

PUBLIC ACCOUNTS COMMITTEE
(1973-74)

(FIFTH LOK SABHA)

HUNDRED AND THIRTY-SECOND REPORT

[Action Taken by Government on the recommendations of Public Accounts Committee contained in their 93rd Report (Fifth Lok Sabha) on Audit Reports on the Accounts of Khadi and Village Industries Commission for the years 1964-65 to 1970-71]



LOK SABHA SECRETARIAT
NEW DELHI

April, 1974/Vaisakha, 1896 (S)

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PUBLIC ACCOUNTS COMMITTEE

(1973-74)

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Shri Jyotirmoy Bosu

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Shri M. S. Sundaresan—*Deputy Secretary*

Shri T. R. Krishnamachari—*Under Secretary.*

*Elected on 29-11-73 via Shri D. S. Afzalpurkar died.

@Ceased to be member of the Committee consequent on retirement from Rajya Sabha w. e. f. 2-4-74.

INTRODUCTION

1, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Hundred and Thirty-Second Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 93rd Report (Fifth Lok Sabha) on Audit Reports on the Accounts of the Khadi and Village Industries Commission for the years 1964-65 to 1970-71.

2. On the 26th May, 1973 an 'Action Taken' Sub-Committee was appointed to scrutinise the replies from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-Committee was constituted with the following Members:—

Shri H. N. Mukerjee— <i>Convener</i>	}	<i>Members</i>
2. Shri Sunder Lal		
3. Shri Biswanarayan Shastri		
*4. Shri M. Anandam		
5. Shri Nawal Kishore		
6. Shri H. M. Patel		

3. The Action Taken Sub-Committee of the Public Accounts Committee (1973-74) considered and adopted this Report at their sitting held on 25th April, 1974. The Report was finally adopted by the Public Accounts Committee on the 27th April, 1974.

4. For facility of reference the main conclusions|recommendations of the Committee have been printed in thick type in the body of the Report. A statement showing the summary of the main recommendations|observations of the Committee is appended to the Reports (Appendix).

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

NEW DELHI;
April 27, 1974.

Vaisakha 7, 1896 (S).

JYOTIRMOY BOSU,
Chairman,
Public Accounts Committee.

*Ceased to be member of the Committee consequent on retirement from Rajya Sabha w. e. f. 2-4-74.

CHAPTER I

1.1. This Report deals with action taken by Government on the recommendations contained in the Ninety-Third Report of the Public Accounts Committee (Fifth Lok Sabha) on Audit Reports on the Accounts of Khadi and Village Industries Commission for the years 1964-65 to 1970-71.

1.2. Action Taken Notes in respect of all the 33 recommendations contained in the Report have been received from Government.

1.3. The Action Taken Notes have been categorised as under:

- (i) *Recommendations/observations that have been accepted by Government.*
S. Nos. 2, 4—23 and 25—29.
- (ii) *Recommendations/observations which the Committee do not desire to pursue in view of replies of Government.*
S. No. 24
- (iii) *Recommendations/observations replies to which have not been accepted by the Committee and which require reiteration.*
S. Nos. 30—33
- (iv) *Recommendations/observations in respect of which Government have furnished interim replies.*
S. Nos. 1 and 3

1.4. The Committee hope that final replies in regard to the recommendations/observations to which interim replies have been furnished will be submitted to them expeditiously after getting them vetted by Audit.

1.5. The Committee will now deal with the action taken by Government on some of the recommendations/observations.

Procurement of utilisation certificates—Paragraph 2.41 (S. No. 19)

1.6. In paragraph 2.41 of the Report, the Committee had made the following recommendations regarding procurement of utilisation certificates by the Khadi and Village Industries Commission in respect of the grants and loans given by them upto 31st March, 1971:

"The Committee are concerned that the Utilisation Certificates were still to be obtained in respect of the grants and loans amounting to Rs. 23.36 crores given upto 31st March, 1971. Some of the outstandings relate to the period prior to 1963-64. The Committee note that there was difficulty in obtaining the utilisation certificates for the loans and grants disbursed by the State Boards. The Committee desire that special efforts should be made to clear old cases where utilisation certificates are still pending, in consultation with the Comptroller and Auditor General of India."

1.7. The Ministry of Industrial Development have furnished the following reply:

"Amount for which utilisation certificates were to be obtained in respect of disbursements of loans and grants made upto the year 1970-71 has come down from Rs. 23.36 crores as on 31-12-72 to Rs. 18.05 crores as on 31-3-1973.

"As against the total disbursements of Rs. 305.30 crores upto 1970-71, Rs. 18.05 crores only are outstanding, which is only 6 per cent of total disbursements. Major portion of outstanding represents Utilisation Certificates to be procured in respect of disbursements made in the recent years. Utilisation Certificates for disbursements made in recent years are being received and the outstanding will be reduced considerably in due course.

"As regards outstanding Utilisation Certificates to be procured in respect of disbursements upto the year 1963-64, it may be stated that Rs. 1.63 crores only are outstanding, as against the disbursements of Rs. 166.06 crores which works out to only 1 per cent of total disbursements. Special efforts have been made to procure Utilisation Certificates from the Institutions and the State Boards in respect of disbursements made during earlier year.

"As regards procurement of Utilisation Certificates from the institutions, the concerned Industry Directors have been informed under reference No. IA/UC/OUS/57-58-63-64 dated 15th June, 1973 (page 37) for taking expeditious action. It is stated that most of the Utilisation Certificates for payments made up to 1963-64 are out-

1.10. In their reply dated 7-2-1974, the Ministry have stated as under:

"As against the total Utilisation Certificates of Rs. 278.27 crores (Rs. 196.85 crores from institutions and Rs. 81.42 crores from State Boards) received, Utilisation Certificates worth Rs. 236.83 crores (Rs. 187.81 crores from institutions and Rs. 49.02 crores from State Boards) have been processed, leaving a balance of Rs. 41.44 crores (Rs. 0.94 crores from institutions and Rs. 32.40 crores from State Boards). It is, therefore, evident from the above that nearly 95 per cent of the Utilisation Certificates received pertaining to the institutions, have been processed and there remains only about 5 per cent of the Utilisation Certificates received to be processed. But in the case of State Boards only to the extent of 60 per cent of the Utilisation Certificates received have been processed. Yet about 40 per cent of the Utilisation Certificates received from State Boards are to be processed.

"The administrative machinery existing in the Commission's office for processing the State Boards' Utilisation Certificates is being strengthened to clear the back-log in processing the Utilisation Certificates from the State Boards as expeditiously as practicable. Comptroller and Auditor General of India's Office had also been addressed regarding the finalisation of the procedure for checking, processing of State Boards' Utilisation Certificates vide letter No. IA UC I SB 20/3 dated 8th May, 1973 for which a reply is awaited."

1.11. The Committee are disappointed that the position regarding processing of utilisation certificates received from the State Boards is still very unsatisfactory as 40 per cent of the utilisation certificates are yet to be processed. The Committee would like the Commission to complete the processing of the remaining certificates expeditiously.

Finalisation of theft and fraud cases—Paragraph 2.70 and 2.71 (S. Nos. 25 and 26)

1.12. Dealing with certain theft and fraud cases, the Committee had, in paragraphs 2.70 and 2.71 of the Report observed as follows:

"The Committee are disturbed that out of 55 cases of theft and fraud pertaining to the period 1956-57 to 1966-67 action has been completed only in 8 cases. The Com-

mittee desire that the remaining cases should be finalised expeditiously."

"The Committee were given the details of 28 more cases pertaining to the period 1967-68 to 1971-72. Out of these cases 5 cases were investigated by the C.B.I., prosecutions of the officers concerned had been launched in 3 cases and departmental action was being taken in 2 cases. The Committee desire that departmental action wherever necessary should be taken expeditiously. The possibility of taking action against one of the officers who has since retired may also be examined. The Committee would like to be informed about the outcome of the cases."

1.13. In their action taken note dated 7-2-1974, the Ministry stated:

"55 cases outstanding as on 15-11-1970 relate to the period from 1-4-1956 to 15-11-1970 and not 1956-57 to 1966-67. Out of these 55 cases financial involvement of 14 cases has been cleared. However 6 cases have not been closed and have been kept open even though the financial aspect has been cleared, for finalisation of police cases and departmental action etc. Out of the remaining 41 cases, 29 cases involving a recovery of Rs. 0.82 lakhs pertained to the period 1956-57 to 1966-67.

"The Commission at its meeting held on 29-8-1973 noted that out of 55 cases, 11 are such where all possible efforts to recover the amounts have been made by the Commission and that there is no possibility of any further recovery in these cases. The amounts involved are also very small. As these losses relate to the Commission's trading units, the Commission in relation to these 11 cases (page 42) decided to charge the respective amounts of losses to the concerned profit and loss account of the trading units for the year 1972-73 and close the cases. Accordingly necessary action has been taken."

