loans amounting to Rs. 379.19 lakhs, disbursed under/by 64 DICs, were due for repayment, but were outstanding with the entrepreneurs as detailed below:—

Name of State	No of DICs	Outstanding as on	Amount of loan and interest outstanding	Number of units involved
			(Rupees in lakhs)	
Assam	3	February, 1981	5.18	
Bihar	2	March, 1982	20.04	
Himachal Pradesh	8	Do	97.23	3801
Madhya Pradesh	37	December, 1981	173.72	21901
Manipur	2	March, 1982	7.24	556
Sikkim	1	Do	0.46	.
Tamil Nadu	7	March, 1981	34.76	NA
West Bengal	3	March, 1982	32.27 (BSAI Loan)	
	1	March, 1980	8.29	
	64		379.19	

In Meghalaya, Rs. 7.25 lakhs were paid as loan to 702 artisan units in 1979-80, to be recovered in 5 equal instalments but only Rs. 3.840 towards principal and Rs. 981 towards interest could be recovered so far (June 1982). In Assam, two DICs had not assessed the quantum of loan recoverable from loanees against the total loan of Rs. 23.31 lakhs. In Jammu and Kashmir, Rs. 36.26 lakhs were advanced as loans to 1188 units by 7 DICs during 1978-79 to 1981-82, but no action was taken to recover the overdue amounts.

(ii) *Non-verification of utilisation of loans*

1.128 In three States, utilisation of loans disbursed amounting to Rs. 121.75 lakhs was not verified by the DICs, as detailed below:—

Name of State	No. of units	Amount of loan not verified (Rs. in lakhs)
Tamil Nadu	539	40·26
Uttar Pradesh	318	37·55
West Bengal (BSAI loan)	NA	43·94
		121·75

In Karnataka, actual utilisation of loans was not forthcoming from the records of some DICs and in 3 DICs, utilisation had been verified in only 44 out of 98 cases. In one DIC in Assam, utilisation certificates had been obtained in only 64 (Rs. 1.21 lakhs) out of 553 (Rs. 10.20 lakhs) cases.

1.129 Asked about the corrective measures taken by the Government to avoid recurrence of such cases of overdue loans/non-verification of utilisation certificates of loans, the Ministry of Industry have replied:

> "The entire responsibility in this matter rests with the State Governments and Ministry does not interfere into it. If such instances are reported to the Central Government, the attention of the concerned State Government is drawn the irregularity."

(iii) *Misutilisation of loans*

1.130 In 780 cases in Himachal Pradesh, 24.36 lakhs (Principal; Rs. 12.26 lakhs; interest Rs. 12.04 lakhs) were recoverable from the parties who had misutilised loans granted and Rs. 7.15 lakhs (principal: Rs. 3.80 lakhs; interest: Rs. 3.35 lakhs) were recoverable from 175 parties whose units had remained closed.

Loans amounting to Rs. 51.35 lakhs were advanced to 412 units by 12 DICs in Uttar Pradesh during 1978-79 to 1980-81, but none of these units had either started production or furnished the utilisation certificates nor hypothecated their assets. Loans to the extent of Rs. 7.84 lakhs in 62 cases were reported to have been misutilised, Further, loans to the extent of Rs. 23.35 lakhs were sanctioned to 262 units by 6 of these DICs during 1978-79 to 1980-81 without examination of technical viability, marketing and economic feasibility. Out of these, Rs. 6.69 lakhs, involving 53 cases, were reported as misutilised.

1.131 The comments in this respect received from the Governments of U.P. and Himachal Pradesh are given below:

U.P. Government.

"It has been gathered that a sizeable number of loanees utilised the loan amount released to them. In the cases of defaulting units action for lumpsum recovery has been initiated by the General Managers.

The General Managers have been instructed to ascertain that recovery certificates have been issued in cases of mis-utilisation or non-utilisation of loans."

Himachal Pradesh,

"The position with regard to recovery of Rs. 24.30 lakhs from parties who had mis-utilised the loan is not readily available with the Directorate and the same is being collected from the concerned General Managers and will follow shortly on its receipt."

VIII. *Revival of sick units*

1.132 According to Audit revival of sick/closed small-scale industrial unit was one of the major objectives of the programme. Test-check of 81 DICs covering 13 States revealed that 5203 units were identified as sick; of which, 4618 units remained closed mainly due to shortage of working capital and essential raw materials, inadequate power supply and absence of marketing facilities. The table below gives the statewise details of sick units within the DICs test checked:

S.No.	State	No. of DICs	No. of sick units identified	No. of units revived	No. of units closed.
1	2	3	4	5	6
1	Andhra Pradesh	NA	483	133	350
2	Assam	3	188	Nil	188

1	2	3	4	5	6
3	Bihar	1	6	Nil	6
4	Kerala (1979-81)	7	370	39	331
5	Karnataka	11	341	62	279
6	Nagaland (1978-82)	7	457	Nil	457
7	Tamil Nadu (1978-81)	14	1300	198	1102
8	Haryana	2	70	Nil	70
9	Madhya Pradesh	13	262	Nil	262
10	Uttar Pradesh (1979-82)	12	992	130	862
11	Himachal Pradesh	7	159	20	139
12	West Bengal (1978-79)	3	572	Nil	572
13	Manipur	1	3	3	..
		81	5203	585	4618

N.A.—Not Available

As against the target of 5203 units in 13 States, only 585 units have been revived. In Manipur, the 3 sick units were refinanced at Rs. 5,000 each, but no follow-up action was taken by the DIC to ascertain their present state of affairs.

1.133 When the Committee desired to know the reasons for non-revival of the remaining 4618 sick units, the Ministry of Industry have stated:

> "In every State there is a Committee for revival of sick units and DIC being district-level agency of the State Government is involved with it. Central Government have formulated a margin money scheme for sick units and Reserve Bank of India and Commercial Banks are regularly contacted to expedite the revival of sick units. DICs are also being instructed to pay more attention to this problem."

1.134 In this connection, the then Secretary, Ministry of Industry stated during evidence:—

> "There are hundreds and thousands of sick units in the districts. I do not think that the DICs which have a strength of only four or five people can go and assist the

sick units and revive them. But, at the same time, I do not say that the DICs should not do this work of reviving the sick units.

As regards the action being taken to revive them. I have to say that the Reserve Bank of India proposed to send observers to the districts to assess the situation. Many Schemes have been drawn up to promote industrialisation in the country and this proposal forms a part of those Schemes."

1.135 When the attention of the witness was drawn to the fact that revival of sick units is one of the objectives of the DIC programme, he deposed:

"I never said that DIC should not assist a sick unit. I only say that DICs in their strength, knowledge, experience and size which is very much limited at present would not be able to cope up with the huge task of reviving the enormously large number of sick units in the districts. There are separate schemes for this purpose. There are a number of sick units in each district.

According to the report of the RBI, the number of sick units in December, 1981, was 25,342.

Today the number of sick units might be about 35,000. Therefore, according to me, it is beyond the competence of the DICs to revive such a huge number of sick units...the DICs cannot hope to revive all the sick units. They cannot offer financial assistance. DICs have no funds meant for revival of sick units."

The witness further stated:—

"Collective efforts are necessary in such a task as revival of the sick units. Our people will have to pay visits to those places and see the sick units and assess the position and suggest remedial measures. This revival of the sick units cannot be brought about by merely indulging in correspondence."

1.136 To a question as to what are the responsibilities and obligations of the DICs in revival of sick unit, the Ministry of Industry have stated:

"DICs being the District-level windows of the State Governments they are involved along with other concerned agencies in identifying sick small scale units, undertaking joint feasibility studies and recommending remedial measures for their revival. There is a Regional-level coordination Committee which considers these recommendations but does not have any statutory powers to enforce its decisions. After the causes of sickness their remedies are identified by these Regional-level Coordination Centres goes to the concerned agencies to take appropriate measures. For example, if it is a financial problem, the responsibility lies with the financial institution, if it is a raw material problem it goes to raw material distribution agency of the State Government. DICs have, therefore, no direct role in the revival of sick units except providing margin money which again depends on the banks agreeing to advance loans or supplying inputs like, raw material as desired by respective State agency."

1.137 Study Group I were informed by the representatives of the Assam Government at Gauhati that there was no systematic arrangement to see as to how the entrepreneurs assisted by the DICs were functioning. In fact, with their present strength, training and mobility, DICs were not equipped to undertake such an exercise on a regular footing. However, according to the State Government's information gathered as a result of a rapid survey, 30 to 40 per cent of the sick units establishment with DIC support were closed down. In this connection the Ministry of Industry have stated that from the reports received from DIC, it is also observed that in Assam, upto 1982-83, 44 units were identified as sick.

1.138 Study Group II of the Committee were informed in Rajasthan, Gujarat and Maharashtra that while the figures of Industries set up under the DIC Programme were available, the number of industries which were actually functioning were not known. It was also admitted that the possibility of large number of such industries having been closed down/becoming sick could not be ruled out. When asked whether the Government have conducted any appraisal to determine to what extent the DIC programme has been able to achieve the objective or which it was started the Ministry of Industry have stated:

"The information regarding closure of units is being collected from the DICs since 1980-81. It is not known how these State Governments have made such statements that they do not know the number of units which are actually functioning. However, the matter is being taken up with all the State Governments including Rajasthan, Gujarat and Maharashtra."

1.139 When enquired whether the Government feel that for the successful implementation of DICs programme it is necessary that a careful watch is kept on the functioning of the tiny/small scale units established with the DIC support, the Ministry of Industry replied in affirmative and added that DICs have been advised to provide escort services to the units which have been sponsored by them.

1.140 In reply to a question if the Government propose to introduce any regular and systematic monitoring arrangement in this regard, the Ministry of Industry informed the Committee that the matter is being considered in the Working Group for small scale industries for the Seventh Five Year Plan.

1.141. The Audit para points out that through revitalisation of a defunct common facilitits centres was provided for in the action plan of one DIC in Karnataka, the revival of these units could not be taken up for want of funds.

1.142 Asked for the reasons for not providing funds to these centres and by whom the funds were to be provided, the Ministry of Industry have replied:

"The name of DIC in Karnataka which had recommended the revival of the Common Facility Centres has not been indicated in the Audit Report. However, it may be mentioned that under the erstwhile RIP programme launched in 1962-63 Common Facility Centres were started in almost all the States but none of them followed Central pattern of assistance according to which Central assistance could be given on tapering basis for technical and managerial staff for four years so that after four years, they could become self-sustaining. It was found that even after 8 to 10 years, States were claiming Central assistance on 100 per cent basis and as such, State Governments were requested to take them over or to transfer them on no-profit-no-loss basis to individual entrepreneurs or cooperatives. This experience of Common Facility Centres had perhaps led the State Government not to take up the revitalisation of these Centres. For all such schemes, expenditure had to be on 50-50 basis between Central and State Governments. Since the State Government were not willing, the Ministry cannot provide funds."

1.143 State-wise break up of sick SSI units and the amount outstanding against these units as furnished by the Ministry of Industry, upto the end of December, 1981 is as follows:—

State/Union Territory	No. of Units	(Rs. in crores) Amount Outstanding
Haryana	204	4·77
Himachal Pradesh	74	1·1
Jammu & Kashmir	60	1·05
Punjab	699	9.52
Rajasthan	475	4·51
Chandigarh	30	1·27
Delhi	826	27·46
Assam	1595	2·48
Manipur	284	0·06
Meghalaya	26	0·02
Nagaland	4	0·01
Tripura	107	0·09
Bihar	987	11·81
Orissa	838	4·01
West Bengal	7827	50·53
Madhya Pradesh	495	9·77
Uttar Pradesh	1301	21·06
Gujarat	881	10·65
Maharashtra	2646	78·12
Dadra & Nagar Haveli	3	0·03
Goa, Daman & Diu	69	1.75
Andhra Pradesh	1050	20.37
Karnataka	2449	38·27
Kerala	692	15·92
Tamil Nadu	1686	34.65
Pondicherry	34	0·79
TOTAL	25342	359·07

1.144 In this connection the Ministry of Industry have informed the Committee that the number of units closed down during 1980-81, 1981-82 and 1982-83 is 3464, 3135 and 5344 respectively.

IX. *Monitoring of Progress*

1.145 The programme envisaged an in-built monitoring system by setting up four types of coordination and advisory committee to oversee and guide its implementation. Accordingly the Ministry of Industry had, in their letter dated 10 April, 1978 asked the State Government to constitute a District Advisory Committee headed by the Collector of concerned Districts, and consisting of District level Officers of other State Government Departments and semi-Government|local bodies like State Electricity Board Municipal President|District Panchayat President|District Development Officer, etc. Non-official members representing Industry Associations, Chambers of Commerce etc. Members of Parliament and Members of the State Legislature were also to be included in this Committee. The District Advisory Committee may meet once a month and in any case not less than once in two months.

1.146 Similarly to supervise and monitor the functioning of the District Industries Centres, each States Government was to constitute a State Level Coordination Committee with the Chief Minister|Minister for Industries as the Chairman and comprising of Chief Secretary, Industries Secretary, Director of Industries, Secretaries Incharge of Agriculture, Rural Development and Energy, Development Commissioner incharge of Panchayatiraj Institutions and Director, SISI at the State Level. The State Level Coordination Committees were to meet once in six months to review the functioning of the District Industries Centres and Report to the Government of India the progress, problems encountered and solution identified, to enable the Government of India to review the progress of the Scheme from time to time.

1.147 It was also provided to set up five Regional Coordination Committees for overall coordination, exchange of information between States and regional and all-India bodies, identification of marketing outlets and strategies, evolution of financial linkages between central financial institutions and banks and review the DIC set up on a regional basis.

1.148 There was also a provision for a Central Coordination Committee with the Minister of Industry as the Chairman and Comprising of representatives of the Planning Commission, Ministry of Finonce (Deptts. of Expenditure and Banking), Secretary (ID) Chairman, IDBI, Development Commissioners, Handlooms

and Handicrafts, Chairman KVIC and Additional Secretary (ID) as Convenor.

1.149 This Committee was to review from time to time the Policy and broad framework of the DIC set up in the light of the experience gained. The Secretary, Ministry of Industry informed the Committee that it meets once a year. It met in May, 1983 and would meat again as soon as the Budget Session is over.

1.150 In his connection, the then Secretary, Ministry of Industry stated during evidence:

> "..... the State Coordination Committees have been formed which are presided over by Chief Minister|Industries Minister. Unfortunately, they are not meeting very frequently but that Committee is really a very important forum which can make periodical monitoring within the State to see what is happening and what needs to be done.. ...At the national level twice we have met. But at State level, unfortunately, the meetings in many of the States have not been regular. The meeting is to be presided over by the Chief Minister or the Industries Minister. Unfortunately, they have not been able to find time. This meeting which is a crucial meeting has not been very regular."

1.151 When it was brought to the notice of the representative of the Ministry of Industry that Members of Parliament were not included in any of the District Advisory Committee. the witness deposed:

> "Of course, it is for the State Governments again. The Central Government does not constitute them. It is the responsibility of the State Government. It is only a guideline of the Centre.... not an order."

1.152 When asked whether the Government had re-issued any instructions in this regard, he stated:

> "We are only advising the State Governments. Both the State Legislatures and the Accountants-General are knowing that. They are the people who are monitoring in the States."

Explaining the position further he added:

> "...One cannot spoonfeed them for these minor things. We tell them that 'these are our directions. Please work on these lines and kindly get the results.' It is open to them to do what they want."

1.153 However, in a note the Ministry of Industry admitted that generally, meetings of these committees have not taken place as per the guidelines circulated by the Ministry on 10 April, 1978. It has been further stated that 'utmost stress is now being given to see that meetings are held as per schedule.' In this connection, the Ministry have also furnished the following information :

> "Tamil Nadu Government has informed us that they had held 40, 37, 57, 70 and 53 meetings in 1979-80, 1980-81, 1981-82, 1982-83 and 1983-84 respectively. Recently, Ministry of Industry have issued another letter to State Governments requesting them to hold the district-level Committee meetings regularly at least once in a month. Regarding regional coordination Committee meetings, it may be mentioned that in the first two years i.e., 1978-79 and 1979-80, 23 meetings were held. After that the regional meetings were not held since the DIC programme was being reviewed. Regional Coordination Committee meetings are now being held from 1983-84, 3 such meetings have been held during that year.
>
> Regarding Central Coordination Committee meetings, two meetings were held."

1.154 In his D.O. letter dated 12 March, 1984 (Appendix III) to all the Chief Ministers of States and L.G. of Union Territories, the Union Industry Minister has also stressed the need for the regular meetings of the District Advisory Committees/Sate Level Coordination Committees.

1.155 The DIC were also required to submit monthly progress reports to the Commissioner of Industries and the State Government. In three of the six districts test checked in audit (Andhra Pradesh), discrepancies were noticed between the figures shown in the progress reports received in the Directorate of Industries and office copies of the reports maintained at the DICs on the one hand, and between the reports and the initial record maintained at the DICs on the other hand. The discrepancies overstated the figures of progress, the variation ranging between 2 and 295 per cent.

Similar discrepencies were noticed during test-check of records of DICs in Kerala.

1.156 On test-check, it was noticed that certain units which had gone into production prior to the formation of the DICs were also reckoned as new units set up under the programme, and consequently the figures shown in the progress reports did not reflect the the correct position (Kerala, Rajasthan, Punjab, Himachal Pradesh and Uttar Pradesh). When the Committee desired to know about the steps taken to ensure that the progress reports submitted by the DICs depict the correct figures and the progress was not overstated, the Ministry of Industry have stated:

> "DICs are being repeatedly requested to furnish progress reports regularly and in time, giving correct figures. Progress reports of DICs are asked to be routed through State Monitoring Cell, so that correct figures are available to the Ministry. Officers of SISIs visit the DICs regularly also to test check the progress reported by DICs. DC, SSI Officers also visit DICs periodically. A comprehensive system of monitoring and evaluation is being evolved."

X Conclusions and recommendations

1.157 In pursuance of the Industrial Policy presented before Parliament on 23 December, 1977 a programme for setting up District Industries Centres (DICs) was launched by the Government of India, to be operational from 1 May, 1978. The programme provided for setting up a DIC in every district of the country, in a phased manner in order to make the district headquarters a focal point for the development of small scale and cottage industries, to shift the emphasis from cities and state capitals to the district headquarters and to provide, under a single roof, all services and support needed by small and village entrepreneurs. The main functions of the DICs were economic investigations of the potential for development of the district, supply of machinery and equipment, provisions of raw materials, arrangements for credit facilities, marketing assistance and quality control and research, extension activities so as to create industrial awareness among the entrepreneurs and artisans and entrepreneurial training. The DICs were also to coordinate the activities undertaken by Government and other agencies in the field of industries.

1.158 As a result of monitoring at different levels of the DIC programme, it was observed by the Ministry of Industry that the DICs were mostly functioning as an extension of the Directorate of Industries at the district level and not as a hub of promotional activities as intended and as such were not able to provide a new thrust to the task of generating industries in rural areas, as expected. Accordingly in the Industrial Policy announced in Parliament on 23 July, 1980, it was stated that the DICs programme had not produced benefits commensurate with the expenditure and it was proposed to initiate more effective alernatives. After the announcement o the Industrial Policy, an intensive review of the DICs programme by high level team consisting of representatives of Ministries of Industry, Commerce, Rural Recon-

struction, Reserve Bank of India and State Governments was undertaken. The review teams recommended that instead of substituting DIC programme with another programme or organisation, it would be better to make certain changes in its structure so that it could make the desired impact. Accordingly, it was decided in August, 1981 to re-structure the DICs which would consist of one General Manager, four Functional Managers and upto three Project Managers in disciplines considered relevant to the needs of the districts.

1.159 Although the State Governments were asked to complete the re-structuring of the DICs by 31 October, 1981, it has not been done in most of the DICs. In this connection, the Ministry of Industry have stated inter-alia that the hesitation of the State Governments to undertake additional burden in the absence of any assurance for the continuance of the Programme as a centrally sponsored programme beyond Sixth Plan has delayed the process of restructuring. The Committee feel that there should be no uncertainty in the continuance of a desirable programme and that the Ministry should ensure re-structuring of the DICs at an early date and report the progress to the Committee by 31 October, 1984.

1.160 Till March, 1982, out of a total of 411 districts of the country, 384 DICs were sanctioned covering 394 districts. In 1978-79, Government provided a non-recurring grant of Rs. 5 lakh per cent (cost of building Rs. 2 lakh and cost of capital assets Rs. 3 lakhs). A grant of Rs. 3.75 lakhs per annum per centre was also provided by the Government for recurring expenses, to be matched by a grant of Rs. 1.25 lakhs from the State Government. From 1979-80 the pattern of assistance has been revised and funds are to be provided equally by the Centre and State Governments for all componets of the scheme. Explaining the procedure for release of Central funds the Ministry of Industry have stated that for the first two quarters of a financial year 50% Central assistance is released on ad hoc pro rata basis of the budget provision of the States/Union Territories and for the 3rd and 4th quarter, the funds are to be released on the basis of actual expenditure incurred during the preceding quarters. The unspent balances are to be adjusted against the subsequent year's allocations. The Committee are concerned to note that whereas unspent balances remaining with the State/Union Territories out of Central releases of loans and grants for promotional schemes upto 1980-81 amounted to Rs. 180.69 lakhs, Rs. 318.55 lakhs and Rs. 115.60 lakhs respectively, the expenditure against recurring grants for establishments had been Rs. 1360.57 lakhs against the budgeted provision of Rs. 1313.23 lakhs thus showing an excess expenditure of Rs. 47.34 lakhs during the same period. The Committee would like the Ministry of Industry to find out the reasons why it has not been possible for the

DICs to utilise the grants and loans for promotional schemes and take necessary corrective measures in this regard.

1.161 Although the DIC scheme provided for construction of building for each DIC and for this purpose non-recurring grant of Rs. 2 lakhs was provided to each DIC, the progress regarding the construction of building has been rather unsatisfactory. Although the Ministry of Industry had laid down 31 March, 1983 as the deadline by which non-recurring grant meant for construction of office building had to be utilised, out of 395 DICs sanctioned, buildings had been completed in respect of 256 DICs only till 31 December, 1983. In some of the States, the position is very unsatisfactory, e.g., in Karnataka, out of 19 DICs sanctioned, only 1 building had been completed as on 31-12-1983 and in Kerala also out of 12 DICs, only one building had been completed. The Ministry of Industry have informed that the escalation in the cost of construction and non-availability of construction material are some of the reasons responsible for delay in construction of buildings. The Committee would like the Ministry of Industry to make concerted efforts and provide necessary assistance to State Governments to ensure that the DICs buildings are completed at the earliest so that the centres could function effectively. One of the measures that the Committee would recommend in this regard is the release of funds by the Centre for the whole year at the beginning of each year and adjusting the unspent balances against the next year's release. This should be done at least as an experimental measure because the Committee have reasons to believe that the late release of fund for the 3rd and 4th quarters under the existing procedure has inhibited the utilisation of funds by the States.

1.162 It is surprising that the Ministry of Industry have furnished different figures regarding the number of DIC buildings completed. While the Committee were informed that till 31-12-1983, 256 DIC buildings had been completed, in reply to Unstarred Question No. 5320 in Lok Sabha, it was stated that 287 buildings have been completed by that date. The Committee would like to be informed of the reasons for discrepancies in the figures and the correct position in this regard.

1.163 From the Audit para, the Committee learn that there have been a number of irregularities in the construction of buildings for DICs. Besides, Rs. 206.61 lakhs remaining unutilised with the construction agencies, resulting in blocking of funds in 7 States (Andhra Pradesh, Assam, Himachal Pradesh, Kerala, Maharashtra, Rajasthan and Uttar Pradesh), completed buildings were taken over by the respective General Managers of the DICs in Madhya Pradesh without getting them technically inspected by authorised agencies. The Committee do not agree with the reply of the Government that since Laghu

Udyog Nigam is the authorised agency of the State Government, further inspection by any other agency was not considered necessary. That it was necessary, is borne out by the fact that the competent supervising authority has now been requested to take steps to rectify the defects. The Committee desire the Ministry of Industry to issue necessary guidelines in this regard to ensure that the buildings constructed for DICs are properly scrutinised by technical personnel so as to ensure that these are free from defects.

1.164 Again in Rajasthan, construction of DIC buildings was entrusted in April, 1978 to Rajasthan State Industrial Development and Investment Corporation whose normal activities do not include, as admitted by the Government of Rajasthan, construction of building. The Committee find that the funds to the extent of Rs. 71.50 lakhs were sanctioned for the purpose and the total expenditure incurred upto 31 March, 1982 was Rs. 35.40 lakhs, leaving Rs. 36.10 lakhs unutilised with the above Corporation. The Committee feel that assigning construction of all the 26 DIC buildings to a single agency which had no experience in this field contributed to the inordinate delay in completion of construction of buildings. In this connection, the Government of Rajasthan have attributed the delay to the non-availability of suitable land. As the land for construction of buildings was to be provided free of cost by the State Governments, the Committee feel that the State Government could have taken timely action in acquiring land for construction of DIC buildings. The Committee hope that at least now the work would be completed expeditiously.

1.165 The Committee note that it was envisaged in the guidelines issued by the Development Commissioner, Small Scale Industries in June, 1978 that not more than two vehicles were to be provided per DIC and vehicles provided under the Rural Industries Project Programme were also to be utilised so as to reduce the number of such vehicles purchased for the Centres. The State Governments were also advised to have only one vehicle in every DIC until the full complement of staff was in position. Accordingly, non-recurring grants for purchase of vehicles preferably diesel operated jeeps, for DIC were released to the State Government. Eight State Governments Union Territories had incurred an expenditure of Rs. 83.02 lakhs towards purchase of vehicles. However, some States purchased Ambassador cars in preference to diesel operated jeeps without the prior approval of the Central Government who did not raise any objection as a number of States reported that they had to wait indefinitely for the supply of diesel jeeps and that the repair and maintenance cost of diesel jeeps was much more than those of Ambassador cars. The Committee desire that the Ministry of Industry should review the position and take appropriate corrective steps as may be warranted.

1.166 Instances have come to notice where vehicles meant for DICs have been retained in the Directorate of Industries and used by the officers there. The Committee would like the Ministry of Industry to issue necessary guidelines to State Governments to avoid such misuse of vehicles meant for DICs.

1.167 The Committee find that provision of facilities to entrepreneurs at a single window formed the basic purpose of DICs. This involved delegation of powers to District Industries Centres both at administrative and financial level. In this connection, the Ministry of Industry have stated that after a model delegation of powers was evolved at the All India DIC Conference for uniform application throughout the country and the same was approved by the Central Coordination Committee on DICs, all the State/Union Territory Governments were requested on 1 July, 1983 to implement the model delegation of powers at an early date. The Committee, however, regret to note that in 9 States and one Union Territory powers were not delegated to the DICs. The Ministry of Industry have themselves admitted that the one window concept cannot be wholly adopted because of existence of certain constraints arising out of statutory compulsions. In the circumstances an attempt has been made at convergence of the activities of other statutory bodies like KVIC, State Financial Corporations, State Small Industries Development Corporation etc. with those of the DICs instead of making the former to surrender their statutory obligations. The Committee are positive that the DICs cannot be a success until and unless all the facilities are available under one roof in each centre so that the entrepreneur may not be required to run from pillar to post. The Committee, therefore, desire that the Ministry of Industry should take steps to ensure the delegation of adequate powers to DICs as far as possible and bring about effective coordination of all the concerned authorities including Electricity Boards and financial institutions under one roof.

1.168 The Committee note that one of objectives of the DICs was economic investigation of the potential for development of the District and as such the first task entrusted to each DIC was the preparation of an Action Plan. The Action Plan was to indicate the details of the industrial development programmes and needs for organisational support bringing out various requirements of inputs and production potentials separately for artisans based activities and tiny and small scale units. The Committee are concerned to note that upto March 1981 out of 382 DICs only 301 had prepared Action Plans and in most of the State/Union Territories Action Plans were prepared without proper survey. The then Secretary, Ministry of Industry also admitted in evidence that he did not think there was any detailed study done before starting the scheme. In this connection, the Ministry of Industry have informed the Committee that Action Plans have been prepared for all the DICs except those sanctioned since 1982-83. The Committee recommend that each DIC should have well equipped Information and Documentation Centre which could effectively assist the perspective entrepreneurs in the area covered by it.

1.169 The Committee note that the DIC programme laid emphasis on manning of the Centres with personnel of proven ability and adequate experience having organisational skill and quality of leadership. Each centre was to be headed by a General Manager of the rank of Joint Director of Industries or a senior Deputy Director, if found exceptionally suitable, to be assisted by 4 to 7 Functional Managers, depending upon the requirements of every DIC. No guidelines have been issued by the Ministry of Industry with regard to educational qualifications and pay scales for the posts of General Manager and Functional Manager, and the selection and appointment of the staff has been left to the State Governments who were permitted to absorb their staff from Industry Department, recruit on contract basis from the open market and take on deputation from other Central/State Governments Departments/Undertakings suitable personnel to man the DICs. The Committee are concerned that in 371 DICs out of a total of 395 DIC sanctioned, there were only 344 General Managers and 1222 Functional Managers against 363 and 1676 sanctioned posts respectively as on 31 December, 1982. What is more disturbing is the fact that there is not even a single Project Manager in position against 502 Project Managers suggested by the Development Commissioner, Small Scale Indusries and 398 proposed by the various District Industries Centres till 31 December, 1982 although the restructuring of all the DICs was to be completed by 31 October, 1981.