"Out of the 28 cases stated to be pertaining to the period 1967-68 to 1971-72, it may be stated that 11 cases actually stand included in the list of 55 cases referred to in the recommendation at Sl. No. 25 (para 2.70) of 93rd Report Of the remaining 17 cases, 3 cases have been closed. Necessary action is being taken to finalise the pending 14

cases expeditiously. Of the 5 cases which were investigated by the CBI the present position is given below:—

Case No.	No. of persons involved	Nature of action taken
1	4	Case pending trial
2	3	-do-
3	2	-do
4	3 (of whom one has retired)	No departmental action taken against the person who has retired. Departmental action is in progress against the other two persons.
5	2	No action has been taken in this particular case. It was suggested by the CBI that the Commission might take appropriate action for withholding the amount of gratuity if the rules applicable to them permit such a course. The payment of gratuity has accordingly been withheld.

1.14. The Committee are dissatisfied with the slow progress in the disposal of cases of losses caused by theft. Out of 72 cases pertaining to the period 1956-57 to 1971-72, 11 cases have been closed, 11 cases are such where all possible efforts to recover the amount have failed, and three cases are pending for trial. The Committee desire that necessary action should be taken to finalise the remaining 47 cases expeditiously, as with the lapse of time there would be risk of non-recovery of the amounts and also difficulty in taking action against the persons concerned.

Overall performance of the Khadi and Village Industries Commission—Paragraph 2.81—2.84 (S. No. 30—33)

1.15. Commenting on the overall performance of the Khadi and Village Industries Commission, the Committee had made the following observations in paragraphs 2.81 to 2.84 of the Report.

“The Committee consider it to be their duty to place on record their disappointment and dissatisfaction at the working of the Khadi and Village Industries Commission. The Committee would not have ventured to do so had they not had this opportunity of studying its working in some detail. Their disappointment arises from the fact that the Commission’s field of activities is of great importance to the country and its impact on the country’s development, in particular in so far as it affects the weaker sections in rural India, had it functioned as it was expected to function, would have been very great indeed. As it is, such area as it has been able to cover during the past

two decades of its existence (from 1953 to 1957, as All India Khadi and Village Industries Board and from 1957 onwards as Khadi and Village Industries Commission) has benefited from its operations only marginally. The Committee's dissatisfaction arises from the fact that such benefits as have accrued have been far smaller than is commensurate with the funds placed at the disposal of the Commission and with the enormous amount of goodwill, both official and non-official, that it enjoyed. As much as Rs. 289.93 crores were placed at the disposal of the Commission during the period of its existence. And for this substantial amount, the Commission has disappointingly little to show by way of achievement.

"A few figures will illustrate these summary statements. Production of Khadi declined from 848.54 lakhs sq. metres in 1965-66 to 567.37 lakhs sq. metres, in 1970-71. Full-time employment during this period generated by the Commission amounted to no more than 117,000 in 1970-71. It stood at 182,000 in 1965-66. Similarly, part-time employment generated amounts to 824,000 less than half of what it had succeeded in general in 1965-66, when it stood at 1,713,000. But the expenditure on administration, on pay and allowances and contingencies in respect of the staff employed, administrative, accounts and technical increased from Rs. 1.98 crores in 1965-66 to Rs. 2.63 crores in 1970-71.

"Looking at the working of the Commission from another angle, one finds that trading operations of the Commission resulted in an overall loss of Rs. 98.17 lakhs during the period 1965-66 to 1970-71. The Committee do not have an assessment of losses due to bad debts and irrecoverable loans. As on 31st March, 1971, amount due from sundry debtors amounted to Rs. 3.64 crores as against the entire working fund of Rs. 7 crores. Out of the loans advanced as on 31st March, 1970 to institutions and State Khadi Boards, the outstanding amount was as much as Rs. 74.01 crores. The amount of loans overdue for payment as on that same date, 31st March, 1970, was of the order of Rs. 14.19 crores.

"These figures are given illustratively. Many more can be given, but the Committee feel that these should suffice to indicate without a shadow of doubt that the Commission has not been functioning in an effective and business-like manner almost throughout its existence. The Gov-

ernment itself thought it necessary to look into the working of the Commission and appointed a competent committee to go into its working. That committee presided over by Shri Asoka Mehta reported in 1968. Out of the 57 recommendations made by that committee, 41 have been accepted in principle and only 7 have so far been implemented, of the remaining 16 recommendations, one has definitely not been accepted. A decision on the other 15 is still pending. Why Government should have been so dilatory in studying the report of the Asoka Mehta Committee and giving effect to several of its recommendations as were acceptable to it, is not easy to understand. For, it is certain that during the past 5 years since the Asoka Mehta Committee reported, the working of the Commission cannot be said to have shown any marked improvement. Many of the recommendations of the Asoka Mehta Committee are almost certainly likely to be out of date by now and Government would be well-advised to take a realistic view of the facts which are already with them and having regard to the fact that the objectives of the Commission for the achievement of which the Commission was established, are sound, so re-constitute the Commission that it has on it a Finance Member preferably drawn from the Indian Audit and Accounts Service. The Finance Member's concurrence will be necessary in all matters with financial implications, provided however, that where the Chairman disagrees, he shall have the right to overrule his Finance Member for reasons to be recorded in writing. To clear up the existing Augean stables, a special cell should be created under the Finance Member. The object of these suggestions is two-fold; the Commission should be enabled to function at as early a date as possible without being saddled with the burden of the sins of the Commission and omission of the existing Khadi and Village Industries Commission during the past several years, and when relieved of the old burden it should be capable of functioning under proper financial discipline."

1.16. The Ministry, in their reply dated 5-3-1974, stated as below:—

"It is true that Rs. 289.93 crores were placed at the disposal of the Commission from 1953-54 to 1967-68. With this amount a production of Rs. 1,160.51 crores was effected and wages of Rs. 353.45 crores were distributed among the artisans

spread throughout the country. Total annual production of Khadi and Village Industries products of Rs. 2.78 crores in 1953-54 was raised to an annual production of Rs. 121.39 crores in 1971-72. Besides thousands of artisans were trained in various processes of Village Industries and conduct research in improving equipments and processes in improving the quality and quantity and reducing the cost of Khadi and Village Industries products. Commission also established 103 working units in most difficult terrains in the country such as Lahaul situated at 10,000 ft. above sea level (mean level), Spiti at 12,000 ft. height. Uttarkashi, Mandi, Chamba, Kinnaur, Agartala, Bikaner, Port Blair, Jagadapur (Bastar), Kohima etc. which helped to promote industrious habits and self confidence and boost the morale of the persons in the areas bordering with Pakistan, China etc. These activities undertaken by the Commission were promotional in nature.

“Khadi and Village Industries Commission is essentially a development organisation. Its achievements have been indicated in the 93rd Public Accounts Committee Report at pages 4 and 5. These can be summarised as under:—

- (i) considerable pioneering and promotional work in various fields;
- (ii) widening of coverage of villages from mere 25,000 in 1953-54 to over one lakh villages in 1970-71;
- (iii) creation of an institutional infrastructure in the form of State Boards, registered institutions and industrial co-operatives;
- (iv) considerable increase in production and employment in 18 years;
- (v) improvement in quality of products;

- (vi) reduction of grant element in the programme;
- (vii) more financial discipline in the working;
- (viii) contribution to export promotion efforts.

"As regards increase in Khadi Production effected by the Commission it may be stated that there was annual production of Khadi to the extent of Rs. 2.19 crores in the year 1953-54 which was increased to Rs. 25.85 crores in 1970-71. It has already been explained in detail (in annexure) in reply to the recommendation (at S. No. 2) that the entire cotton textile sector in the country including the mill sector has passed through a period of considerable strain during the period from 1968 to 1971. Measures taken by the Commission to check the fall in Khadi production have also been described therein.

"The expenditure on administration, on pay and allowances and contingencies in respect of staff employed, administrative, accounts and technical in respect of Khadi in 1965-66 was Rs. 1.01 crores and not Rs. 1.98 crores as stated in the para. Similarly expenditure on administration on the above items for 1970-71 was Rs. 1.18 crores and not Rs. 2.63 crores as stated in the para. The expenditure shown in para on establishment is for both Khadi and Village Industries. However, the comparison has been made only in relation to Khadi production only.

"The net loss arising out of the trading operations of the Commission for the period from 1965-66 to 1970-71 was Rs. 32.17 lakhs and not Rs. 98.17 lakhs as already explained in reply to the recommendation at Sr. No. 11. The total net loss of the trading operations of the Commission from 1953-54 to 1971-72 was Rs. 32.22 lakhs only.

"The steps taken for improving the position of Sundry Debtors has already been indicated in reply to recommendation at S. No. 13.

“As regards position of overdues, action taken to improve the position has already been stated in reply to recommendations at S. No. 14.

“As indicated in reply to the recommendation at S. No. 1 of the Report, out of 57 recommendations of the Khadi and Village Industries Committee (Asoka Mehta Committee) decisions on 15 recommendations are still pending due to various reasons. These recommendations relate to the structural changes recommended by the Committee on the set up of the Khadi and Village Industries Commission etc.

“The recommendations of the Public Accounts Committee to ‘so reconstitute the Commission that it has on it a Finance Member preferably drawn from the IA&AS’ will also be taken into consideration by Government before a final decision is taken on the structural changes in the set up of the Khadi and Village Industries Commission. However, it may be stated that there is already a Financial Adviser to the Commission, appointed by the Government, he is drawn from the IA&AS and has the necessary financial powers as provided in the Khadi and Village Industries Commission Rules. The status of the Financial Adviser has recently been raised and his grade of salary is now equivalent to that of a Joint Secretary to the Government of India.”