The Study Groups of Public Accounts Committee were informed by the representatives of the various State Governments that the DICs programme has been suffering from the constraint of lack of management efficiency in a big way. The Committee are surprised to note that the position has not shown any improvement in spite of communications from the Union Industry Minister in February, 1983 and again on 12 March, 1984. The Committee recommend that the Ministry of Industry should ensure that all the vacant posts of General Managers/Functional Managers/Project Managers in the DICs are filled up at the earliest with competent men from all sources.

1.170 In order to ensure that Functional Managers in the DICs have a clear preception of their duties and effectively discharge their responsibilities, the programme envisaged a scheme of training for them. The Committee have however, found that either the training imparted was not comprehensive or no training was imparted. In this connection, the Ministry of Industry have informed the Committee that 276 General Managers and 758 Functional Managers have been trained up to the year 1983-84 and that the remaining personnel at managerial level would be trained by the end of 1984-85. The Committee hope that the assurance given by the Ministry of Industry would be fulfilled. The Committee further desire that steps might be taken to make the training as comprehensive as possible so as to improve the functioning of DICs.

1.171 The DICs were required to ascertain the requirements of raw materials for various units and to assist them in procuring the materials economically as well as to watch proper utilisation. The Committee are, however, distressed to find that most of DICs in Nagaland, Manipur, Assam, West Bengal, Bihar, Kerala and Karnataka had either not taken effective steps to establish raw material depots or could not arrange adequate supply of various raw materials required by the Units. In some States, the authority for distribution of scare materials rests with the State authorities and as such no effective action could be taken by the DICs. The Committee are surprised to note from the reply of the Ministry of Industry that the setting up of raw material depots by the DICs was not contemplated under the DIC scheme and that the question of opening raw material depots in a district is to be decided by the Small Industries Development Corporation in consultation with State Government. The Ministry have further informed the Committee that there is a close liaison between DICs' and SSIDCs for providing raw materials to small scale sector and recommendations made by the DICs are generally honoured by the latter. The Committee feel that as timely availability of adequate raw materials is one of the pre-requisite for running of an industrial unit, the DIC must have an effective say in its distribution. The Committee recommend that representatives of the DICs should be closely associated with the agency for the procurement and distribution of raw materials in the district. Further, it is necessary for the DICs to ensure proper utilisation of raw materials as in a test check in audit it was found that in two States viz. Uttar Pradesh and West Bengal, scarce raw materials worth Rs. 75.39 lakhs were mis-utilised by 69 units whereas in the States of Madhya Pradesh, Karnataka and also in Uttar Pradesh proper utilisation of raw materials by the units was not verified. As the total number of such cases might be quite large if all the States|Union Territories are taken into account, the Committee desire that the DICs should be required to play a more active role in monitoring the position and taking appropriate action in co-ordination with other State and Central authorities.

1.172. One of the main functions of the DICs is to assist the artisans and small scale units in getting financial assistance from banks and other financial institutions. For this purpose applications for institutional finance are to be assessed and recommended by the DICs through the Manager (Credit), an officer deputed by the 'lead bank' of the District. The Committee are surprised to find that out of 79,445 cases recommended by DICs in 11 States/Union Territories during 1978-79 to 1981-82, only 30,035 cases were accorded sanction by the banks/financial institutions. In another State, viz., Maharashtra, out of 38,883 cases recommended by DICs, as many as 12,412 cases were rejected by the banks whereas in Andhra Pradesh, out of 10,902 recommended cases, 4139 cases were pending as on April, 1982 with the banks for over 30 days. In Nagaland also, out of 185 cases, only 33 cases were sanctioned by the banks. It is surprising that in most of these cases neither the banks had given nor had the DICs tried to ascertain the reasons for rejection of such a large number of applications although as stated by the Secretary, Ministry of Industry in evidence, in all these cases relevant projects were appraised by the credit Managers borrowed from the banks before recommending financial assistance.

During their visits to different States, the Study Groups of the Committee had come across frequent complaints regarding inadequate availability of financial support to entrepreneurs recommended by DICs. It was stated that there was generally a tendency on the part of banks to delay the sanction of loans to the entrepreneurs recommended by DICs. In quite a number of cases, the banks neither sanctioned nor rejected loan applications, keeping the perspective entrepreneurs in suspense. One of the reasons for this was stated to be that in rural areas banks were badly under-staffed and in many cases persons in positions of responsibility did not have the right attitude. It was also stated that schemes/proposals appraised by the General Managers/Credit Managers of DICs were again independently appraised by banks and this led to unavoidable delays. The instructions of the Reserve Bank of India regarding grant of loans were also not being followed by bank officers. The representative of the Ministry of Industry admitted before the Committee that they have been facing difficulty in securing credits for the entrepreneurs identified by the DICs since 1979 itself. He stated that his predecessor and even the Minister had meetings with the Governor, Reserve Bank of India on high rejections of applications, insignificant funds made available and too long time taken by the banks in granting loans, etc.

1.173 The Committee feel that the present position regarding grant of loans by financial institutions is most unsatisfactory and needs to be streamlined. If after appraisal a case for grant of loan is recommended by DIC, it should normally be sanctioned by the banks otherwise the appraisal by DIC simply leads to an extra burden for the entrepreneur as he has now to get his loan application cleared at two places. Moreover, the Committee do not see any justification for such high rejections. The Committee recommend that banks should invariably inform the DICs about the reasons for rejections. The Committee have no doubt that until and unless there is a basic change in the position, the DICs can never be a success. Timely availability of adequate financial support is essential. The Committee hope that appropriate steps would be taken in this regard. In this connection, the Committee understand that there are areas in the country not covered by any Lead Bank. The position should be looked into with a view to covering such areas by some of the existing Lead Banks immediately.

1.174 The DICs were expected to create industrial awareness among the rural entrepreneurs and artisans and motivate them to start the industries by conducting seminars, exhibitions and entrepreneurial development programmes (EDPS). However, the Committee find that in Karnataka, owing to constraint of staff and finance, the number of EDPS and exhibitions conducted between 1978 and 1982 was too small (i.e. 282) compared to the number of 1189 growth centres identified for development. Again in Kerala, owing to non filling up of the posts of Industries Extension Officers, linkage of block level industrial activities with DICs set up was yet to be achieved in 22 out of 59 blocks in four districts. In Andhra Pradesh also extension activities were not adequate in any of the DICs and in 6 DICs test checked by Audit there were only 39 Extension Officers for 101 blocks. It is incomprehensible as to how in these circumstances, DICs can be expected to create industrial awareness among the rural entrepreneurs and artisans and how these entrepreneurs and artisans are expected to know about the activities of the DICs in the absence of adequate linkages at the block/Taluq levels. The Committee, therefore, desire that the position should be periodically and effectively monitored by the Ministry and follow up action taken to ensure that proper and adequate extension services are available in all the Centres in the country.

1.175 The Committee note that in order to assist the small scale industries, the DICs were required to make provision in their Action Plans for establishment of Rural Marketing Centres. While the DICs in Karnataka had made provision in their Action Plans for opening rural marketing centres, the DICs in Andhra Pradesh, West Bengal and Kerala did not make any such provision. The DICs in Andhra Pra-

desh, West Bengal, Kerala, Karnataka, Manipur, Sikkim, Nagaland and Rajasthan had also not been able to extend effective marketing assistance to the small scale units and artisans. The Committee need hardly point out that absence of adequate marketing outlets is the major problem being faced by the small units/artisans and as such certain positive steps have to be taken by the Government and other promotion agencies to provide marketing support. The Committee desire that the organisations such as Khadi and Village Industries Board, All India Handloom Board and All India Handicrafts Board, National Small Industries Corporation, State Small Industries Development Corporations, District Rural Development Agencies etc. should play a more active role for providing marketing assistance to small scale industries in a coordinated manner. The question of the Government and Public Undertakings showing preference for purchase through the DICs should also be considered and appropriate instructions issued.

1.176 There is regrettably no systematic arrangements to monitor the functioning of the units assisted by the DICs. During the tours of the Study Groups of the Committee the representatives of the State Governments had informed the Committee that while the figures of small scale industries and units set up under the DIC programme were available with them, the number of industries which were actually functioning were not known. It was also admitted that the possibility of a high percentage of such industries having been closed down or becoming sick could not be ruled out. On a test check of 81 DICs covering 13 States, Audit had found that there were about 5203 sick units of which 4618 units were closed mainly due to the shortage of working capital, essential raw materials, inadequate power supply, absence of marketing facilities, etc. It was disturbing to the Committee to hear from the then Secretary, Ministry of Industries that "there are hundreds and thousands of sick units in the districts. I do not think that the DICs which have a strength of only 4 or 5 people can go and assis the sick units and review them". From the information furnished by the Ministry, the Committee are concerned to find that there were about 25342 sick units involving an outstanding loans of Rs. 359.07 crores as on 31 December, 1981. During evidence the Secretary, Ministry of Industry has stated that at present the number of sick units might be about 35,000. In this regard, he suggested that collective efforts are necessary in such a task as revival of sick units. The Committee are of the definite view that the success of the DICs has to be judged not by the number of new industrial units set up but by the number of units which are actually well established and are functioning efficiently. The Committee have an apprehension that a considerable percentage of new units set up have either become sick

or have been wound up. There are also evidently cases where the assisted units did not come into existence at all. The Committee, therefore, recommend that the DICs should evolve a proper monitoring mechanism to keep a close watch over the setting up of units as well as functioning of units set up and to render all assistance to obviate sickness. Further DICs ought to play an effective role in revival of sick units in coordination with other organisations concerned. For this purpose if the DICs are to be strengthened, it should be done. Necessary guidelines in this regard may be issued.

1.177 In their letter dated 10 April, 1978, the Ministry of Industry had asked the State Governments to constitute District Advisory Committees headed by the Collectors of concerned distrists and consisting of district level officers of other State Government Departments and semi-Government bodies, non-officials such as MLAs, M.Ps., representatives of Industry associations and Chamber of Commerce etc. This Committee was to meet once a month and in any case not less than once in two months. Similarly a State level Coordination Committee was to be constituted with the Chief Minister/Minister for Industry as the Chairman and Chief Secretary, Industries Secretary, Director of Industries, Secretaries-in-charge of Agriculture, Rural Develipment and Energy, Development Commissioner incharge of Panchayat Raj institution and Direcotr, SISI at the State Level as its members. This Committee was to meet once in six months to review the functioning of the district industries centres in the State and report to the Government of India the progress, problems encountered and solutions identified. It was also provided to set up five Regional Coordination Committees for overall coordination, exchange of information between States and regional and All India bodies. Identification of marketing outlets and strategies, evolution of financial linkages between Central Financial Institutions and banks and review the DICs set up on a regional basis. This Committee was to meet once in three months. There was also a provison for Central Coordination Committee with the Union Minister of Industry as the Chairman and comprising representatives of Planning Commission, Ministry of Finance (Department of Expenditure and Banking), Secretary, Industrial Development, Chairman, IDBI and Development Commissioners Handlooms and Handicrafts and Chairman, KVIC and Additional Secretary, Industrial Development as Convenor. This Committee was to review from time to time the policy and broad framework of the DIC set up in the light of experience gained. This Committee was to meet once a year.

The Committee are distressed to note that none of the Committees had been meeting regularly in the past. Even the Central Coordination Committee had met only twice so far. Moreover, in spite of the guidelines issued by the Ministry of Industry, Members of Parliament and

Members of various Legislative Assemblies have not been nominated as Members of the District Advisory Committees in most of the States, In his DO letter dated 12 March, 1984 to all the Chief Ministers of States and Lt. Governors of Union Territories the Union Industry Minister has stressed the need for regular meetings of all these Committees. The Committee need hardly stress the imperative need for the meetings of these Committees at various levels being held regularly.

The State level Co-ordination Committees ought to meet at least once in three months insead of once in six monhs as required at present. The Committee expect the ministry of Industry to ensure that constitution of the Committees strictly conform to the guidelines issued and that in particular the district level Committees associate with them the elected representatives of the people viz. MPs. and MLAs. The Committee further desire that the representatives of commrcial banks and other financial institutions should also be associated with the Committees at various levels.

Summing up

1.178 The DICs programme calculated to some extent to decentralise industrial planning to suit the endowments and needs of each district and to bring about an inter-disciplinary approach to help establish and efficiently run industrial units in the small scale sector could have achieved not only rapid production growth but also large employment generation if only the programme had been implemented well. The Committee's examination of the implementation has left them with the feeling that the programme has been inhibited by lack of direction and coordination. The institutional and other infrastructures needed are not yet fully available. The Action Plans of the DICs which are basis to implementation of the programme have evidently been prepared in most cases without adequate survey of the areas. Besides, specific targets to be achieved from year to year have not been laid down in the Action Plans. There is no effective monitoring of the functioning of the industrial units set up by the DICs with a view to taking appropriate measures to ensure that they functioned efficiently. The units have not been assured of supply of inputs, chiefly raw materials and finance, nor are there uniformly well developed marketing outlets. The main objective of providing under one roof all services and facilities required by entrepreneurs has not been realised. Nevertheless, the Committee hope that on the basis of this Report steps should be taken to revamp the programme and put it on a sound footing. The DICs should be suitably strengthened to enable them to discharge their functions efficiently and overlapping of func-

tions with other organisations avoided. The ultimate test of the success of the industries centres is their impact on the economy of the country in terms of value added and employment generated. The Committee would, therefore, in particular stress the need for effective monitoring *inter-alia* **to assess the impact of the programme on the economy in terms of value added and employment generated by the industrial units established by the DICs and to take steps to achieve their steady growth. The results obtained in this regard from year to year should be published for the information of Parliament and the public.**

NEW DELHI;
July 2, 1984.
Asadha 11, 1906 (*Saka*).

SUNIL MAITRA,
Chairman,
Public Accounts Committee.

APPENDIX—I

(*vide* Para 1.1)

Audit Para

District Industries Centres Programme

1. *Introduction*:

1.1 In pursuance of the Industrial policy presented before Parliament on 23rd December 1977, a programme for setting up District Industries Centres (DICs) was launched by the Government of India (Government) in April 1978 to be operational from 1st May 1978. A DIC was to be set up for every district, under a phased programme, in order to make the district headquarters a focal point for the development of small scale and cottage industries, to shift the emphasis from cities and State capitals to the district headquarters and to provide, under a single roof, all services and support needed by small and village entrepreneurs. The main objectives of the DICs were economic investigation of the potential for development of the district, supply of machinery and equipment, provision of raw materials, arrangement for credit facilities, marketing assistance and quality control and research, extension and entrepreneurial training. They were also to coordinate the activities undertaken by Government and other agencies in the field of industries.