1.17. The Committee had drawn attention to some unsatisfactory features based on the figures made available to them regarding the decline in production of Khadi, fall in employment, increase in administrative expenditure, accumulated trading losses, huge amounts of ‘sundry debtors’, outstanding and overdue loans etc. The Committee had expressed their disappointment and dissatisfaction at the working of the Commission, especially because the benefits that had accrued were not commensurate with the huge amount (Rs. 289.93 crores) placed at the disposal of the Commission by Government.

1.18. The Committee had referred to the delay in taking action and implementing the recommendations of the Asoka Mehta Committee which reported as long ago as in 1968. The Committee had suggested reconstitution of the Commission with a Finance Member on it and creation of a cell under him to liquidate old cases of outstanding loans, etc., but no steps in that regard have been taken so far. This is regrettable. It is important that there should be on the Commission at least one member who will be charged with the task of directing financial matters.

1.19. From the position explained in the Ministry's replies, the Committee see no reason whatsoever to deviate from the views expressed by them earlier. The Committee desire that an early decision should be taken on the pending recommendations of the Asoka Mehta Committee, as also their own recommendation, regarding the appointment of a Finance Member on the Commission. The Committee expect that there would soon be tangible improvements in the working of the Commission and would like a report on what is being done without delay.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee find from the figures furnished to them that production under the development programmes of the Commission increased from Rs. 98.15 crores in 1968-69 to Rs. 103.64 crores in 1969-70 and Rs. 111.45 crores in 1970-71. Considering the increase in prices during this period, the increase in production in physical terms may not be significant. In fact in the case of Khadi, there has been a decline in production from 848.54 lakhs sq. metres in 1965-66 to 567.37 lakhs sq. metres in 1970-71 as mentioned elsewhere in this Report. The Committee are not therefore impressed with the development programmes of the Commission.

[S. No. 2 (Para 1.13) of 93rd Report of PAC—5th Lok
Sabha]

Action taken

2. The observations of the Committee regarding the decline in production under the development programme of the Commission have been noted. It may however be clarified that the downward trend of production was restricted only to (i) cotton khadi (ii) silk khadi (iii) processing of cereals and pulses and (iv) palm gur. The correct position of production in quantity etc. for the period from 1968-69 to 1970-71, the reasons for fall in production in certain industries, the various measures taken by the Commission to overcome the situation etc. have been indicated in the Annexure.

[Ministry of Industrial Development O.M. No. 5/4/73-KVI(II)
dated 5-3-1974]

ANNEXURE

The correct position of production in quantity for the period from 1968-69 to 1970-71 is given in Table No. 1 enclosed. Table No. 1 furnishes details for two years *viz.* 1968-69 and 1970-71 in respect of physical production in quantity and the increase/decrease in actual and in percentage, while Table 2 furnishes details in respect of

other industries wherein the progress can be measured in terms of value only.

2. It will be seen from Table No. 1 that there has been increase in production in all industries covered in the table except Cotton Khadi, Silk Khadi and Processing of Cereals and Pulses.

3. In processing of cereals and pulses the fall has been mainly due to non-availability of paddy for processing and unauthorised proliferation of hullers and to some extent the procurement policies of the State Governments.

4. The reasons for the fall in cotton khadi can be listed as under:

- (a) The Commission, on the advice of Khadi Samiti of the *Serva Seva Sangh* increased the spinning Wages in 1965 for spinners on traditional charkhas.
- (b) The production of traditional cotton khadi was pegged down in the light of the recommendations of the Khadi and Village Industries Committee.
- (c) It was intended to make up this loss by switching over, as quickly as possible, to New Model Charkha. As recommended by the Khadi and Village Industries Commission, an Evaluation Team was constituted by the Planning Commission on the New Model Charkha in 1969. The Team submitted its report in 1970. On the recommendations of the Team and the Planning Commission, a small programme of New Model Charkha could be sanctioned by Government in January, 1971 only. By that time the production of traditional khadi declined.
- (d) During the period, there was substantial increase in the cotton prices and overhead charges which also affected the cost structure of the cotton khadi.

5. The Commission was alive to these factors and took the following measures to check the fall in khadi production:

- (a) It planned introduction of two spindle New Model Charkhas in the field so that traditional spinners would be persuaded to take to New Model Charkhas.
- (b) It introduced six-spindle and twelve-spindle new charkhas, as quickly as possible, after a formal sanction was obtained in 1971. It has already completed the Fourth Plan targets of introduction of 1,040 sets of New Model Charkha by 1972-73.

- (c) It successfully carried out experiments on the production of muslin khadi and as a consequences, this activity has been revived and in 1971-72 the muslin khadi has a share of about 5 per cent in the total cotton khadi production. It is providing higher earnings to the artisans on the one hand with no particular marketing problem for the cloth on the other.
- (d) The Commission has worked out and implemented a phased programme of backing old ambar charkha by allotting pre-processing units in the field. This has enabled the Commission to reactivise a large number of wooden ambar charkhas.
- (e) It has entrusted a market study of cotton khadi to the Indian Institute of Management, Ahmedabad.

6. The above measures have been introduced in the field and cotton khadi activity has now shown signs of revival leaving behind a period of stress and strain. In 1971-72, it is observed that the yarn production of cotton khadi has considerably increased. Moreover, the share of NMC yarn in the total cotton khadi yarn has increased to 20 per cent. Increase in quantity and quality of yarn will result in enhanced production of better cloth. Improvement in quality of cloth will reduce marketing problems. An additional factor that has to be reckoned is that during the period mentioned in the report., i.e. 1968-69 to 1970-71, the entire cotton textile sector and specially the mill sector, has passed through a period of considerable strain as will be seen from the following statements:—

Cotton Fabrics—Mill Production

Year	(Metres in lakhs)					
	Coarse	MediumF.	MediumA.	Zine	Superfine	Total
1968	7085.52	12742.99	18221.57	2078.58	3529.25	43660.96
1969	6082.14	12143.29	18452.04	1765.84	3240.59	41683.90
1970	5789.41	11080.75	18658.25	2191.72	3850.81	41570.94
1971	5025.43	10379.98	17530.64	2473.68	4158.15	39567.88

7. The marginal fall in silk khadi can be accounted for by shift of traditional weavers to agencies undertaking export of silk. During this period, there was spurt in the exports of pure silk; as a result of which the arttsans showed this tendency of shift. In 1971-72, however, the industry has recovered its lost ground.

8. A reflection at table 2 will reveal that except palmgur, the production in terms of value has increased more than 25 per cent in almost all industries. In the case of Fibre, and Carpentry and Blacksmithy the increase was by 95 per cent and 139 per cent respectively. During this period from the price rise was round 10 per

cent. This will be seen from the following table which indicates that during this period, the index number of wholesale prices with 1961-62 as the base for all commodities moved from 165.4 to 181.1.

TABLE

Year	Index number of Wholesale price (All commodities)	
	1961-62	100
1968-69		<i>Indc. No.</i> 165.4
1969-70		171.6
1970-71		181.1

Percentage increase over 1968-69 levels 10 per cent

9. From this, it will be clear that those four industries viz. Village Leather, Village Pottery, Fibre and Carpentry and Blacksmithy have made tremendous progress. The progress in these industries in terms of physical quantity is quite encouraging. Regarding Palmgur, it may be stated that the fall of 17 per cent in terms of production value was mainly due to relaxation of prohibition adopted by the various State Governments, during the period as a consequence of which tree rents increased abnormally which severely affected the availability of palm trees for tapping.

TABLE-1

Analysis in quantity term

Industry	Unit	1968-69	1970-71	Increase or decrease %	Actual
(i) Cotton Khadi	Lakh sq. mtr.	543.58	496.28(—)	9 %	—47.30
ii) Woollen khadi	"	39.32	54.99(+)	40 %	+15.67
iii) Silk Khadi	"	17.29	16.10(—)	7 %	—1.19
TOTAL i - ii - iii		600.19	567.37(—)	4	—32.82
(iv) Processing of Cereals & Pulses (Rice - Broken - husk - bran - Pulses - Cereals)	lakhs qutls.	20.47	19.25(—)	6 %	—1.22
(v) Village Oil (Oil & Oilcake)	"	9.18*	10.78(+)	17 %	+1.60
(vi) Cottage Match	lakh gross boxes	2.94	3.48(+)	18 %	+0.54
(vii) Gur and Khandisari	lakh qutls.	20.43	24.38(+)	19 %	+3.95
(viii) Nee-Soap 'Soap'	Lakh kgs.	62.53	76.96(+)	21 %	+13.43
(ix) H.M. Paper	Metric tonnes	2,788	3,071(+)	10 %	+283
(x) Beekeeping (Honey)	lakh kgs.	17.10	21.88(+)	28 %	+4.78
(xi) Lime	Metric tonnes	39,387	41,773(+)	6 %	+2,386
(xii) Methane gas :					
(a) Gas	Lakh cmt.	41.14	35.22(—)	59 %	—2,406
(b) Manure	Tonnes	29,678	47,375(+)	60 %	+17,697

TABLE-2

[Analysis in value terms (Rs. lakhs)]

Industry	1968-69	1970-71	Increase or decr. over 1968-69	Actual %
1	2	3	4	5
(i) Village Leather	465.40	612.01	+ 146.61	(+ 32 %)
(ii) Palm Gur	723.70	599.06	-124.64	(-17%)
(iii) Village Pottery	208.64	266.80	+ 58.16	(+ 28 %)
(iv) Fibre	87.75	170.82	+ 83.07	(+ 95 %)
(v) Carpentry and Blacksmithy	96.07	229.50	+ 133.43	(+ 139 %)

Recommendation

The Committee find that the administrative expenditure of the Commission increased from Rs. 1.98 crores in 1965-66 to Rs. 2.63 crores in 1971-72. The administrative expenditure of Rs. 2.63 crores 1971-72 comprised an amount of Rs. 1.99 crores of administrative and Rs. 0.64 crores of technical and promotional nature. While the amount of loans and grants disbursed by the Commission is decreasing, the administrative expenditure is increasing. The Committee would like to emphasize that the administrative staff requirements of the Commission should be kept continuously under review so as to effect economy and reduce the burden of such heavy non-productive overhead expenditure.

[S. No. 4 (Para 1.24) of 93rd Report of P.A.C.—5th Lok Sabha]

Action taken

1. Noted for compliance.

2. In addition to the reasons already mentioned in the 93rd Report of the P.A.C., increase in administrative expenditure was mainly due to (i) increase in dearness allowance to the staff, (ii) grant of interim relief to the staff, (iii) annual incremental increases, (iv) increase in T.A. due to heavy rise in Railway and Bus fares and (v) increase in contingency expenditure due to rising prices.

3. The Commission has, however, been endeavouring to keep the administrative staff requirements under constant review through control over establishment budget. The Commission has instructed all the appointing authorities that posts which are created for any

new activity or extension programme should not be filled up (copy of circular No. ADM/Policy/104 dated 14th May, 1973 enclosed).

4. It is further stated that with a view to keeping the administrative expenditure of the Commission under control, the Staff Inspection Unit of the Ministry of Finance has been requested to undertake the Work Study of the Establishment of the Commission.

[Ministry of Industrial Development O.M. No. 5(4)/73-KVI(II)
dated 21-1-1974]

No. ADM/Policy/104

14th May, 1973.

CIRCULAR

Clearance for creating some new posts and also for filling up of old vacancies which were not filled up for many years, under various directorates have been given. Steps have also been taken to hold recruitment in pursuance of such orders. Such orders were given in consideration of the fact that the 1973-74 programmes included expansion and new activities.

2. But recently Government of India have indicated that due to difficulty in resources, we should better limit our 1973-74 programme to the level of actual achievements in the year 1972-73. In view of this, it would be appropriate that posts which are created for any new activity or extension programme, should not be filled up even though the recruitment process might have been gone through in the meantime.

3. I would therefore request the directors not to issue the appointment orders presently, and wait till the above question about finance for the new and expansion activities are settled. This is now being discussed with Government of India.

Sd/-

Chief Executive Officer
15-5-73.

All appointing authorities in and outside Bombay.

(True Copy)

Recommendation

In paragraph of 2.25 of their 49th Report (3rd Lok Sabha) the Committee had suggested that the Commission should be alive to the need for economy and pointed out that money was being spent on committees which apparently did not have any important function to perform. The Committee find that apart from five standing

committees there were some 25 other committees functioning till last year. The Committee hope that while reconstituting the committees it will be ensured that their number is kept to the minimum and that these function in a business-like manner.

[S. No. 5 (Para 1.25) of 93rd Report of P.A.C.—5th Lok Sabha]

Action Taken

Noted for compliance.

As to the reduction in the number of Committees, it is stated that the Commission decided on 29-8-1973 to dissolve 22 committees and to continue the following 8 committees only:

Standing Committees:

1. Standing Finance Committee (Khadi),
2. Standing Finance Committee (Village Industries),
3. Certification Committee,
4. Patterns Committee,
5. Standing Marketing Committee,

Other Committees:

1. Institutional Financing Committee,
2. Review Committee (for review of departmental activities of the Commission in Hill and Border Areas),
3. Khadi Advisory Committee.

[Ministry of Industrial Development O.M. No. 5(4) 73-K VI (II) dated 21-1-1974]

Recommendation

The State Board being autonomous bodies established under Legislation enacted by the State Legislatures they have an independent status. Since the Commission is answerable and accountable to the Parliament for the funds allocated to it by the Central Government the Commission came to the conclusion that it would be desirable to have some statutory control in the working of the State Boards and accordingly a 'Model Act' was drafted to guide and govern the working of the State Boards. The Committee find that only four States viz., Himachal Pradesh, Tripura, Manipur and Uttar Pradesh have so far amended the Acts and Rules. The Committee desire that the matter should be pursued with the other State Governments.

[S. No. 6 (Para 1.29) of 93rd Report of the P. A. C.—5th Lok Sabha]

Action Taken

At present no statutory built-in relationship exists between the Commission and State Boards. However the matter is pursued with the State Governments who have yet to amend the Acts and Rules governing the working of the State Boards in accordance with the 'Model Act'.

[Ministry of Industrial Development O.M. No. 5(4)|73-
K VI(II) dated 21-1-1974]

Recommendation

The Commission also suggested to the State Governments to amend the State Board Act providing for a guarantee of funds of the Commission and routing of the funds through State Governments. But only five States have so far implemented the suggestion. The Committee emphasise the need for amending the State Board Acts of the remaining States.

[S. No. 7 (Para 1.30) of 93rd Report of the P.A.C.—5th Lok Sabha]

Action Taken

As regards guarantee, security for the funds of the Commission released to the State Boards, the present position is given below:—

The State Governments of Jammu and Kashmir, M.P., Haryana, Mysore, Punjab, Himachal Pradesh, Maharashtra, Manipur and Tripura have now made amendment respective State Khadi and Village Industries Boards Acts on the lines suggested by the Commission providing for legal responsibility towards liabilities of the State Boards to the Commission in the event of their dissolution. State Governments of Bihar, West Bengal, Assam, Uttar Pradesh, Rajasthan, Andhra Pradesh, Tamil Nadu and Kerala have agreed to amend their State Board Acts. The matter is being pursued with them.

Governments of Gujarat and Chandigarh have been giving year-wise guarantee for full amount.

As regards Orissa the matter is under correspondence with the State Government.

[Ministry of Industrial Development O.M. No. 5(4)|73-
K VI(II) dated 21-1-1974]

Recommendation

The Committee note that Financial Advisers and Chief Accounts Officers have been appointed in all the State Boards except Uttar

Pradesh, Tamil Nadu, Mysore and Himachal Pradesh. The Committee hope that the matter will be pursued at appropriate level.

[S. No. 8 (Para 1.31) of 93rd Report of P. A. C.—5th Lok Sabha]

Action Taken

As regards appointment of Financial Adviser and Chief Accounts Officers in Uttar Pradesh, Tamil Nadu, Mysore and Himachal Pradesh, the matter has already been taken up at the Chief Ministers' level. The present position is as under:

Uttar Pradesh: The Chief Minister has assured that the matter is receiving consideration of State Government and the decision would be communicated soon.

Tamil Nadu: No statutory provision exists in the State Board Act for appointment of the Financial Adviser and Chief Accounts Officer. However, the State Government has recently accepted the suggestion of the Commission and has appointed a Sr. Dy. Secretary from Finance Department as Financial Adviser. The State Government has addressed a letter to the Commission to approve this appointment which is under examination.

Mysore: There has been no response from the Chief Minister of Mysore in reply to the Commission's letter addressed to him in the matter. This is being pursued.

Himachal Pradesh: The Chief Minister has informed that the matter is under examination and he is being reminded.

[Ministry of Industrial Development O.M. No. 5(4) 73-

K VI(II) dated 21-1-1974]

Recommendation

At the instance of the Commission, some State Governments have vested powers of Registrar of Cooperative Societies in the officials of the State Khadi and Village Industries Board. The Committee desire that efforts should continue to be made to persuade the other State Governments, to take appropriate action.

[S. No. 9 (Para 1.32) of 93rd Report of P.A.C.—5th Lok Sabha]

Action Taken

Noted for compliance.

Efforts are continued to persuade the State Governments which have not conferred the powers of the Registrar of Cooperative Societies upon the officials of the State Boards so far.

(Ministry of Industrial Development O.M. No. 5(4) 73 VI(II) dated 21-1-1974)

Recommendation

The Committee note that the progress of the development programme in the Commission is reviewed through various studies made by the officers of the Commission posted in the State Offices through their visits to the Centres etc. The Committee would like the Commission to examine the feasibility of setting up a central cell for undertaking various studies of the development programmes carried out by the State Boards and Institutions.

[S. No. 10 (Para 1.33) of 93rd Report of P.A.C.—5th Lok Sabha]

Action Taken

Noted for compliance.