1.2 In 1978-79, Government provided a non-recurring grant of Rs. 5 lakhs per centre [cost of building: Rs. 2 lakhs; cost of capital assets such as office equipment, vehicles (preferably diesel-operated jeeps), furniture and fixtures: Rs. 3 lakhs]. The State Governments were to divert funds from the provision for capital assets towards construction of building to meet the excess on account of higher cost of construction. A grant of Rs. 3.75 lakhs *per annum* per centre was provided by Government for recurring expenses, to be matched by a grant of Rs. 1.25 lakhs from the State Government. *Cent per cent* funds were also provided by Government for promotional schemes, incentives and loan assistance to small and cottage units. From 1979-80, the pattern of assistance was revised and funds were to be provided equally by the Central and State Governments for all components of the scheme.

1.3 For effective development of cottage and small industries through the DICs, regional committees were to be set up to provide overall coordination, enable exchange of information between regions and States and all-India bodies, identify marketing outlets and strategies, evolve financial linkages between Central financial institutions and banks, and review the DIC set-up on a regional basis. The Development Commissioner (Small Scale Industries) would function as coordinator of these committees.

2. *Coverage and Funding*

2.1 Upto March 1982, 384 DICs had been sanctioned, covering 394 districts. The financial assistance provided by Government to the State Governments|Union Territories during the period from 1978-79 to 1980-81 was as follows:—

(Rs. in lakhs)

Year	Non-recurring grants	Recurring grants	Grants for promotional schemes	Total grants	Loans	Grand total
1978-79	1,411.20	430.86	58.56	1,900·62	700.00	2.600.62
1979-80	151.50	582.00	141·20	874·70	212.46	1,087·26
1980-81	Nil	300·37	80·18	380·55	159.44	539·99
	1,562·70	1,313·23	279·94	3,155·87	1,072 00	4,227.87

2.2 The expenditure incurred out of the grants released by the Central Government was as follows:—

Year	Non-recurring	Recurring	Promotional schemes	Total	Loan	Grand total
			(Rupees in lakhs)			
1978-79	744·18	293·87	47·96	1,086.01	322.46	1,408·47
1979-80	371·52	450·63	47·84	869·99	273·87	1,143·86
1980-81	128·45	616·07	68·54	813·06	294·98	1,108·04
	1,244·15	1,360·57	164·34	2,769·06	891·31	3,660·37

Unspent balances remaining with the States/Union Territories out of the Central releases (recurring and promotional schemes) in the previous years amounted to Rs. 372.32 lakhs, which had been authorised to be spent during 1980-81 in addition to further releases under recurring grant head and the end of 1980-81, an amount of Rs. 567.50 lakhs remained unspent with the States/Union Territories.

3. *Implementation of the programme in the States/Union Territories*

3.1 The following points were noticed in audit in a test-check (1981-82) of records of the DICs in 19 States and 3 Union Territories:—

3.2 *Construction of buildings*.—Out of 269 DICs sanctioned during 1978-79 to 1981-82, covering 15 States, construction of buildings had been completed in respect of only 112 DICs.

In 7 States (Andhra Pradesh, Assam, Himachal Pradesh, Kerala, Maharashtra, Rajasthan and Uttar Pradesh), Rs. 206.61 lakhs remained unutilised with the construction agencies, resulting in blocking of funds.

In Madhya Pradesh, completed buildings were taken over by the respective General Managers (GMs) of the DICs without getting them technically inspected by authorised agencies. Three DIC buildings which were inspected by the GM after taking over were found to be defective.

In Rajasthan, construction of DIC buildings was entrusted (April 1978) to Rajasthan State Industrial Development and Investment Corporation (corporation), and funds to the extent of Rs. 71.50 lakhs (Rs. 9 lakhs in March 1979, Rs. 39 lakhs in March 1980, Rs. 13.50 lakhs in March 1981, Rs. 10 lakhs in March 1982) were sanctioned for the purpose and the total expenditure incurred up to 31st March 1982 was Rs. 35.40 lakhs, leaving Rs. 36.10 lakhs unutilised with the corporation.

Assigning construction of fall the 26 DIC buildings to a single agency, whose normal function was not construction of buildings, contributed to the delay in completion of construction.

The Government of Uttar Pradesh placed Rs. 155.00 lakhs (March 1980) at the disposal of three institutions for the purchase of land (Rs. 43 lakhs) and for construction of 56 DIC buildings (Rs. 112 lakhs), [(i) Uttar Pradesh State Nirman Nigam (17 DIC buildings): Rs. 34.00 lakhs; (ii) Uttar Pradesh Avas and Vikas Parishad (13 DIC buildings): Rs. 26.00 lakhs; and (iii) Uttar Pradesh State Industrial Development Corporation (cost of land: Rs. 43 lakhs) (26 DIC buildings): Rs. 52 lakhs]. The amount of Rs. 60

lakhs placed at the disposal of the two institutions (i) and (ii) was, however, withdrawn and transferred to the personal ledger account of the institution (iii) (November-December 1980). Rupees 12.46 lakhs were withdrawn from this account and placed at the disposal of the Rural Engineering Service Department (Rs. 1.15 lakhs), Kumaon Mandal Vikas Nigam (Rs. 6.50 lakhs) and the General Managers (GMs) of 8 DICs (Rs. 4.81 lakhs) during 1980-81 and 1981-82. Rupees 77.56 lakhs remained unutilised with Uttar Pradesh State Industrial Development Corporation (March 1982).

Although it was envisaged that the land for construction would be provided free of cost by the State Government, in 3 States (Uttar Pradesh, Sikkim, Karnataka), Rs. 6.85 lakhs were advanced to DICs for acquiring land for construction.

In 2 DICs in Kerala the hired buildings were shared by other organisations—Kerala Financial Corporation (May 1979 to April 1981) and Kerala State Small Industries Development and Employment Corporation (SIDECO) for which proportionate share of rent had not been recovered (February 1982).

Thus, despite availability of funds, construction of DIC buildings was delayed or not completed in a number of States and the requirements were met by hiring buildings for the DICs thus incurring avoidable expenditure.

4. *Purchase of Capital Assets*:

4.1 *Vehicles.*—Non-recurring grants for purchase of vehicles (preferably diesel-operated jeeps) for DICs were released to the State Governments. The guidelines issued (June 1978) by the Development Commissioner (Small Scale Industries) envisaged that not more than 2 vehicles were to be provided per DIC and vehicles provided under the Rural Industries Project Programme were to be utilised so as to reduce the purchases and the State Governments were advised to have one vehicle in every DIC until the full complement of staff was in position.

A total expenditure of Rs. 83.02 lakhs was incurred towards purchase of vehicles for DICs by 8 State Governments/Union Territories (Andhra Pradesh, Assam, Haryana, Manipur, Punjab, Rajasthan, Uttar Pradesh and Arunachal Pradesh). Some States (Andhra Pradesh, Haryana, Rajasthan, Uttar Pradesh) purchased Ambassador cars in preference to diesel-operated jeeps. Haryana and Rajasthan purchased 5 and 2 cars respectively, at a total cost of Rs. 3.75 lakhs.

Andhra Pradesh had 22 vehicles for 11 DICs set up during November 1978, although the full complement of staff had not been in position in any of these DICs. 11 Ambassador cars, 3 jeeps and 8 trekkers were procurred during 1979-81 at a total cost of Rs. 11.70 lakhs.

In Assam, 5 vehicles were purchased for the DICs at a cost of Rs. 4.09 lakhs. In addition, each GM was provided with a pool car by the State Government and the maintenance cost of the pool cars was met out of the recurring expenditure of the DICs.

The Government of Uttar Pradesh drew Rs. 56.20 lakhs during 1978-79 and 1979-80 and deposited (March 1980) in the personal ledger account of Uttar Pradesh Small Industries Development Corporation, Kanpur. Of this, Rs. 45.82 lakhs were advanced during 1979-80 and 1980-81 to the respective firms for the supply of 63 jeeps and 6 Ambassador cars. The delivery of 5 jeeps was still awaited and Rs. 6.7 lakhs were outstanding against the supplier (March 1982). The Ambassador cars were retained by the Directorate of Industries of the State Government for their own use.

Government issued orders (September 1980) that DICs' vehicles should be used for the work of the DICs, except in case of natural calamities (floods etc.). It was, however, observed in test-check by Audit that vehicles purchased for DICs had been utilised for other purposes in some States/Union Territories (Nagaland, Punjab, Rajasthan, Uttar Pradesh, Arunachal Pradesh), although the cost of their maintenance and repairs was borne by the DICs. For example, in Uttar Pradesh and Arunachal Pradesh, the vehicles were used in the Directorate of Industries and in Nagaland, Punjab and Rajasthan, these were deployed in other branches of the Department of Industries. For want of vehicles, the work of the DICs had suffered in Nagaland and Arunachal Pradesh.

4.2 *Furniture and fixtures, office equipment.*—It was seen in audit that some States had diverted items procured under this head to offices other than DICs.

(i) In Andhra Pradesh, 22 typewriters worth Rs. 0.69 lakh were either kept in store (19 nos.) or provided to offices other than DICs (3 nos.).

(ii) In Madhya Pradesh, an amount of Rs. 5.50 lakhs, drawn in March 1979 by the Director (Industries) out of non-recurring grant for purchase of office equipment, was lying unutilised under "Civil Deposits". A sum of Rs.

62.30 lakhs was advanced by the State Government (March 1979) to Madhya Pradesh Laghu Udyog Nigam (MPLUN) for supply of office equipment of which details of expenditure were not available with the Industries Department (June 1982).

(iii) The Rajasthan Government purchased furniture worth Rs. 2.07 lakhs, during 1978-79 and 1979-80, out of non-recurring grant, but the same was not supplied to the DICs.

(iv) Inter-com sets were installed in the Directorate of Industries in Uttar Pradesh (Rs. 0.64 lakh) though not directly connected with the DICs programme.

5. *Management*

5.1 *Staffing pattern and recruitment.*—The programme laid emphasis on manning the DICs with personnel of proven ability and adequate experience, having qualities of leadership and organisational ability. The Centres were to be headed by a GM of the rank of Joint Director of Industries (or a Senior Deputy Director if found exceptionally suitable) to be assisted by 4 to 7 Functional Managers (FMs), depending upon the requirements of every DIC.

It was seen in audit that, in most of the States, a number of sanctioned posts, particularly of FMs remained vacant even as late as 1981-82 as indicated below:

Sl. No.	State	No. of DICs	Sanctioned strength	Posts remaining vacant	
			FM	FM	As on
1.	Andhra Pradesh	22	66	7	October 1981
2.	Assam	10	35	5	March 1982
3.	Haryana	12	84	60	March 1982
4.	Himachal Pradesh	12	44	7	July 1982
5.	Karnataka	13	46	21	March 1982
6.	Kerala	11	77	38	January 1982
7.	Nagaland	7	35	9	June 1982
8.	Punjab	12	44	23	July 1982
9.	Rajasthan	26	114	3	March 1982
10.	Tamil Nadu	14	56	18	May 1982
11.	Uttar Pradesh	56	180	85	October 1981
12.	West Bengal	15	105	19	June 1982
13.	Chandigarh	1	3	2	June 1982

The programme provided for completion of recruitment procedures and appointment of GMs|FMs to man the DICs before the end of April 1978. In some States|Union Territories (Andhra Pradesh, Assam, Haryana, Himachal Pradesh, Meghalaya, Nagaland, Punjab, Rajasthan, Arunachal Pradesh, Chandigarh) even the recruitment rules had not been framed.

In the Industrial Policy announced in Parliament on 23rd July 1980, it was stated that the DICs programme had not produced benefits commensurate with the expenditure and it was proposed to initiate more effective alternatives. The Ministry of Industry undertook a search for effective alternative through a close scrutiny of the work done in five selected DICs (one from each region) and it was decided (August 1981) to restructure the DICs. The restructured DIC would consist of 1 GM and 4 FMs (3 for economic investigation, credit and village industries, and one for any other area such as raw materials, infrastructure, marketing, training, information, at the discretion of State Government), and upto 3 project managers in disciplines considered relevant to the needs of the district. The State Governments were to complete the reorganisation of the DICs by 31st October 1981 so that the impact of the re-orientation of the DICs, could be felt in the financial year 1981-82 itself. Restructuring of DICs has not been finalised (July 1982) in some States|Union Territories (Assam, Haryana, Manipur, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, West Bengal, and Arunachal Pradesh). The Ministry stated (January 1983) that the State|Union Territory Governments were being persistently requested to complete the restructuring at the earliest.

5.2 *Training of staff*.—To ensure that FMs in the DICs have a clear perception of their duties and effectively discharge their responsibilities, the programme envisaged training programmes for them. The requisite training was found to be either partial for the FMs in position in various DICs or no training was imparted at all in some State|Union Territories (Himachal Pradesh, Sikkim and Chandigarh)

6. *Work programme: targets and achievements*

6.1 *Delegation of powers*.—The "single-window concept" of the programme envisaged delegation of powers to DICs on a wide and reasonable basis. The DICs were to be delegated with administrative and financial powers of the Department of Industry as well as those under Import Trade Control Policy. In 9 States and one Union Territory (Bihar, Himachal Pradesh, Karnataka, Nagaland, Punjab, Rajasthan, Sikkim, Tamil Nadu, Uttar Pradesh and Pondicherry) powers had not been delegated to the DICs by the respective State Governments to enable them to function effectively.

6.2 *Action Plans.*—The first task entrusted to each DIC was the preparation of an action plan, concentrating on demands, skills and surplus resources of the district. The action plan was to indicate the details of industrial development programmes and needs for organisational support, bringing out various requirements of inputs including financial, entrepreneurial and employment, and production potentials separately for artisan-based activities and tiny and small scale units.

Annexure I indicates the number of action plans prepared by the DICs (for which annual reports were sent to Government) in various States|Union Territories from 1978-79 to 1980-81. Out of 382 DICs upto March 1981, 301 had prepared action plans. However, in most of the States/Union Territories (Bihar, Haryana, Himachal Pradesh, Karnataka, Manipur, Nagaland, Rajasthan, Tamil Nadu, West Bengal, Arunachal Pradesh and Chandigarh) action plans had been prepared without proper survey.

6.3 *Project profiles.*—In the States of Karnataka, Manipur and Uttar Pradesh, no State level targets were fixed for the preparation of project profiles. In Andhra Pradesh, only 3,232 project profiles were made out as against 22,946 industries targeted to be set up in 1979-80 and 1980-81, indicating thereby that a large number of entrepreneurs identified were not provided with the details of the project. In Manipur, the project profiles were prepared after identification of entrepreneurs, though these should have been ready in advance to enable selection of feasible projects. These project profiles also lacked information regarding break-even points, list of suppliers of machinery and raw materials, and sale prospects.