[Ministry of Industrial Development O.M. No. 5(4)|73-K VI(II) dated 21-1-1974]

Recommendation

The Committee find that the trading operations of the Commission disclosed loss amounting to Rs. 21.935 in 1965-66, and Rs. 71 lakhs in 1966-67, Rs. 14 lakhs in 1967-68, Rs. 8 lakhs in 1968-69 and Rs. 5 lakhs in 1969-70 and profit of Rs. 0.05 lakh in 1970-71 and Rs. 5.04 lakhs in 1971-72. The Committee hope that the working results will continue the improving trend in future years.

[S. No. 11 (Para 1.39) of 93rd Report of P.A.C.—5th Lok Sabha]

Action Taken

It is stated that the net working loss for the year 1966-67 was Rs. 5 lakhs only and net Rs. 71 lakhs as stated. The amount Rs. 71 lakhs included Rs. 66 lakhs being profit in A. T. during the earlier years upto 31-3-1964 transferred to Government in the year 1966-67 as per the discussion arrived at in the meeting of the Khadi Sub-Committee of the Director General of Supplies and Disposals held at Bombay on 13-7-1966. The recommendation of P.A.C. that the working result should continue to show the improving trend in the future years is noted for compliance.

[Ministry of Industrial Development O.M. No. 5(4)|73-K VI(II) dated 21-1-1974]

Recommendation

Although the trading units are expected to keep closing stock to meet only 8 months' requirements in the case of 8 months referred to in the Audit Paragraph the closing stock ranged from 14 to 109

times the average monthly sales. The Committee are dissatisfied with the overstocking by the units, which carried with it the risk of deterioration of stock and losses. The Committee desire that the Commission should introduce a scientific method of inventory control in the trading units. The Commission should lay down some suitable guidelines regarding minimum and maximum limits of quantities of various items held in stock.

[S. No. 12 (Para 2.8) of 93rd Report of P.A.C.—5th Lok Sabha]

Action Taken

(i) Noted for compliance.

(ii) Wherever the trading stock on hand is found to be in excess, the same is being pointed out through the Internal Audit Reports and the units are advised to keep the stock at optimum level.

(iii) A circular No. IA|Gen|II|PAC dated 20-6-1973 has been issued to all Industry Programme Directors for complying with the requirements contained in this recommendation. Copy of the circular is enclosed.

[Ministry of Industrial Development O.M. No. 5(4)|73-KVI (II) dated 21-1-1974]

KHADI AND VILLAGE INDUSTRIES COMMISSION

3-Irla Road, Vile Parle (West), Bombay-56

No. IA|Gen|II|PAC (i)

Date: 20-6-1973

To

All Trading Units,
Industry|Programme Directors.

An extract of the comments of Public Accounts Committee given in its 93rd report on the accounts of the Commission regarding the closing stock held by the departmental trading units is reproduced below:—

“Although the trading units are expected to keep closing stock to meet only 8 months requirements in the case of 8 units referred to in the Audit Paragraph, the closing stock ranged from 14 to 109 times the average monthly sales. The Committee are dissatisfied with the overstocking by the units, which carried with it the risks of deterioration of stock and losses. The Committee desire that the Commission should introduce a scientific method of inventory control in the trading units. The Commission should lay down some suitable guide lines regarding minimum and maximum limits of quantities of various items held in stock.”

It is therefore, desired that all Industry|Programme Directorates| Departmental Trading units should take necessary steps immediately to reduce the stock to the minimum possible level and comply with all other requirements recommended by the P.A.C. stated above.

Yours faithfully,

Sd/-

Director of Inspection.

Recommendation

The Committee find that sundry debtors amounted to Rs. 3.64 crores as on 31st March, 1971 as against the entire working funds of Rs. 7 crores. The Committee regard the proportion of sundry debtors to the working funds of the trading units to be on the high side. The Committee were informed that as on 31st March, 1972, the total sundry debtors amounted to Rs. 3.03 crores out of which Rs. 0.64 crores was due from Government departments and State Boards, Rs. 0.74 crores from Commission's own units and Rs. 1.65 crores from other private parties. The Committee desire that necessary steps should be taken to realise the outstanding debts and to keep their accumulation to check in future. To achieve this, the Commission should introduce a system of regular analysis of the outstanding debts and intensify follow up action to effect recoveries. In view of the fact that debts amounting to Rs. 7.60 lakhs have proved to be doubtful and bad, the Committee desire that necessary steps should be taken in future to safeguard public money.

[S. No. 13 (Para 2.15) of 93rd Report of P.A.C.—5th Lok Sabha]

Action Taken

Instructions have already been issued to all Departmental Trading Units to get their balances lying under sundry debtors duly confirmed by them and also to classify the amounts age-wise and to segregate bad|doubtful debts—vide this office circular letter No. IA|GEN|Misc| 13|72-73 of 8-9-1972, 9-11-72 and 28-12-72. The recommendations of Public Accounts Committee have also been communicated to them for compliance.

[Ministry of Industrial Development O.M. No. 5(4)|73-KVI(II) dated 21-1-1974]

KHADI AND VILLAGE INDUSTRIES COMMISSION

'Gramodaya' Irla Road, Vile Parle (West)

Bombay-56.

No. IA|GEN|Misc.|13|72-73

Dated: 8th September, 1972

To All Trading Units|Industry|Programme Directors.

SUBJECT: Amount outstanding under Sundry Debtors and Sundry Creditors.

Sir,

A reference is invited to this officer letter No. IA|GEN|Misc.|13 of 16th July, 1966 and 14th December, 1967 wherein it has, *inter alia* been stressed that the amounts lying under Sundry Debtors, as at the close of the year should be got confirmed from the parties concerned. Besides, the various points which the trading units are required to look into before the closure of their accounts for the year annually communicated to them by this office, also include the point regarding confirmation of balances from the trade parties etc. The amount under Sundry Debtors could be considered realistic only when they are confirmed.

2. Despite the attention of the Trading Units thus being repeatedly drawn to this, the experience so far shows that due importance is not being bestowed upon by the trading units in this regard. Consequently, the major part of the accounts lying under Sundry Debtors remain to be got confirmed by the parties. This is being pointed out in the respective Internal Audit Reports also.

3. This aspect has been subject to adverse comments by the Statutory Audit and the Central Public Accounts Committee. It is quite essential that this work is given immediate attention only such confirmations will also help in classifying the amounts lying under Sundry Debtors as "good, doubtful and bad". It is therefore felt that adequate arrangements should be made to see that these requirements are obtained by the trading units.

4. Henceforth, annually you are also required to furnish a certificate to the departmental head of your trading unit at Bombay to the effect that the amounts under Sundry Debtors have been got duly confirmed by you. For outstanding balances for confirmation, if any you should indicate the reasons thereof.

5. The Central Public Accounts Committee is to meet very shortly. The annual reports on the accounts of the Commission are to be reviewed by them from the year 1964-65 to 1970-71. The following items of information are therefore immediately required to

be made available by your trading unit to enable this office to explain the position to public Accounts Committee. This information should reach here before 23rd of September, 1972.

KHADI AND VILLAGE INDUSTRIES COMMISSION

3-Irla Road, Vile Parle (West), Bombay-56

No. IA|GEN|Misc|13|72-73

Dated 9th Nov., 1972

To

SUBJECT: Amount outstanding under Sundry Debtors and Sundry Creditors.

Sir,

A reference is invited to this office letter of even No. dated 8th September, 1972 calling forth certain information regarding confirmation of balances of the amount lying under Sundry Debtors as on 31-3-1971 and its classifications as to the age wise and as good 'doubtful' and 'had' debts. The information was urgently required here to clarify the position to Central Public Accounts Committee which is scheduled to meet to consider Commission's Reports on 21-11-1972. It is regretted to note that the response from Departmental Trading units in furnishing the required information has not been encouraging, with the result this office has not been in a position to prepare adequate materials.

2. It has been felt necessary that the progress in getting the balances outstanding confirmed by the Departmental Trading Units be placed before the Commission in its meetings periodically. It is therefore, desired that all Industry/Programme Directorate Departmental Trading Units who have been provided with Trading Funds should forward immediately the following information so as to enable this office to place it before the Commission as decided.

- (a) The amount of Sundry Debtors as on 31-3-1971;
- (b) Whether the amount lying under Sundry Debtors as on 31-3-1971 has been got confirmed. If part of the amount has been got confirmed the extent of same may be indicated.
- (c) Balance amount to be confirmed. The reasons for outstanding should be indicated (a-b);
- (d) The amount vide column (a) above should be classified under good, doubtful and bad debts and the extent indicated separately.

- (e) The amount of Sundry Debtors as on 31-3-1971 should be classified age-wise as indicated in the letter dated 8-9-1972 and details given.

If any information in respect of items referred to above remains to be furnished, the monthly progress made subsequently may please be forwarded before the 10th of the month followings, so that the same could be furnished to the Commission.

The receipt of this letter may please be acknowledged.

Yours faithfully,

Sd|-

Director of Inspection.

KHADI AND VILLAGE INDUSTRIES COMMISSION

Irla Road, Vile Parle (West) Bombay-56

No. IA|GEN|Misc|13|72-73

Dated 28-12-72

To

All Departmental Trading Units.

Subject: Year-wise break-up of the amount lying under Sundry Debtors as on 31-3-1971.