6.4 *Industrial accommodation.*—Availability of industrial plots and sheds for the establishment of new units is an important factor for the development of industries in rural areas. The DICs had no control over the selection of sites and allotment of industrial plots which remained with the State Governments. The actual number of plots and sheds made available to industrial units, and their occupancy after the formation of DICs found during audit in 5 States (Himachal Pradesh, Madhya Pradesh, Rajasthan, Sikkim, Tamil Nadu) is given below:

S. No.	State (position as shown under each)	No. of DICs	No. of sheds / plots developed	Allotment to units	No. of sheds/plots yet to be allotted
1.	Himachal Pradesh (July 1982)	8	34 sheds 299 plots	26 sheds* 284 plots*	8 sheds 15 plots
2.	Madhya Pradesh (March 1982)	13	239 sheds 1973·86 acres developed land	232 sheds 1563·92 acres developed land	7 sheds 409·94 acres (developed) and 351·23 acres (yet to be developed)
3.	Rajasthan (March 1982)	2	1178 plots	389 plots	789 plots
4.	Sikkim (March 1982)	1	6 sheds	2 sheds	4 sheds
5.	Tamil Nadu (April 1982)	2	199 sheds	119 sheds	80 sheds

In Haryana, Manipur and Jammu & Kashmir, no industrial areas/ plots|sheds were developed|constructed for allotment to industrial units by the DICs.

6.5 *Arrangement of raw materials for units.*—DICs were required to ascertain the requirements of raw materials for various units, assist them in making purchase economically and to watch proper utilisation. The following were noticed during test-check in audit:—

(i) *Non-setting up of raw material depots.*—Most of the DICs in Nagaland, Manipur, Assam, West Bengal, Bihar, Kerala and Karnataka had either not taken effective steps to establish raw material depots or could not arrange adequate supply of various raw materials required by the units. In some States, (Assam, Kerala, Nagaland) the authority for distribution of scarce materials rests with the State authorities and, as such, no effective action could be taken by the DICs, although provision of raw materials is an objective of the programme.

(ii) *Misutilisation of raw materials.*—In Uttar Pradesh and West Bengal, scarce raw materials worth Rs. 75.39 lakhs were misutilised by 69 units. Some of these units were non-existent; some units were closed down, and others were unable to produce records of utilisation.

(iii) *Non-verification of utilisation.*—The proper utilisation of raw materials by the units was not verified by the DICs in the States of Uttar Pradesh, Madhya Pradesh and Karnataka.

*But only 87 units had established their industries of which only 79 units had gone into production.

6.6 *Common facility centres.*—Though revitalisation of eight defunct common facility centres for carpenters, weavers, etc. was provided for in the action plan of one DIC in Karnataka, revival of these units could not be taken up by the DICs for want of funds. The common facility centre for woollen weavers at another DIC had remained inoperative due to non-installation of machinery.

In West Bengal, setting up of common facility centres was envisaged in the action plans of the 4 districts test checked, but no such centres at two places were established by the DICs and no information was made available to audit in regard to settting up of such centres at two places.

6.7 *Extension activity.*—The DICs were expected to create industrial awareness among the rural entrepreneurs and artisans and motivate them to start industries by conducting seminars, exhibitions and entrepreneurial development programmes (EDPS).

In Karnataka, the number of EDPs and exhibitions conducted (1978-82) was small (282) compared to the number of growth centres (1189) identified for development, due to constraints of staff and finance.

In Kerala, owing to non-filling of the posts of Industries Extension Officers, linkage of block level industrial activities with the DIC set-up is yet to be achieved in 22 out of 59 blocks in 4 districts.

In Andhra Pradesh, extension activities were not adequate in any of the DICs. In the 6 DICs test checked in audit, there were only 39 Extension Officers for 101 blocks.

6.8 *Bank|institutional finance.*—One of the main functions of the DICs was to assist the artisans and small-scale units in getting financial assistance from banks and financial institutions. For this purpose applications for institutional finance were to be assessed and recommended by the DICs through the Manager (Credit), an officer deputed by the "lead bank" of the district.

Cases recommended by DICs and those sanctioned by financial institutions/banks during 1978-79 to 1981-82 were as follows:—

Sl. No.	State/Union Territory	Cases recommended by DICs		Cases sanctioned by financial institutions/banks	
		No. of cases	Amount (Rs. in lakhs)	No. of cases	Amount (Rs. in lakhs)
1.	Bihar (1 DIC)	398	186·52	180	72·66
2.	Himachal Pradesh (8 DICs)	3154	1,232·36	2332	795·38
3.	Jammu & Kashmir (7 DICs)	5176	2,175·62	2521	748·98
4.	Karnataka (4 to 12 DICs)	3960	1,232·35	2519	909·27
5.	Madhya Pradesh (1979-80 to 1981-82) (32 to 45 DICs)	44165	NA	8642	692·54
6.	Sikkim (1 DIC)	11	0·19	3	0·03
7.	Tamil Nadu (7 DICs)	5689	NA	4341	792·12
8.	Uttar Pradesh (12 DICs)	14454	1,309·05	8107	774·60
9.	West Bengal (4 DICs)	2085	NA	1159	NA
10.	Meghalaya (1 DIC)	46	4·96	26	3·14
11.	Pondicherry (1 DIC)	307	145·65	205	65·45
		79,445		30035	

Out of 79,445 cases recommended by DICs in 11 States/Union Territories, only 30,035 cases were accorded sanction by the financial institutions/banks. In Maharashtra, out of 38,883 cases recommended by DICs, 12,353 cases were rejected by the banks. In Andhra Pradesh, out of 10,902 cases recommended by DICs, 4,139 cases were pending (April 1982) with the bank for over 30 days. Out of 185 cases recommended by the DICs in Nagaland, only 33 cases were sanctioned by the banks.

Most of the DICs had not ascertained from the banks the reasons for rejection of a large number of applications recommended by them. Further, most of the DICs did not know the position of the utilisation of loans by the units and actual setting up of industries.

6.9 *Seed money/margin money loans to industrial units.*—The scheme for advancing seed|margin money assistance to the industrial units with a view to increasing employment opportunities, including self-employment, was merged (1979-80) with the DICs programme and the loan component was to be utilised as seed|margin money. The following were noticed during audit.

(i) *Non-recovery of inadmissible drawals.*—Seed|margin money assistance amounting to Rs. 14.39 lakhs was disbursed to 332 units which had either not gone into production or had closed down within 5 years of commencement or had not executed the agreement deeds, but no follow-up action was taken by the DICs to recover the disbursed amounts. The details are as under:

Name of State	Number of units	Amount involved (Rs. in lakhs)	Type of irregularities
Haryana	42	1·74	Units closed down
	52	3·96	Units did not go into production
	22	1·78	Agreement deeds not executed
Punjab	215	6·72	Ineligible units
Rajasthan	1	0·19	Unit closed down
	332	14·39	

(ii) *Undisbursed amounts.*—(a) Out of loans amounting to Rs. 10.44 lakhs drawn by the Directorate of Industries, Nagaland (Rs. 5.44 lakhs) and by erstwhile District Industrial Officers and District

Project Officers of 4 districts of West Bengal (Rs. 5 lakhs), Rs. 8.45 lakhs remained unspent as margin money assistance, as detailed below:

Name of State	Amounts drawn		Amounts given to DICs for disbursement		Amounts remained unspent	
	Month	Amount (Rs. in lakhs)	Month	Amount (Rs. in lakhs)	Month	Amount (Rs. in lakhs)
Nagaland	March 1981	1·94	July 1981	1·91	May 1981	0·99
	March 1982	3·50	Not remitted to DICs in 1982		May 1982	3·50
West Bengal	1977-78	5·00	NA		March 1982	3·96
		10·44				8·45

(b) Seed money amounting to Rs. 10 lakhs was drawn by the Directorate of Industries, Manipur in May 1979 and the amount kept with the Manipur Small Industries Corporation Ltd. from that date. The Corporation, retained with them Rs. 10 lakhs (May 1979—January 1980), Rs. 8 lakhs (February 1980—January 1981) and Rs. 0.37 lakh (February 1981—August 1982) before releasing the amount to the DICs.

(c) Margin money of Rs. 1.28 lakhs deposited between November 1978 and August 1980 was retained by the banks without releasing the loans nor were refunds made to the department in Andhra Pradesh (February 1982).

(iii) *Diversion of seed/margin money.*—Loans of Rs. 147 lakhs, released by Government to the State of Madhya Pradesh for giving soft loans as seed money/margin money to educate unemployed entrepreneurs through DICs, were, instead, utilised as loans to rural artisans, widows and disabled persons through Madhya Pradesh Apex Co-operative Bank. The accounts of these loans were yet to be finalised (March 1982).

(iv) *Utilisation certificate awaited.*—Out of Rs. 664.95 lakhs given to the disbursing agencies in Maharashtra upto March 1982 for disbursement of seed money assistance, utilisation certificates in respect of Rs. 158.19 lakhs loan had not been received by the DICs upto July 1982.

6.10 ***Rural Industries Projects/DIC loans.***—The scheme of advancing loans to small-scale units for construction of buildings, purchase of machinery and working capital under the erstwhile Rural Industries Projects was continued as part of the DIC programme. Test-check in audit revealed the followings:

(i) *Outstanding loans.*—In 8 States, loans amounting to Rs. 379.19 lakhs, disbursed under/by 64 DICs, were due for repayment, but were outstanding with the entrepreneurs as detailed below:

(Rs. in lakhs)

Name of State	No. of DICs	Outstanding as on	Amount of loan and interest outstanding	No. of units involved
Assam	3	February 1981	5·18	
Bihar	2	March 1982	20·04	
Himachal Pradesh	8	Do.	97·23	3801
Madhya Pradesh	37	December 1981	173·72	2198
Manipur	2	March 1982	7·24	556
Sikkim	1	Do.	0·46	
Tamil Nadu	7	March 1981	34·76	NA
West Bengal	3	March 1982	32·27	(BSAI Loan)
	1	March 1980	8·29	
	64		379·19	

In Meghalaya, Rs. 7.25 lakhs were paid as loan to 702 artisan units in 1979-80, to be recovered in 5 equal instalments, but only Rs. 3,840 towards principal and Rs. 981 towards interest could be recovered so far (June 1982). In Assam, two DICs had not assessed the quantum of loan recoverable from loanees against the total loan of Rs. 23.31 lakhs. In Jammu & Kashmir, Rs. 36.26 lakhs were advanced as loans to 1188 units by 7 DICs during 1978-79 to 1981-82, but no action was taken to recover the overdue amounts.

(ii) *Non-verification of utilisation of loans.*—In three States, utilisation of loans disbursed amounting to Rs. 121.75 lakhs was not verified by the DICs, as detailed below:

Name of State	No. of units	Amount of loan not verified (Rs. in lakhs)
Tamil Nadu	539	40.26
Uttar Pradesh	318	37.55
West Bengal (BSAI loan)	NA	43.94
		121.75

In Karnataka, actual utilisation of loans was not forthcoming from the records of some DICs and in 3 DICs, utilisation had been verified in only 44 out of 98 cases. In one DIC in Assam, utilisation certificates had been obtained in only 64 (Rs. 1.21 lakhs) out of 553 (Rs. 10.20 lakhs) cases.

(iii) *Misutilisation of loans.*—In 780 cases in Himachal Pradesh, Rs. 24.30 lakhs (Principal: Rs. 12.26 lakhs; Interest: Rs. 12.04 lakhs) were recoverable from the parties who had misutilised the loans granted and Rs. 7.15 lakhs Principal: Rs. 3.80 lakhs: Interest: Rs. 3.35 lakhs) were recoverable from 175 parties whose units had remained closed.

Loans amounting to Rs. 51.35 lakhs were advanced to 412 units by 12 DICs in Uttar Pradesh during 1978-79 to 1980-81, but none of these units had either started production or furnished the utilisation certificates nor hypothecated their assets. Loans to the extent of Rs. 7.84 lakhs in 62 cases were reported to have been misutilised. Further. loans to the extent of Rs. 23.35 lakhs were sanctioned to 262 units by 6 of these DICs during 1978-79 to 1980-81 without examination of technical viability, marketing and economic feasibility. Out of these, Rs. 6.69 lakhs, involving 53 cases, were reported as misutilised.

(iv) *Miscellaneous.*—There was delay (2-4 months) in remittance of loans (Rs. 15.64 lakhs) to the DICs by the Directorate of Industries in Nagaland and there was also delay (2-15 months) on the part of the DICs in disbursement to the actual loanees.

In Tamil Nadu, out of a total of 835 cases of loans amounting to Rs. 69.43 lakhs disbursed during 1978-79 to 1980-81, in 78 cases (Rs. 5.58 lakhs) the loans had not actually been released to the loanees, but were held in Special Deposit Accounts with the bank (January 1982).

Loans amounting to Rs. 8.83 lakhs were granted as full loans to 133 entrepreneurs in Pondicherry, instead of as seed/margin money loans, and the department had not prepared (April 1982) the demand, collection and balance statements for the loans granted.

In Uttar Pradesh, an amount of Rs. 2.07 lakhs meant for advancing loans was deposited under Small Savings Scheme during 1980-81 for boosting a drive for small savings in the district.

Loans of Rs. 7.69 lakhs were given to 8 units by a DIC in Rajasthan (upto March 1982) without verifying sanction of power connections. As a result, plant and machinery of these units remained idle.

The Government of Karnataka sanctioned (February 1964 to March 1979) loans aggregating Rs. 143.97 lakhs; these were drawn by the State Government and deposited with the Karnataka Industrial Co-operative Bank; of this, Rs. 20.49 lakhs had not been utilised.

6.11 *Marketing assistance.*—In order to assist the small-scale industries, the DICs were required to make provision in their action plans for establishment of rural marketing centres.

While the DICs in Karnataka had made provision in their action plans for opening rural marketing centres, the DICs in Andhra Pradesh, West Bengal and Kerala did not make any such provision in their action plans.

The DICs in Andhra Pradesh, West Bengal, Kerala, Karnataka, Manipur, Sikkim, Nagaland and Rajasthan had not been able to extend any effective marketing assistance to the small-scale units and artisans, *e.g.* market surveys were not conducted, no product assessment was made nor any market development programmes taken up and sales promotion activities did not achieve the expected results.

6.12 *Monitoring of progress.*—The programme envisaged an inbuilt monitoring system by setting up four types of coordination and advisory committees to oversee and guide its implementation at the district, State, regional and national levels. The Development Commissioner (Small Scale Industries), as national coordinator of the programme, was to watch and guide its implementation. State level committees were to meet once in six months to review and report to Government of India the progress, problems encountered and solutions identified to enable Government to review the progress of the programme from time to time. District Advisory Committees were to meet at least once in two months, to arrange for effective coordination between the DICs and other State Government departments/undertakings, local bodies and non-official agencies.

Test-check in audit of DICs of various States revealed that the committees had not met as prescribed. Details of numbers of meeting held are given in Annexure 2.

It was further seen in audit that recommendations of the district/State level committees were not implemented in some States|Union Territories (Assam, Himachal Pradesh, Karnataka, Rajasthan and Pondicherry).

6.13 *Revival of sick units.*—Revival of sick/closed small-scale industrial units was one of the major objectives of the programme. Test-check of 81 DICs covering 13 States revealed that 5203 units were identified as sick; of which, 4618 units remained closed mainly due to shortage of working capital and essential raw materials, inadequate/power supply, and absence of marketing facilities. The table below gives the statewise details of sick units within the DICs test checked:

Sl. No.	State	No. of DICs	No. of sick units identified	No. of units revived	No. of units closed
1	Andhra Pradesh	NA	483	133	350
2	Assam	3	188	Nil	188
3	Bihar	1	6	Nil	6
4	Kerala (199—81)	7	370	39	331
5	Karnataka	11	341	62	279
6	Nagaland (1978-82)	7	457	Nil	457
7	Tamil Nadu (1978-1981)	14	1300	198	1102
8	Haryana	2	70	Nil	70
9	Madhya Pradesh	13	262	Nil	262
10	Uttar Pradesh (1979—82)	12	992	130	862
11	Himachal Pradesh	7	159	20	139
12	West Bengal (1978-79)	3	572	Nil	572
13	Manipur	1	3	3	..
		81	5203	585	4618

NA—Not available.

As against the target of 5203 units in 13 States, only 585 units have been revived. In Manipur, the 3 sick units were refinanced at Rs. 5,000 each, but no follow-up action was taken by the DIC to ascertain their present state of affairs.

6.14. *Progress of industrial development.*—The primary objective of the DICs was to help entrepreneurs and artisans to set up small-scale industries and establish their trades. In order to set up a small-scale industrial unit (SSI), each entrepreneur was required to obtain a provisional certificate from the concerned DIC to avail of the financial assistance and other infrastructural facilities provided through the DICs. On commencement of production, each such unit should obtain permanent registration certificates, based on which allotment of scarce raw materials, including import licence for procurement (if necessary), and marketing facilities would be arranged by the DIC. In the case of artisans, the DICs would provide technical advice, training in various crafts, subsidised tools, bank credits, etc. The number of new units established would serve as a yardstick for the success of the programme.

It was seen in audit that out of 1,18,761 provisional registrations granted to entrepreneurs by 91 DICs in six States (Jammu & Kashmir, Karnataka, Maharashtra, Manipur, Rajasthan and Uttar Prdesh), only 39,808 had established SSI units (33.51 *per cent*) as per details in Annexure 3.

6.15 *Objective of all functions under a single roof.*—The objective of the programme was to provide under one roof, as far as possible, all services and facilities required by entrepreneurs for setting up small and village industries at pre-investment, investment and post-investment stages, including identification of suitable schemes, preparation of feasibility reports, arrangements for supply of machinery and equipment, provision of raw materials, arranging credit and inputs for marketing and provision of extension services.

During test-check in audit the objective of single roof system was not found to have been achieved in any State|Union Territory. Number of States (Andhra Pradesh, Haryana, Himachal Pradesh, Karnataka, Kerala, Punjab, Tamil Nadu) specifically reported that this objective had not been achieved, insofar as buildings had not been constructed, staffing was not complete and adequate powers had not been delegated; the DICs had mostly become extensions of the Directorates of Industries, with some additional powers and had not in fact been been functioning as nuclei of project activities for which they were originally intended.

6.16 *Generation of additional employment.*—The DICs were set up primarily with an objective of promoting generation of additional employment. Government set out a national average target for employment generation of 2500 persons per year per DIC. It was seen during test-check in audit in some States that generation of additional employment was far below the targets fixed, as shown under:

Name of the State	Period	Target (No. of (persons)	Achievement (No. of persons)
Sikkim	1979-81	617	227
Tamil Nadu	1978-81	2,22,941	1,37,395
West Bengal	1979-82	59,112	52,425
Andhra Pradesh	1980-82	1,33,210	1,03,055
Madhya Pradesh	1979-82	2,37,380	1,69 ,967
Bihar	1979-82	58,609	51,783

In Uttar Pradesh, generation of employment of 4,15,247 persons, against the target of 2,98,200 was reported to the Directorate of Industries by the DICs and to the Government by the Directorate. However, the former figure included employment of existing units thus the achievement figures were inflated to that extent.

No documentary evidence was made available to audit with regard to generation of additional employment in the State of Haryana nd Union Territory of Pondicherry.

7. *Other topics of Interest.*—Some interesting points noticed by Audit in the course of scrutiny of records of DICs in certain States are mentioned below:

7.1 The DICs were required to submit monthly progress reports to the Commissioner of Industries and the State Government. In three of the six districts test checked in audit (Andhra Pradesh), discrepancies were noticed between the figures shown in the progress reports received in the Directorate of Industries and office copies of the reports maintained at the DICs on the one hand, and between the reports and the initial records maintained at the DICs on the other hand. The discrepancies overstated the figures of progress, the variation ranging between 2 and 295 *per cent.*

Similar discrepancies were noticed during test-check of records of DICs in Kerala.

7.2 On test-check, it was noticed that certain units which had gone into production prior to the formation of the DICs were also reckoned as new units set up under the programme, and consequently the figures shown in the progress reports did not reflect the correct position (Kerala, Rajasthan, Punjab, Himachal Pradesh and Uttar Pradesh).

8. *Summing up.*—The following are the main points that emerge :—

— total number of DICs sanctioned in stages during the last 4 years was 384, covering 394 districts out of a total of 411 districts of the country (March 1982);

— as on 31st March 1980, the amount of Rs. 372.32 lakhs remained unutilised by the States/Union Territories and was allowed by the Central Government to be spent by them during the subsequent years. At the end of 1980-81, a total amount of Rs. 567.50 lakhs remained unspent with the States/Union Territories;

— construction of DIC buildings progressed at a slow pace. In 7 States, large sums of money (Rs. 206.61 lakhs) remained unutilised with the construction agencies, resulting in funds being blocked;

— vehicles office furniture and fixtures purchased by certain States had been used for purposes other than the DICs;

— several key posts of Functional Managers were not filled up, thus adversely affecting the proper functioning of the DICs. Revised staffing pattern which was to be implemented by October, 1981 had not been adopted by any of the States/Union Territories (July 1982);

— the DICs had not been delegated, as envisaged, adequate administrative and financial powers of the Department of Industry, as well as those under Import Trade Control Policy to enable their effective functioning;

— action plans did not lay down specific targets to be achieved from year to year. Most States/Union Territories had prepared their action plans without proper survey;

— scarce raw material requirements could not be met in full. There was also misutilisation of raw materials by certain units;

— the DICs could not mobilise bank/institutional finance to the extent required by the entrepreneurs;

— the marketing assistance provided by the DICs was totally inadequate to the needs of the industries;

— there was no effective monitoring of the functioning of DICs; and

— the objective of bringing under a single roof all the services and support needed by small/new units had not been achieved by the DICs in most of the States/Union Territories.

ANNEXURE I

S. No	State U.T.	No. of DICs sanctioned	No. of DICs reported			No. of action plans prepared		
			1978-79	1979-80	1980-81	1978-79	1979-80	1980-81
1	2	3	4	5	6	7	8	9
1	Andhra Pradesh	22	11	14	22	7	14	15
2	Assam	10	3	5	5	2	5	5
3	Bihar	31	29	25	31	25	24	31
4	Gujarat	17	15	17	17	15	17	17
5	Haryana	12	5	5	12	1	4	12
6	Himachal Pradesh	12	12	12	12	10	11	1
7	Jammu & Kashmir	14	10	5	10	10	5	10
8	Karnataka	13	7	6	13	3	5	12
9	Kerala	11	11	11	11	7	11	11
10	Madhya Pradesh	45	22	41	32	22	41	32
11	Maharashtra	25	14	25	25	14	18	25
12	Manipur	6	Nil	6	6	N.R.	4	6
13	Meghalaya	5	1	1	1	1	1	1

1	2	3	4	5	6	7	8	9
14	Nagaland	7	4	Nil	7	3	Nil	7
15	Orissa	13	13	13	13	13	13	13
16	Punjab	12	7	7	7	6	7	7
17	Rajasthan	26	9	16	24	6	9	1
18	Sikkim	1	1	Nil	1	1	Nil	1
19	Tamil Nadu	14	9	14	14	8	10	14
20	Tripura	3	3	Nil	3	Nil	Nil	3
21	Uttar Pradesh	56	23	30	37	13	29	35
22	West Bengal	15	15	15	15	9	15	15
23	Andaman & Nicobar Islands	1	1	1	1	1	1	1
24	Arunachal Pradesh	5	1	2	3	Nil	2	3
25	Goa, Daman & Diu	1	Nil	Nil	Nil	Nil	Nil	Nil
26	Dadra & Nagar Haveli	1	1	1	Nil	Nil	1	Nil
27	Mizoram	2	Nil	2	1	Nil	Nil	1
28	Pondicherry	1	1	1	1	1	1	1
29	Chandigarh	1	Nil	Nil	Nil	Nil	Nil	Nil
		382	228	275	324	178	248	301

N.R.: Not received.

Note: Delhi, Bombay, Calcutta and Madras, as a policy, have been kept out of the purview of the programme.

ANNEXURE 2

S. No.	State U.T. (position as on)	Period	No. of District level meetings held	No. of State level meetings held	No. of regional level meetings held
1	2	3	4	5	6
1.	Andhra Pradesh (April 1982)	Nov. '78 to Feb. '82 March' 81 to Feb.' 82	3-8 in 5 DICs 1 each in 3 DICs.	1	4
2.	Assam (March 1982)	1978 to 1982	3 in 1 DIC 6 in 1 DIC 2 each in 3 DICs.	Nil	Nil
3.	Haryana (May 1982)	.. Dec. '80 to March '82	Nil in 2 DICs. 8 in 1 DIC	Nil	Nil
4.	Himachal Pradesh (July 1982)	June '78 to May '82	Committee not formed	6	4
5.	Jammu & Kashmir (June 1982)	April '78 to June '82	Nil	DIC records did not reveal whether committee had ever met.	NA
6.	Karnataka (May 1982)	May '78 to May '82 1979 to May 1982	4 each in 4 DICs. 6 in 1 DIC 3 in 1 DIC 2 in DIC 2 in DIC Nil in 2 DICs.	1	2
7.	Kerala (January 1982)	Feb. '79 to Dec. '81	1 in 1 DIC 2 each in 3 DICs. 4 each in 2 DICs.	Nil	4
8.	Madhya Pradesh (May 1982)	3 years 2 years	Nil in 4 DICs Nil in 16 DICs.	1	4
9.	Maharashtra (July 1982)	1978 to 1982	11 to 17 in 7 DICs.	1	4
10.	Punjab (July 1982)	1980 to 1982	4 each in 2 DICs. 5 in 1 DIC	Nil	1
11.	Rajasthan	July '79 to March '82 October'80 to June '82	7 in 1 DIC 7 in 1 DIC	Nil	4
12.	Tamil Nadu (April 1982)	October '78 to Nov. '81	3 in 1 DIC 11 in 1 DIC 13 in 1 DIC	Nil	4
13.	Uttar Pradesh (July 1982)	NA	NA	NA	4
14.	West Bengal (May 1982)	Feb. '81 to Feb. '82	10 each in 4 DICs.	2	(June 1978-4 April 1982)
15.	Chandigarh (June 1982)	July '79 to June '82	No Advisory Committee formed		
16.	Pondicherry (May 1982)	July '78 to April' 82	7	(	4

N. A. Not available.

ANNEXURE 3

Sl. No.	State	Total No. of DICs.	No. of DICs reviewed	Provisional registration 1978-79	1979-80	1980-81	1981-82	Total	Permanent registration 1978-79	1979-80	1980-81	1981-82	Total	Shortfall
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	Jammu & Kashmir	14	7	938	1,746	1,694	2,635	7,013	487	692	816	953	2,948	4,065
2	Karnataka	13	13	1,349	2,248	4,275	4,591	12,463	529	982	1,785	2,176	5,472	6,991
3	Maharashtra	25	7	526	1,143	1,227	1,359	4,255	131	228	342	575	1,276	2,079
4	Manipur	6	6	Nil	234	1,090	2,298	3,622	Nil	105	696	325	1,126	2,496
5	Rajasthan	26	2	Nil	1,392	5,076	4,093	10,561	Nil	328	617	1,054	4,098	6,463
6	Uttar Pradesh	56	56	8,077	14,476	22,536	35,758	80,847	4,560	5,007	6,382	6,939	24,888	55,959
		140	91	10,890	21,239	35,898	50,734	1,18,761	5,707	7,342	10,737	16,022	39,808	78,953

APPENDIX-II

(*vide* Para 1·23)

Statement showing the position regarding construction of DIC buildings as on 31-12-1983

Sl. No.	Name of the State/UT	No. of DICs sanctioned	No. of DIC. buildings completed
1	2	3	4
1.	Andhra Pradesh	22	22
2	Assam	10	3
3	Bihar	33	15
4.	Gujarat	17	13
5	H. P.	12	10
6	Haryana	12	6
7	J. & K.	14	13
8	Karnataka	19	1
9	Kerala	12	1
10	Madhya Pradesh	45	39
11	Maharashtra	29	19
12	Manipur	6	3
13	Meghalaya	5	2
14	Nagaland	7	7
15	Orissa	13	9
16	Punjab	12	7
17	Rajasthan	26	12
18	Sikkim	1	1
19	Tamil Nadu	14	14
20	Tripura	3	Nil
21	U. P.	56	47
22	West Bengal	15	7
23	Arunachal Pradesh	5	4
24	Mizoram	2	1
25	Pondcherry	1	1
26	Goa, Daman & Diu	1	DIC has become operational.
27	Dadra & Nagar Haveli	1	Nil
28	Andaman & Nicobar Islands	1	N
29	Chandigarh	1	Nil
	TOTAL:	395	256

Source : Information received from the State/Ut Govt.

APPENDIX III

(*Vide* Para 1.154)

Copy of DO No. 3002|M(IND)|84 dated 12th March, 1984 addressed to all Chief Ministers of States and LGs of Union Territories by Union Minister of Industry

As you would be aware, the District Industries Centres constitute the principal engine of growth at the district level in so far as small and village industries are concerned and the quality of their performance has a direct relationship with the development of cottage and small scale industries. Additionally, they have also been entrusted, recently, with the responsibility for implementation of the Scheme for providing Self-employment to Educated Unemployed Youth, announced by the Prime Minister on 15th August, 1983. The progress of this Scheme is being reviewed at the highest level here every month.

A few weeks ago I had occasion to examine the performance of the District Industries Centres. This scrutiny revealed that there is a great deal of room for further improvement if the District Industries Centres are to meet fully the objectives envisaged for them.