Sir,

Your attention is invited to this Office letter No. IA|GEN|Misc|13-72-73 of 9-11-1972 wherein, *inter alia* the following information in regard to the amount lying under Sundry Debtors as on 31-3-1971 was called for to clarify the position to Public Accounts Committee (i.e., the amounts of sundry debtors as on 31-3-1971 should be classified age-wise and the details given).

2. The Central Public Accounts Committee met on 15th and 16th December, 1972 and during its course discussed at length about the position of the amount lying under Sundry debtors pertaining to departmental trading units. In view of the fact that adequate information, though repeatedly called for, was not made available by most of the trading units the extent of amounts of Sundry Debtors confirmed by the parties, and classification of bad/doubtful debts included therein etc., could not be very satisfactory explained to them. This was therefore, naturally not happily received by the P.A.C.

3. The P.A.C. has further directed that a note may be submitted to them in this regard. They have called for the year-wise break-up of amounts of Sundry Debtors as on 31-3-1971, which may please be furnished in the form given below. This information is urgently required to make available to P.A.C. The balance as on 31-3-1971 may also include the amounts outstanding for recovery prior to 1970-71. The details regarding the year from which and also the amount outstanding as from those years may please be furnished by you for the amount of Rs. pertaining to sundry debtors as on 31-3-1971 (*vide* B/saason 31-3-1971).

4. This may please be treated as very urgent and the information may be furnished to this Office quoting reference to this letter within a week's time. In regard to the amounts of bad/doubtful debts a separate communication will follow.

Yours faithfully,

Sd/-

Director of Inspection.

The year wise break-up of the amount of Sundry Debtors as on 31-3-1971.

S. No.	The year from which outstanding	Number of parties	Amount	Remarks if nay.
1	upto 61-62	..	..
2	62-63	..	..
3	63-64	..	..
4	64-65	..	..
5	65-66	..	..
6	66-67	..	..
7	67-68	..	..
8	68-69	..	..
9	69-70	..	..
	Total amount			

KHADI AND VILLAGE INDUSTRIES COMMISSION

Irla Road, Vile Parle (West), Bombay-56.

No. IA|GEN|11|PAC(ii)

Dated 20th June, 1973.

To

All trading Units,

Industry/Programme Directors.

SUBJECT: Amount outstanding under Sundry Debtors—P.A.C.

comments—regarding.

This is in continuation of this Office circular letter No. IA|GEN| Misc|13|72-73 of 23-12-1972 regarding the amounts lying under the head Sundry Debtors. An extract of comments given by Public Accounts Committee in its 93rd Report regarding the dues recoverable from Sundry Debtors, is reproduced below:—

“The Committee find that Sundry Debtors amounted to Rs. 3.64 crores as on 31-3-1971 as against the entire working funds of Rs. 7 crores. The Committee regard the proportion of Sundry Debtors to the working funds of the trading units to be on the high side. The Committee were informed that as on 31st March, 1972, the total Sundry Debtors amounted to Rs. 3.03 crores out of which Rs 0.64 crores was due from Government Departments and State Boards, Rs. 0.74 crores from Commissions own units and Rs. 1.65 crores from other private parties. The Committee desire that necessary steps should be taken to realise the outstanding debts and to keep their accumulation in check in future. To achieve this, the Commission should introduce a system of regular analysis of the outstanding debts and intensify follow up action to effect recoveries. In view of the fact that debts amounting to Rs. 7.60 lakhs have proved to be doubtful and bad, the Committee decide that necessary steps should be taken in future to safeguard public money.”

It is therefore desired that all Industry/Programme Directorates/Departmental Trading units should take necessary steps on the line suggested by P.A.C. immediately.

Yours faithfully
Sd/-
Director of Inspection.

Recommendation

The Committee find that out of loans advanced to the Institutions/Boards outstanding as on 31st March, 1969 an amount of Rs. 9.16 crores was yet to be realised as on 30th April, 1971. The Committee desire that the question of recovery of overdue loans should be closely pursued with State Board/Institutions.

[S. No. 14 (Para 2.20) of 93rd Report of P.A.C.—5th Lok Sabha].

Action taken

The position of overdues is constantly under review.

The position as on 31-5-1973 in respect of overdue amounts of 31st March, 1969 is given below:—

Particulars	Total amount overdue as on 31-3-1969		Balance to be recovered as on 31-5-73	
	(Rs. in crores)			
	State Boards	Institutions	State Boards	Institutions
Khadi	1.59	1.94	1.12	1.12
Village Industries	8.13	1.98	3.93	1.42
TOTAL	9.77	3.92	5.05	2.54

Thus out of Rs. 13.69 crores representing overdues as on 31-5-1969 the balance to be recovered as on 31-5-1973 works out to Rs. 7.59 crores. The amount of Rs. 9.16 crores as on 30-4-1971 has been thus further brought down to Rs. 7.59 crores. Of Rs. 7.59 crores, a sum of Rs. 3.45 crores represent working capital and stocking loans under Khadi. The Commission has also decided to extend the Working Fund benefit to Village Industries with effect from 1-4-1973. As such good part of this Working Capital loans overdues

would not be required to be recovered since the loanees would be entitled to retain this amount as per their eligibility.

[Ministry of Industrial Development O.M. No. 5(4)/73-KVI (II)
dated 21-1-1974]

Recommendation

The Committee are concerned to learn that 432 Institutions from which loans amounting to Rs. 101.30 lakhs were recoverable have closed down. The Committee trust that necessary steps are being taken to recover the loans from the assets of the Institutions. The Committee would like the Commission to ensure that while giving loans to institution, proper scrutiny of the financial soundness of the institutions and the antecedents of the office bearers is made in order to safeguard Government Funds.

[S. No. 15 (Para 2.21) of 93rd Report of P.A.C.— 5th Lok Sabha].

Action taken

As to the recovery of Rs. 101.30 lakhs from the closed institutions a special recovery cell created for the purpose has been continuously pursuing old recoveries. Action legal, where necessary, has also been or is being resorted to for expeditious recovery.

The procedure for examination of proposals for financial assistance has since been revised and made stricter making State Directors and Programme/Industry Directors responsible to take into account the past performance, the potential and prospects of development and the overall financial position of the implementing agencies [copy of the (dt. 7-5-1973) circular enclosed].

The recommendation of the P.A.C. regarding proper scrutiny of the financial soundness of the institutions and the antecedents of the office bearers has been followed in the past and will be kept in view before financial assistance is extended to the implementing agencies.

[Ministry of Industrial Development O.M. No. 5(4)/73-KVI (II)
dated 21-1-1974].

**KHADI AND VILLAGE INDUSTRIES COMMISSION,
IRLA ROAD, VILE PAREL, (WEST)
BOMBAY-56.**

No. ADM|Genl.|Financial Proposals|73.

Dated 7th May, 1973.

SUBJECT: Routing of proposals for financial assistances through
State Directors of the Commission.

The State Directors of the Commission are responsible for planning the development of Khadi and Village Industries on proper lines in their respective States and also effective implementation of the programmes through various agencies such as State Boards, direct institutions etc., and also about the financial well-being and soundness of the implementing agencies. It is, therefore, necessary that the administrative procedures about the receipt, scrutiny and sanction of application for financial assistance are so framed that the State Directors would have an effective role to play at every stage in the process. With this and in view, it is decided to adopt following procedures in respect of submission of applications to the Commission for financial assistance by all the implementing agencies State Boards, institutions etc. This procedure would also apply to the annual programmes submitted by them.

It is observed that at present all the proposals for financial assistance including proposals for release of funds are not being routed through the State Directors of the Commission by the applicant agencies. It is, therefore, requested that all the proposals for financial assistance should, in future, be routed through the concerned State Director of the Commission who in turn should forward them to the concerned Directorates at head office of the Commission within a fortnight of the date of receipt of the proposal with his remarks/recommendations. In future no proposal would be considered by the S.F.C. unless it is accompanied by the remarks of the State Director. On receipt of such proposals with the remarks/recommendations of the Director of the concerned Programme|Industry Directors at the head office of the Commission would consider and recommend the proposal to the S.F.C. for their consideration after taking into account and in the light of the recommendations made by the State Directors. They would also incorporate the recommendations of the State Directors in their proposal to the S.F.C.

The State Boards and the institutions may, if they consider necessary, send advance copies of their proposals, which they would have given to the State Directors to the concerned Industry Directors of the Commission for information. They may, if found convenient and feasible and/or necessary, arrange to obtain the views of the State Directors themselves and send the proposals directly to the Commission along with the views of the State Directors. The latter procedure would, however, be adopted only in the case of urgency and not as normal feature.

The State Directors while giving their remarks and recommendations would take into account the past performance, the potential and prospects of development and the overall financial position of the implementing agencies.

The above procedure, it is hoped, will provide the State Directors with necessary opportunities to exercise their judgement which would be commensurate with the responsibilities for proper development of the industries and the financial soundness of the implementing agencies.

Sd/-

Chief Executive Officer.

To

- (1) All C.E.Os. and Secretaries to the State Board,
- (2) All Institutions directly assisted by the Commission,
- (3) All State Directors,
- (4) All Industries and Programme Directors.