Some of the areas which pointedly came to notice are being mentioned below to enable you to ensure that these gaps are bridged most expeditiously:

(1) The delegation of powers to the DICs has, by and large, been inadequate which has hamstrung their performance. We have already sent guidelines on this subject *vide* our letter No. DIC|16 (1)/83 dated 1st July, 1983. It is necessary to ensure that the delegation of powers is in conformity with these guidelines.

(2) The staffing of the DICs continues to cause anxiety. In certain DICs the post of Functional Managers are still lying vacant. Similarly, the posts of Project Managers have not been filled up in most of the DICs. Unless the DICs are provided with the necessary wherewithal, it would not be possible to expect results.

(3) I have already written to you *vide* my DO letter dated 31st January, 1984 regarding the need for regular meetings of the District Advisory Committees. I am afraid these Committees have still not

been activated. This is denying the benefit of the advice of people's representatives to the programme.

(4) Similarly, a State level Committee under your Chairmanship is expected to review the functioning of the DICs once in six months and send a report to the Government of India regarding the progress, problems encountered and solutions identified. But, I regret to say that the State Level Co-ordination Committees have not been meeting regularly.

(5) In their performance, the functioning of the DICs have been found wanting in the following respects:

(i) The most important chain in the link of project approval lies in careful project identification with particular reference to the background and skills of the candidate, the availability of raw material, market survey, etc. The care with which this work is carried through would determine the success of the project. This would need to be emphasised.

(ii) The scrutiny of the project profiles recommended to the Banks for financial assistance should be both expeditious as well as effective. As at present, only about 40 per cent of the projects are finding acceptability with the Banks. This is largely because the projects are prepared haphazardly. The staff of the DICs would also need to be advised to carry out follow-up, at personal level, with bankers to ensure that the projects are sanctioned speedily.

(iii) Once the loan is sanctioned, it is necessary for the staff to ensure that the other sanctions like power, water, raw material follow in a sequence and the unit starts functioning without delay.

(iv) The DICs are also expected to keep a vigilant eye on the sickness of the units brought up by them. This attention should preferably be given when the sickness is still incipient so that the unit can be put back on rails without causing undue stress on the entrepreneur or the financing institutions.

It is also observed that the progress reported by the DICs are not cross-checked, in any systematic manner, by higher agencies. Even General Managers do not cross-check the authenticity of the data reported by their field staff. It is, therefore, essential that officers of the State Directorate of Industries as well as the concerned SISI should take up current evaluation of the DICs in a manner that each DIC may be visited at least once in a year. A suitable proforma may be devised and a random sampling method may be used to spot check the information/data supplied by the DICs.

Similarly, the inspection of the DICs should be included in the roster of inspections to be done by the District Collectors as well as Divisional Commissioners/Members Board of Revenue so that their performance is kept under focus all the time and their weaknesses are identified by senior officers and taken action upon.

Lastly, the DICs have been asked to update their action plan to prepare block-wise programme for the next five years. This work has still not been done by most DICs. This would need to be expedited.

I would greatly appreciate if you would kindly ensure that action is taken on the points mentioned above so that the DICs become an effective instrument of industrial growth in your State.

APPENDIX IV

STATEMENT OF OBSERVATIONS AND RECOMMENDATIONS

S. No.	Para No.	Ministry concerned	Observations and Recommendations
1	2	3	4
1	1 157	Ministry of Industry (Deptt. of Industrial Development)	In pursuance of the Industrial Policy presented before Parliament on 23 December, 1977 a programme for setting up District Industries Centres (DICs) was launched by the Government of India, to be operational from 1 May, 1978. The programme provided for setting up a DIC in every district of the country, in a phased manner in order to make the district headquarters a focal point for the development of small scale and cottage industries, to shift the emphasis from cities and state capitals to the district headquarters and to provide, under a single roof, all services and support needed by small and village entrepreneurs. The main functions of the DICs were economic investigations of the potential for development of the district, supply of machinery and equipment, provisions of raw materials, arrangements for credit facilities, marketing assistance and quality control and research, extension activities so as to create industrial awareness among the entrepreneurs and artisans and entrepreneurial training. The DICs were also to coordinate the activities undertaken by Government and other agencies in the field of industries.

1	2	3	4
2	1·158	Ministry of Industry (Deptt. of Industrial Development)	As a result of monitoring at different levels of the DIC programme, it was observed by the Ministry of Industry that the DICs were mostly functioning as an extension of the Directorate of Industries at the district level and not as a hub of promotional activities as intended and as such were not able to provide a new thrust to the task of generating industries in rural areas, as expected. Accordingly in the Industrial Policy announced in Parliament on 23 July, 1980, it was stated that the DICs programme had not produced benefits commensurate with the expenditure and it was proposed to initiate more effective alternatives. After the announcement of the Industrial Policy, an intensive review of the DICs programme by high level team consisting of representatives of Ministries of Industry, Commerce, Rural Reconstruction, Reserve Bank of India and State Governments was undertaken. The review teams recommended that instead of substituting DIC programme with another programme or organisation, it would be better to make certain changes in its structure so that it could make the desired impact. Accordingly, it was decided in August, 1981 to re-structure the DICs which would consist of one General Manager, four Functional Managers and upto three Project Managers in disciplines considered relevant to the needs of the district.
3	1·159	-do-	Although the State Governments were asked to complete the re-structuring of the DICs by 31 October, 1981, it has not been

			done in most of the DICs. In this connection, Ministry of Industry have stated *inter-alia* that the hesitation of the State Governments to undertake additional burden in the absence of any assurance for the continuance of the programme as a centrally sponsored programme beyond 6th Plan has delayed the process of re-structuring. The Committee feel that there should be no uncertainty in the continuance of a desirable programme and that the Ministry should ensure re-structuring of the DICs at an early date and report the progress to the Committee by 31 October, 1984.
4	1·160	-do-	Till March, 1982, out of a total of 411 districts of the country, 384 DICs were sanctioned covering 394 districts. In 1978-79, Government provided a non-recurring grant of Rs. 5 lakh per centre (cost of building Rs. 2 lakh and cost of capital assets Rs. 3 lakhs). A grant of Rs. 3.75 lakhs per annum per centre was also provided by the Government for recurring expenses, to be matched by a grant of Rs. 1.25 lakhs from the State Government. From 1979-80 the pattern of assistance has been revised and funds are to be provided equally by the Centre and State Governments for all components of the scheme. Explaining the procedure for release of Central Funds, the Ministry of Industry have stated that for the first two quarters of a financial year 50 per cent central assistance is released on *ad hoc* prorata basis of the budget provision of the States|Union Territories and for the 3rd and 4th quarter the funds are to be released on the basis of actual expenditure incurred during the preceding quarters. The unspent balances are to be adjusted against the subsequent year's

1	2	3	4
			allocations. The Committee are concerned to note that whereas unspent balances remaining with the State/Union Territories out of the Central releases of loans and grants for promotional schemes upto 1980-81 amounted to Rs. 180.69 lakhs, Rs. 318.55 lakhs and Rs. 115.60 lakhs respectively, the expenditure against recurring grants for establishments had been Rs. 1360.57 lakhs against the budgeted provision of Rs. 1313.23 lakhs thus showing an excess expenditure of Rs. 47.34 lakhs during the same period. The Committee would like the Ministry of Industry to find out the reasons why it has not been possible for the DICs to utilise the grants and loans for promotional schemes and take necessary corrective measures in this regard.
5	1·161	Ministry of Industry (Deptt. of Industrial Development)	Although the DIC scheme provided for construction of building for each DIC and for this purpose non-recurring grant of Rs. 2 lakhs was provided to each DIC, the progress regarding the construction of building has been rather unsatisfactory. Although the Ministry of Industry had laid down 31 March, 1983 as the deadline by which non-recurring grant meant for construction of office building had to be utilised, out of 395 DICs sanctioned, buildings had been completed in respect of 256 DICs only till 31 December, 1983. In some of the States, the position is very unsatisfactory, *e.g.*, in Karnataka out of 19 DICs sanctioned, only 1 building had been completed as on 31-12-1983 and in Kerala also out of 12 DICs only one building

			had been completed. The Ministry of Industry have informed that the escalation in the cost of construction & non-availability of construction material are some of the reasons responsible for delay in construction of buildings. The Committee would like the Ministry of Industry to make concerted efforts and provide necessary assistance to State Governments to ensure that the DICs buildings are completed at the earliest so that the centres could function effectively. One of the measures that the Committee would recommend in this regard is the release of funds by the Centre for the whole year at the beginning of each year and adjusting the unspent balances against the next year's release. This, should be done at least as an experimental measure because the Committee have reasons to believe that the late release of fund for the 3rd and 4th quarters under the existing procedure has inhibited the utilisation of funds by the States.
6	1·162	-do-	It is surprising that the Ministry of Industry have furnished different figures regarding the number of DIC buildings completed. While the Committee were informed that till 31-12-1983, 256 DIC buildings had been completed, in reply to Unstarred Question No. 5320 in Lok Sabha, it was stated that 287 buildings have been completed by that date. The Committee would like to be informed of the reasons for discrepancies in the figures and the correct position in this regard.
7	1·163	do--	From the Audit para the Committee learn that there have been a number of irregularities in the construction of buildings for DICs. Besides, Rs. 206.61 lakhs remaining unutilised with the construction agencies, resulting in blocking of funds in 7 States (Andhra Pradesh,

1	2	3	
			Assam, Himachal Pradesh, Kerala, Maharashtra, Rajasthan and Uttar Pradesh); completed buildings of the DICs in Madhya Pradesh without getting them technically inspected by authorised agencies. The Committee do not agree with the reply of the Government that since Laghu Udyog Nigam is the authorised agency of the State Government, further inspection by any other agency was not considered necessary. That it was necessary is borne out by the fact that the competent supervising authority has now been requested to take steps to rectify the defects. The Committee desire the Ministry of Industry to issue necessary guidelines in this regard to ensure that the buildings constructed for DICs are properly scrutinised by technical personnel so as to ensure that these are free from defects.
8	1.164	Ministsy of Industry ([Deptt. of Industrial Development)	Again in Rajasthan, construction of DIC buildings was entrusted in April, 1978 to Rajasthan State Industrial Development and Investment Corporation whose normal activities do not include, as admitted by the Government of Rajasthan, construction of building. The Committee find that the funds to the extent of Rs. 71.50 lakhs were sanctioned for the purpose and the total expenditure incurred upto 31 March, 1982 was Rs. 35.40 lakhs, leaving Rs. 36.10 lakhs unutilised with the above Corporation. The Committee feel that assigning construction of all the 26 DICs buildings to a single agency which had no experience in this field contributed to the inordinate delay in completion of construction of buildings. In this connection, the

			Government of Rajasthan have attributed the delay to the non-availability of suitable land. As the land for construction of buildings was to be provided free of cost by the State Governments, the Committee feel that the State Government could have taken timely action in acquiring land for construction of DIC buildings. The Committee hope that at least now the work would be completed expeditiously.
9	1·165	-do-	The Committee note that it was envisaged in the guidelines issued by the Development Commissioner, Small Scale Industries in June, 1978 that not more than two vehicles were to be provided per DIC and vehicles provided under the Rural Industries Project Programme were also to be utilised so as to reduce the number of such vehicles purchased for the Centres. The State Governments were also advised to have only one vehicle in every DIC until the full complement of staff was in position. Accordingly, non-recurring grants for purchase of vehicles, preferably diesel operated jeeps, for DIC were released to the State Government. Eight State Governments|Union Territories had incurred an expenditure of Rs. 83.02 lakhs towards purchase of vehicles. However, some States purchased Ambassador cars in preference to diesel operated jeeps without the prior approval of the Central Government who did not raise any objection as a number of States reported that they had to wait indefinitely for the supply of diesel jeeps and that the repair and maintenance cost of diesel jeeps was much more than those of Ambassador cars. The Committee desise that the Ministry of Industry should review the position and take appropriate corrective steps as may be warranted.

1	2	3	
10	1·166	Ministry of Industry (Deptt. of Industrial Development)	Instances have come to notice where vehicles meant for DICs have been retained in the Directorate of Industries and used by the officers there. The Committee would like the Ministry of Industry to issue necessary guidelines to State Governments to avoid such misuse of vehicles meant for DICs.
11	1·167	-do-	The Committee find that provision of facilities to entrepreneurs at a single window formed the basic purpose of DICs. This involved delegation of powers to District Industries Centres both at administrative and financial level. In this connection, the Ministry of Industry have stated that after a model delegation of powers was evolved at the All India DIC Conference for uniform application throughout the country and the same was approved by the Central Coordination Committee on DICs, all the State/Union Territory Governments were requested on 1 July, 1983 to implement the model delegation of powers at an early date. The Committee, however, regret to note that in 9 States and one Union Territory powers were not delegated to the DICs. The Ministry of Industry have themselves admitted that the one window concept cannot be wholly adopted because of existence of certain constraints arising out of statutory compulsions. In the circumstances an attempt has been made at convergence of the activities of other statutory bodies like KVIC, State Financial Corporations, State Small Industries Development Corporation etc. with those of the DICs instead of making the for-

			ner to surrender their statutory obligations. The Committee are positive that the DICs cannot be a success until and unless all the facilities are available under one roof in each Centre so that the entrepreneur may not be required to run from pillar to post. The Committee, therefore, desire that the Ministry of Industry should take steps to ensure the delegation of adequate powers to DICs as far as possible and bring about effective coordination of all the concerned authorities including Electricity Boards and financial institutions under one roof.
12	1.168	-do-	The Committee note that one of objectives of the DICs was economic investigation of the potential for development of the District and as such the first task entrusted to each DIC was the preparation of an Action Plan. The Action Plan was to indicate the details of the industrial development programmes and needs for organisational support, bringing out various requirements of inputs and production potentials separately for artisans based activities and tiny and small scale units. The Committee are concerned to note that upto March 1981 out of 382 DICs only 301 had prepared Action Plans and in most of the State|Union Territories Action Plans were prepared without proper survey. The then Secretary, Ministry of Industry also admitted in evidence that he did not think there was any detailed study done before starting the scheme. In this connection, the Ministry of Industry have informed the Committee that Action Plans have been prepared for all the DICs except those sanctioned since 1982-83. The Committee recommend that each DIC should have well equipped Information and Documentation Centre which

1	2	3	4
			could effectively assist the perspective entrepreneurs in the area covered by it.
15	1.169	Ministry of Industry Deptt. of Industrial Development	The Committee note that the DIC programme laid emphasis on manning the Centres with personnel of proven ability and adequate experience having organisational skill and quality of leadership. Each centre was to be headed by a General Manager of the rank of Joint Director of Industries or a senior Deputy Director, if found exceptionally suitable, to be assisted by 4 to 7 Functional Managers, depending upon the requirements of every DIC. No guidelines have been issued by the Ministry of Industry with regard to educational qualifications and pay scales for the posts of General Manager and Functional Manager, and the selection and appointment of the staff has been left to the State Governments who were permitted to absorb their staff from Industry Department, recruit on contract basis from the open market and take on deputation from other Central|State Governments|Departments|Undertakings suitable personnel to man the DICs. The Committee are concerned that in 371 DICs out of a total of 395 DIC sanctioned, there were only 344 General Managers and 1222 Functional Managers against 363 and 1676 sanctioned posts respectively as on 31 December, 1982. What is more disturbing is the fact that there is not even a single Project Manager in position against 502 Project Managers suggested by the Development Comissioner, Small Scale Industries and 398 proposed by the various

			District Industries Centres till 31 December, 1982 although the restructuring of all the DICs was to be completed by 31 October, 1981. The Study Groups of Public Accounts Committee were informed by the representatives of the various State Governments that the DICs programme has been suffering from the constraint of lack of management efficiency in a big way. The Committee are surprised to note that the position has not shown any improvement inspite of communications from the Union Industry Minister in February, 1983 and again on 12 March, 1984. The Committee recommend that the Ministry of Industry should ensure that all the vacant posts of General Managers|Functional Managers|Project Managers in the DICs are filled up at the earliest with competent men from all sources.
14	1·170	-do-	In order to ensure that Functional Managers in the DICs have a clear perception of their duties and effectively discharge their responsibilities, the programme envisaged a scheme of training for them. The Committee have, however, found that either the training imparted was not comprehensive or no training was imparted. In this connection, the Ministry of Industry have informed the Committee that 276 General Managers and 758 Functional Managers have been trained up to the year 1983-84 and that the remaining personnel at managerial level would be trained by the end of 1984-85. The Committee hope that the assurance given by the Ministry of Industry would be fulfilled. The Committee further desire that steps might be taken to make the training as comprehensive as possible so as to improve the functioning of DICs.