(True Copy)

Recommendation

From figures given to the Committee they find that out of a total number of 1265 cases of loans amounting to Rs. 77.61 crores, 362 cases involving Rs. 22.74 crores were yet to be confirmed by the State Boards and Institutions as on 31st March, 1971. The Committee were informed that in case confirmation had not been received for more than 2 years, legal action if necessary was initiated. The Committee desire that necessary steps should be taken by the Commission to enforce financial discipline in cases where the loanees fail to confirm the loans in time.

[S. No. 16 (Para 2.28) of 93rd Report of PAC—5th Lok Sabha].

Action taken

In order to enforce financial discipline in the loanee institutions who fail to confirm the loan balances in time, Commission has decided not to release imprest and other loans without getting the necessary confirmation letter. A circular No. Acctts(Gen)|112|73-74 dated 5th March, 1973 has already been issued to all Institutions (copy enclosed).

[Ministry of Industrial Development O.M. No. 5(4)/73-KVI (II)
dated 7-2-1974].

KHADI AND VILLAGE INDUSTRIES COMMISSION,
IRLA ROAD, VILE PAREL (WEST)
BOMBAY-56.

No. Acctts(Gen)|112|73-74

5th March, 1973.

Circular No. 26

SUBJECT: Conditions for the release of imprest for 1973-74.

As in the past imprest for 1973-74 will be released to the implementing agencies according to the budget allotment issued. Every year the Commission is prescribing certain conditions for the release of imprest. All the State Boards are, therefore, requested to fulfil the following conditions at an early date but not later than 30-4-1973 so that imprest can be released immediately to enable the State Boards to start implementing the programmes without delay.

- (1) Declaration of cash balance of imprest if any, on hand on 31-3-1973, separately under (i) Khadi Loan (ii) Khadi Grant (iii) Village Industries Loan and (iv) Village Industries Grant. The balance should be intimated by a letter on 1-4-1973. If there is no balance a 'Nil' report may be sent.
- (2) Submission of the balance sheet for the year 1971-72.
- (3) Submission of performance reports for the period ending 31-12-1972.
- (4) Confirmation of loan balance as on 31-3-1971 and

- (5) Submission of utilisation certificate to the effect that (i) the Loan and (ii) the Grant have been disbursed by the Board as per allocation issued by the Commission on the basis of the annual agreed programme and according to the rules.

Sd/-

for Chief Executive Officer.

- (1) All State Boards,
- (2) All State Directors,
- (3) All Industry/Programme Directors.

(True Copy)

Recommendation

The Committee have been informed that the Commission have taken legal action to effect recovery of loans from the institutions under liquidation and the balance to be recovered is Rs. 159.26 lakhs. In respect of 17 institutions from which recovery of more than one lakh in each case was due, the balance outstanding is Rs. 40.10 lakhs. The Committee hope that efforts will be made to recover the outstanding dues from these institutions.

[S. No. 17 (Para 2.33) of 93rd Report of PAC—5th Lok Sabha].

Action taken

- (i) The liquidation/legal proceedings are in progress. The delay caused in expeditious recovery may be attributed to factors inherent in such liquidation/legal proceedings. However the question of recovery of Commission's dues is under constant watch.
- (ii) Account of loans outstanding against 17 institutions from which recovery of more than one lakh in each case was due is Rs. 39.64 lakhs as on 31-3-1973.

[Ministry of Industrial Development O.M. No. 5(4)/73-KVI (II) dated 7-2-1974].

Recommendation

The Committee desire that before giving loans to the institutions steps should be taken to verify their financial standing in order to safeguard the interest of Government.

[S. No. 18 (Para 2.34) of 93rd Report of PAC—5th Lok Sabha].

Action taken

The recommendation of the P.A.C. regarding verification of the financial standing of the Institutions has been noted and will be kept in view before giving loans to the Institutions in order to safeguard the interest of Government.

[Ministry of Industrial Development O.M. No. 5(4)/73-KVI (II) dated 7-2-1974].

Recommendation

The Committee are concerned that the Utilisation Certificates were still to be obtained in respect of the grants and loans amounting to Rs. 23.36 crores given upto 31st March, 1971. Some of the outstandings relate to the period prior to 1963-64. The Committee note that there was difficulty in obtaining the utilisation certificates for the loans and grants disbursed by the State Boards. The Committee desire that special efforts should be made to clear old cases where utilisation certificates are still pending, in consultation with the Comptroller and Auditor General of India.

[S. No. 19 (Para 2.41) of 93rd Report of PAC—5th Lok Sabha].

Action taken

Amount for which Utilisation Certificates were to be obtained in respect of disbursements of loans and grants made upto the year 1970-71 has come down from Rs. 23.36 crores as on 31-12-1972 to Rs. 18.05 crores as on 31-3-1973.

As against the total disbursements of Rs 305.30 crores upto 1970-71, Rs 18.05 crores only are outstanding, which is only 6 per cent of the total disbursements. Major portion of outstanding represents Utilisation Certificates to be procured in respect of disbursements made in the recent years. Utilisation Certificates for disbursements made in recent years are being received and the outstanding will be reduced considerably in due course.

As regards outstanding Utilisation Certificates to be procured in respect of disbursements upto the year 1963-64, it may be stated that Rs. 1.63 crores only are outstanding, as against the disbursements of Rs. 166.06 crores which works out to only 1 per cent of total disbursements. Special efforts have been made to procure Utilisation Certificates from the Institutions and the State Boards in respect of disbursements made during earlier year.

As regards procurement of Utilisation Certificates from the institutions, the concerned Industrial Directors have been informed under reference No. IA/UC/I/OUS/57-58-63-64 dated 15th June, 1973 (copy enclosed) for taking expeditious action. It is stated that most

of the Utilisation Certificates for payments made upto 1963-64 are outstanding from the institutions which are either defunct or under liquidation.

The State Boards have been requested under reference No. IA|UC|SB|Gen|73-74 dated 14th June, 1973, to procure Utilisation Certificates in respect of payments made upto 1963-64 expeditiously.

Comptroller and Auditor General of India has been requested to help the Commission in expediting the procurement of Utilisation Certificates from State Boards.

[Ministry of Industrial Development O.M. No. 5(4)/73-KVI (II), dated 7-2-1974].

KHADI AND VILLAGE INDUSTRIES COMMISSION

Irla Road, Vile Parle (West), Bombay-56

No. IA|UC|1|OUS|57-58-63-64

15th June, 1973.

The Director,

SUBJECT: *Procurement of outstanding utilisation certificates—regarding—*

Sir,

Reference is invited to this office Circular No. IA|UC|1|OUS|57—61, dated 30th December, 1970|1st January, 1971 conveying Commission's decision *vide* item No. 19.1(o), dated 28th November, 1970 on the above subject. It is hoped that necessary action has been initiated in pursuance of Commission's decision.

2. The Public Accounts Committee of the Parliament have examined the Audit Reports on the accounts of Commission for the years 1964-65 to 1970-71 in November|December, 1972 and made certain recommendations for further action to be taken by the Commission.

3. The Committee have expressed grave concern that there are still some arrears in procurement of utilisation certificates for the period upto 1963-64. They have recommended that special efforts should be made to clear all old cases of pending utilisation certification.

4. The Accountants (IA) reported that in certain cases utilisation certificates could not be prepared as institutions have become de-junct and/or records were not made available for audit.

5. A list of all outstanding utilisation certificates cases is enclosed herewith for ready reference. You are, requested to use your good offices to get the necessary records for audit and ensure expeditious completion of procurement of utilisation certificates for all payments made upto 1963-64. A list of residual items where it is not possible to procure utilisation certificates may please be furnished along with reason thereof for placing before the Commission.

Yours faithfully,

Sd/-

Director of Inspection.

Encl : As above.

Recommendation

The Committee find that the amount involved in the utilisation certificates received in respect of disbursements upto the end of 1970-71 which are yet to be checked by the Commission is Rs. 42 crores according to the latest position given by the Ministry. The delay in checking the utilisation certificates is due to discrepancies noticed in the year-wise disbursements as between the Commission's and State Board's books of accounts. The plea that the inadequate staff strength of the Commission's internal Audit Wing has inhibited clearance of the back-log is not convincing. The Committee suggest that immediate steps should be taken to instil some control and discipline in the financial transactions of the Commission and also to bring the internal audit effective and upto-date. The procedure of internal audit could be reviewed and streamlined in consultation with the Comptroller and Auditor General of India.

[S. No. 20 (Para 2.46) of 93rd Report of PAC—5th Lok Sabha]

Action taken

As against the total Utilisation Certificates of Rs. 278.27 crores (Rs. 196.85 crores from institutions and Rs. 81.42 crores from State Boards) received, Utilisation Certificates worth Rs. 236.83 crores (Rs. 187.81 crores from institutions and Rs. 49.02 crores from State Boards) have been processed, leaving a balance of Rs. 41.44 crores (Rs. 9.04 crores from institutions and Rs. 32.40 crores from State Boards). It is, therefore, evident from the above that nearly 95 per cent of the Utilisation Certificates received pertaining to the institutions, have been processed and there remains only about 5 per cent

of the Utilisation Certificates received to be processed. But in the case of State Boards only to the extent of 60 per cent of the Utilisation Certificates received have been processed. Yet about 40 per cent of the Utilisation Certificates received from State Boards are to be processed.