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15	1·171	Ministry of Industry (Deptt. of Iudustrial Development	The DICs were required to ascertain the requirements of raw materials for various units and to assist them in procuring the materials economically as well as to watch proper utilisation. The Committee are, however, distressed to find that most of DICs in Nagaland, Manipur, Assam. West Bengal, Bihar Kerala and Karnataka had either not taken effective steps to establish raw material depots or could not arrange adequate supply of various raw materials required by the Units. In some States, the authority for distribution of scarce materials rests with the State authorities and as such, no effective action could be taken by the DICs. The Committee are surprised to note from the reply of the Ministry of Industry that the setting up of raw material depots by the DICs was not contemplated under the DIC scheme and that the question of opening raw material depots in a district is to be decided by the Small Industries Development Corporation in consultation with State Government. The Ministry have further informed the Committee that there is a close liaison between DICs' and SSIDCs for providing raw materials to small scale sector and recommendations made by the DICs are generally honoured by the latter. The Committee feel that as timely availability of adequate raw materials is one of the pre-requisite for running of an industrial unit, the DIC must have an effective say in its distribution. The Committee recommend that representatives of the DICs should be closely associated with the agency for the procurement and distribution of raw materials in the district. Further

			it is necessary for the DICs to ensure proper utilisation of raw materials as in a test check in audit it was found that in two States viz. Uttar Pradesh and West Bengal, scarce raw materials worth Rs. 75.39 lakhs were mis-utilised by 69 units whereas in the States of Madhya Pradesh, Karnataka and also in Uttar Pradesh proper utilisation of raw materials by the units was not verified. As the total number of such cases might be quite large if all the States/Union Territories are taken into account, the Committee desire that the DICs should be required to play a more active role in monitoring the position and taking appropriate action in co-ordination with other State and Central authorities.
16	1.172	Deptt. of Industrial Development/Deptt. of Economic Affairs.	One of the main functions of the DICs is to assist the artisans and small scale units in getting financial assistance from banks and other financial institutions. For this purpose applications for institutional finance are to be assessed and recommended by the DICs through the Manager (Credit), an officer deputed by the 'lead bank' of the District. The Committee are surprised to find that out of 79,445 cases recommended by DICs in 11 States/Union Territories during 1978-79 to 1981-82, only 30,035 cases were accorded sanction by the banks/financial institutions. In another State, *viz.*, Maharashtra, out of 38,883 cases recommended by DICs, as many as 12,412 cases were rejected by the banks whereas in Andhra Pradesh, out of 10,902 recommended cases, 4139 cases were pending as on April, 1982 with the banks or over 30 days. In Nagaland also, out of 185 cases, only

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			33 cases were sanctioned by the banks. It is surprising that in most of these cases neither the banks had given nor had the DICs tried to ascertain the reasons for rejection of such a large number of applications although as stated by the Secretary, Ministry of Industry in evidence, in all these cases relevant projects were appraised by the credit Managers borrowed from the banks before recommending financial assistance. During their visits to different States, the Study Groups of the Committee had come across frequent complaints regarding inadequate availability of financial support to entrepreneurs recommended by DICs. It was stated that there was generally a tendency on the part of banks to delay the sanction of loans to the entrepreneurs recommended by DICs. In quite a number of cases, the banks neither sanctioned nor rejected loan applications, keeping the prospective entrepreneurs in suspense. One of the reasons for this was stated to be that in rural areas banks were badly under-staffed and in many cases persons in positions of responsibility did not have the right attitude. It was also stated that schemes/proposals appraised by the General Managers/Credit Managers of DICs were again independently appraised by banks and this led to unavoidable delays. The instructions of the Reserve Bank of India regarding grant of loans were also not being followed by bank officers. The representative of the Ministry of Industry admitted before the Committee that they have

			been facing difficulty in securing credits for the entrepreneurs identified by the DICs since 1979 itself. He stated that his predecessor and even the Minister had meetings with the Governor, Reserve Bank of India on high rejections of applications, insignificant funds made available and too long time taken by the banks in granting loans, etc.
17	1·173	Deptt. of Industrial Development/Deptt. of Economic Affairs.	The Committee feel that the present position regarding grant of loans by financial institutions is most unsatisfactory and needs to be streamlined. If after appraisal a case for grant of loan is recommended by DIC, it should normally be sanctioned by the banks otherwise the appraisal by DIC simply leads to an extra burden for the entrepreneur as he has now to get his loan application cleared at two places. Moreover, the Committee do not see any justification for such high rejections. The Committee recommend that banks should invariably inform the DICs about the reasons for rejections. The Committee have no doubt that until and unless there is a basic change in the position, the DICs can never be a success. Timely availability of adequate financial support is essential. The Committee hope that appropriate steps would be taken in this regard. In this connection, the Committee understand that there are areas in the country not covered by any Lead Bank. The position should be looked into with a view to covering such areas by some of the existing Lead Banks immediately.
18	1·174	Deptt. of Industrial Development	The DICs were expected to create industrial awareness among the rural entrepreneurs and artisans and motivate them to start the industries by conducting seminars, exhibitions and entrepreneurial development programmes (EDPS). However, the Committee find that in

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			Karnataka, owing to constraint of staff and finance, the number of EDPS and exhibitions conducted between 1978 and 1982 was too small (i.e. 282) compared to the number of 1189 growth centres identified for development. Again in Kerala, owing to non filling up of the posts of Industries Extension Officers, linkage of block level industrial activities with DICs set up was yet to be achieved in 22 out of 59 blocks in four districts. In Andhra Pradesh also extension activities were not adequate in any of the DICs and in 6 DICs test checked by Audit there were only 39 Extension Officers for 101 blocks. It is incomprehensible as to how in these circumstances, DICs can be expected to create industrial awareness among the rural entrepreneurs and artisans and how these entrepreneurs and artisans are expected to know about the activities of the DICs in the absence of adequate linkages at the block/Taluq levels. The Committee, therefore, desire that the position should be periodically and effectively monitored by the Ministry and follow up action taken to ensure that proper and adequate extension services are available in all the Centres in the country.
19	1.175	Deptt. of Industrial Development.	The Committee note that in order to assist the small scale industries, the DICs were required to make provision in their Action Plans for establishment of Rural Marketing Centres. While the DICs in Karnataka had made provision in their Action Plans for opening rural marketing centres, the DICs in Andhra Pradesh, West Bengal and

			Kerala did not make any such provision. The DICs in Andhra Pradesh, West Bengal, Kerala, Karnataka, Manipur, Sikkim, Nagaland and Rajasthan had also not been able to extend effective marketing assistance to the small scale units and artisans. The Committee need hardly point out that absence of adequate marketing outlets is the major problem being faced by the small units/artisans and as such certain positive steps have to be taken by the Government and other promotion agencies to provide marketing support. The Committee desire that the organisations such as Khadi and Village Industries Board, All India Handloom Board and All India Handicrafts Board, National Small Industries Corporation, State Small Industries Development Corporations, District Rural Development Agencies etc. should play a more active role for providing marketing assistance to small scale industries in a coordinated manner. The question of the Government and Public Undertakings showing preference for purchase through the DICs should also be considered and appropriate instructions issued.
20	1.176	-do-	There is regrettably no systematic arrangements to monitor the functioning of the units assisted by the DICs. During the tours of the Study Groups of the Committee the representatives of the State Governments had informed the Committee that while the figures of small scale industries and units set up under the DIC programme were available with them, the number of industries which were actually functioning were not known. It was also admitted that the possibility of a high percentage of such industries having been closed down or becoming sick could not be ruled out. On a test check of 31 DICs

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			covering 13 States, Audit had found that there were about 5203 sick units of which 4618 units were closed mainly due to the shortage of working capital, essential raw materials, inadequate power supply, absence of marketing facilities, etc. It was disturbing to the Committee to hear from the then Secretary, Ministry of Industries that "there are hundreds and thousands of sick units in the districts. I do not think that the DICs which have a strength of only 4 or 5 people can go and assist the sick units and revive them". From the information furnished by the Ministry, the Committee are concerned to find that ther were about 25342 sick units involving an outstanding loans of Rs. 359.07 crores as on 31 December, 1981. During evidence the Secretary, Ministry of Industry has stated that at present the number of sick units might be about 35,000. In this regard, he suggested that collective efforts are necessary in such a task as revival of sick units. The Committee are of the definite view that the success of the DICs has to be judged not by the number of new industrial units set up but by the number of units which are actually well established and are functioning efficiently. The Committee have an apprehension that a considerable percentage of new units set up have either become sick or have been wound up. There are also evidently cases where the assisted units did not come into existence at all. The Committee, therefore, recommend that the DICs should evolve a proper monitoring mechanism to keep a close watch over the setting up of units as well as functioning of units set up and to render all assistance to obviate sickness.

			Further DICs ought to play an effective role in revival of sick units in coordination with other organisations concerned. For this purpose if the DICs are to be strengthened, it should be done. Necessary guidelines in this regard may be issued.
21	1·177	-do-	In their letter dated 10 April, 1978, the Ministry of Industry had asked the State overnments to constitute District Advisory Committees headed by the Collector of concerned districts and consisting of district level officers of other State Government Departments and semi-Government bodies, non-officials such as MLAs, M.Ps., representatives of Industry associations and Chamber of Commerce etc. This Committee was to meet once a month and in any case not less than once in two months. Similarly a State level Coordination Committee was to be constituted with the Chief Minister|Minister for Industry as the Chairman and Chief Secretary, Industries Secretary, Director of Industries, Secretaries-in-charge of Agriculture, Rural Development and Energy, Development Commissioner incharge of Panchayat Raj institution and Director, SISI at the State Level as its members. This Committee was to meet once in six months to review the functioning of the district industries centres in the State and report to the Governmen of India the progress, problems encountered and solutions identified. It was also provided to set up five Regional Coordination Committees for overall coordination, exchange of information between States and regional and All India bodies, identification of marketing outlets and strategies, evolution of financial linkages between Central Financial Institutions and banks and review the DICs set up on a regional basis. This Committee was to meet once in three months. There was also a provision for Central Coordination

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			Committee with the Union Minister of Industry as the Chairman and comprising representatives of Planning Commission, Ministry of Finance (Department of Expenditure and Banking), Secretary, Industrial Development, Chairman, IDBI and Development Commissioners Handlooms and Handicrafts and Chaiman, KVIC and Additional Secretary, Industrial Development as Convenor. This Committee was to review from time to time the policy and broad framework of the DIC set-up in the light of experience gained. This Committee was to meet once a year.
22	1·178	-do-	The Committee are distressed to note that none of the Committees had been meeting regularly in the past. Even the Central Coordination Committee had met only twice so far. Moreover, in spite of the guidelines issued by the Ministry of Industry, Members of Parliament and Members of various Legislative Assemblies have not been nominated as Members of the District Advisory Committees in most of the States. In his D.O. letter dated 12 March, 1984 to all the Chief Ministers of States and Lt. Governors of Union Territories the Union Industry Minister has stressed the need for regular meetings of all these Committees. The Committee need hardly stress the imperative need for the meetings of these Committees at various levels being held regularly. The State level Coordination Committees ought to meet at least once in 3 months instead of once in six months as required at present.

		The Committee also expect the Ministry of Industry to ensure that constitution of the Committtees strictly conform to the guidelines issued and that in particular the district level Committees associate with them the elected representatives of the people viz. MPs. and MLAs. The Committee further desire that the representatives of Commercial banks and public financial institutions should also be associated with the Committees at various levels.
1·179	-do-	The DIC's programme calculated to some extent to decentralise industrial planning to suit the endowments and needs of each district and to bring about an inter-disciplinary approach to help establish and efficiently run industrial units in the small scale sector could have achieved not only rapid production growth but also large employment generation if only the programme had been implemented well. The Committee's examination of the implementation has left them with the feeling that the programme has been inhibited by lack of direction and coordination. The institutional and other infrastructures needed are not yet fully available. The Action Plans of the DIC's which are basic to implementation of the programme have evidently been prepared in most cases without adequate survey of the areas. Besides, specific targets to be achieved from year to year have not been laid down in the Action Plans. There is no effective monitoring of the functioning of the industrial units set up by the DICs with a view to taking appropriate measures to ensure that they functioned efficiently. The units have not been assured of supply of inputs, chiefly raw mate-

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			rials and finance, nor are there uniformly well developed marketing outlets. The main objective of providing under one roof all services and facilities required by entrepreneurs has not been realised. Nevertheless, the Committee hope that on the basis of this Report steps would be taken to revamp the programme and put it on a cound footing. The DICs should be suitably strengthened to enable them to discharge their functions efficiently and over-lapping of functions with other organisations avoided. The ultimate test of the success of the industries centres is their impact on the economy of the country in terms of value added and employment generated. The Committee would, therefore, in particular stress the need for effective monitoring *inter-alia* to assess the impact of the programme on the economy in terms of value added and employment generated by the industrial units established by the DICs and to take steps to achieve their steady growth. The results obtained in this regard from year to year should be published for the information of Parliament and the public.