The administrative machinery existing in the Commission's Office for processing the State Boards Utilisation Certificates is being strengthened to clear the back-log in processing the Utilisation Certificates from the State Boards as expeditiously as practicable. Comptroller and Auditor General of India's Office had also been addressed regarding the finalisation of the procedure for checking, processing of State Boards Utilisation Certificates *vide* letter No. IA/UC/I/SB/20/3, dated 8th May, 1973 for which a reply is awaited.

[Ministry of Industrial Development, O.M. No. 5(4)/73-K VI(II), dated 7-2-1974].

Recommendation

For funds disbursed upto 1967-68 by the Commission, refund/regularisation of a total amount of Rs. 416.80 lakhs was pending as on 30th December, 1972. The Committee are perturbed to note that in spite of a Special Recovery Section constituted by the Commission to recover the outstanding amounts, there are still pending cases pertaining to the year 1960-61 and earlier years involving an amount of Rs. 190.52 lakhs. The Committee desire that the Commission should take a serious view on the pendency of such outstanding amounts and take effective steps to clear them in time-bound programme.

[S. No. 21 (Para 2.51) of 93rd Report of PAC—5th Lok Sabha]

Action taken

As against the total amount of Rs. 1407.21 lakhs due for regularisation refunds upto 1967-68, Rs. 351.49 lakhs only is pending for regularisation/ refund as on 31st July, 1973. Thus 75 per cent of the amounts have already been cleared and 25 per cent only remains pending. This comprises of loan amount of Rs. 193.70 lakhs and grant amount of Rs. 157.89 lakhs.

Administrative Machinery is being strengthened to clear off the back log in regularisation and recoveries expeditiously.

[Ministry of Industrial Development, O.M. No. 5(4)/73-K VI(II), dated 7-2-1974].

Recommendation

The Committee are dissatisfied that the accounts of 4 trading units transferred to other institutions and of 9 trading units closed have not yet been finalised although some of these units were transferred|closed more than a decade ago. The Committee desire that as indicated by the Secretary during evidence special drive should be launched to close the accounts of these units within three months. The Committee would like to be informed about the progress made in this regard.

[S. No. 22 (Para 2.58) of 93rd Report of PAC—5th Lok Sabha]

Action taken

The matter regarding the finalisation of accounts of closed|transferred departmental units is receiving special attention. The concerned Industry|Programme Directors have already been advised to take immediate action for finalisation of these accounts. A separate Cell has also been created in the Internal Audit Wing to co-ordinate this work. The recommendations of Public Accounts Committee have been communicated to the concerned heads of departmental units for ompliance under letter No. IA|Genl. II|PAC, dated 20th June, 1973 (copy enclosed).

With the closure of these units the personnel attached to them were transferred or retrenched to save expenses on establishment and as the services of these personnel are no longer available the process of clearance of accounts is unavoidably delayed. There are a large number of cases of sundry debtors in respect of which recoveries have to be pursued. In fact there has been substantial clearance of various items since the dates of closure. The finalisation of accounts of closed|transferred units is thus in progress.

[Ministry of Industrial Development, O.M. No. 5(4)|73-K VI (II), dated 7-2-1974].

KHADI AND VILLAGE INDUSTRIES COMMISSION

Irla Road, Vile Parel (West), Bombay-56

No. IA|Gen|II|PAC (iii)

Date: 20th June, 1973.

To

SUBJECT: *Finalisation of the accounts of closed unit. Name of the closed|transferred unit*

Sir,

This is in continuation of this Office letter No. IA|Gen. II, dated 27th December, 1972 urging you to take immediate necessary action

so that the pending items in the accounts of closed trading units under your control could be finally squared up. You were also requested to furnish this Office a monthly report indicating the progress achieved in this regard. Comments given by the Public Accounts Committee in their 93rd report for not squaring up of the accounts of closed trading units are given below for your information and further immediate necessary action.

"The Committee are dissatisfied that the accounts of 4 trading units transferred to other Institutions and of 9 trading units closed have not yet been finalised although some of these units were transferred|closed more than a decade ago. The Committee desire that as indicated by the Secretary during evidence special drive should be launched to close the accounts of these units within three months. The Committee would like to be informed about the progress made in this regard".

Yours faithfully,
Sd/-
Director of Inspection.

Recommendation

The Committee are unhappy to find that in this case loans and grants totalling Rs. 3.51 lakhs and Rs. 4.09 lakhs respectively advanced to an institution were alleged to have been misappropriated by it. The Committee would like to know the outcome of the recovery proceedings which are pending before the Board of Revenue, Lucknow.

[S. No. 23 (Para 2.61) of 93rd Report of PAC—5th Lok Sabha].

Action taken

This is the case of Amar Bharati Chandrabani, Dehra Dun. The objection petition filed by the Housing Society in an appeal for setting aside the attachment of the property, was heard on 11th September, 1973 by the Board of Revenue U.P. Lucknow. Accordingly the case was ordered to be remanded to the A.D.M.(E) Dehra Dun for disposal according to law.

[Ministry of Industrial Development, O.M. No. 5(4)|73-K VI(II), dated 7-2-1974].

Recommendation

The Committee are disturbed that out of 55 cases of theft and fraud pertaining to the period 1956-57 to 1966-67 action has been completed only in 8 cases. The Committee desire that the remaining cases should be finalised expeditiously.

[S. No. 25 (Para 2.70) of 93rd Report of PAC—5th Lok Sabha].

Action taken

55 cases outstanding as on 15th November, 1970 relate to the period from 1st April, 1956 to 15th November, 1970 and not 1956-57 to 1966-67. Out of these 55 cases financial involvement of 14 cases has been cleared. However, 6 cases have not been closed and have been kept open even though the financial aspect has been cleared, for finalisation of police cases and departmental action etc. Out of the remaining 41 cases, 29 cases involving a recovery of Rs. 0.82 lakhs pertained to the period 1956-57 to 1966-67.

The Commission at its meeting held on 39th August, 1973 noted that out of 55 cases, 11 are such where all possible efforts to recover the amounts have been made by the Commission and that there is no possibility of any further recovery in these cases. The amounts involved are also very small. As these losses relate to the Commission's trading units, the Commission in relation to these 11 cases (list enclosed) decided to charge the respective amounts of losses to the concerned profit and loss account of the trading units for the year 1972-73 and close the cases. Accordingly necessary action has been taken.

[Ministry of Industrial Development. O.M. No. 5(4)73-K VI (II), dated 7-2-1974].

List of 11 cases which have been treated as closed

Name of the Centre	Amount involved
	Rs.
1. Bhimwarapukota & Kakinada Production Centre (A.P.)	39.09
2. Jamaladugum Production Centre (A.P.)	159.45
3. Garavredlipalam Production Centre (A.P.)	207.31
4. Alwalpadu Production Centre (A.P.)	172.38
5. Madalavalesa Six Spindle Khadi Centre (A.P.)	401.80
6. Kollavkolu Ambar Gear Wheel Shikshanalaya (A.P.)	31.12
7. Rewa Control Store (M.P.)	242.18
8. Raghunathanj Sales Depot under D.T.A., Calcutta	136.63
9. Khadi Gramodyog Bhavan, New Delhi	169.50
10. Khadi Gramodyog Bhavan, Howrah, Calcutta	1,242.80
11. Khadi Gramodyog Bhavan, Calcutta	1,860.00
TOTAL	4,652.26

Recommendation

The Committee were given the details of 28 more cases pertaining to the period 1967-68 to 1971-72. Out of these cases 5 cases were investigated by the C.B.I., prosecutions of the officers concerned had been launched in 3 cases and departmental action was being taken in 2 cases. The Committee desire that departmental action wherever necessary should be taken expeditiously. The possibility of taking action against one of the officers who has since retired may also be examined. The Committee would like to be informed about the outcome of the cases.

[S. No. 26 (Para 2.71) of 93rd Report of P.A.C.—5th Lok Sabha]

Action taken

Out of the 28 cases stated to be pertaining to the period 1967-68 to 1971-72, it may be stated that 11 cases actually stand included in the list of 55 cases referred to in the recommendation at Sl. No. 25 (Para No. 2.70) of 93rd Report. of the remaining 17 cases, 3 cases have been closed. Necessary action is being taken to finalise the pending 14 cases expeditiously. Of the 5 cases which were investigated by the CBI the present position is given below:—

Case No.	No. of persons involved	Nature of action taken
(1)	4	Case pending trial.
(2)	3	-do-
(3)	2	-do-

Case No.	No. of persons involved	Nature of action taken
(4)	3 (of whom one person has retired)	No departmental action is taken against the person who has retired. Departmental action is in progress against the other two persons.
(5)		No action has been taken in this particular case. It was suggested by the C.B.I. that the commission might take appropriated action for withholding the amount of gratuity if the rules applicable to them permit such a course. The payment of gratuity has accordingly been withheld.

[Ministry of Industrial Development O.M. No. 5 (4)/73-KVI(II) dated 7-2-1974]

Recommendation

The Committee note that at present no departmental action can be taken under the Khadi and Village Industries Commission Rules against a delinquent official after his retirement. They hope that suitable modification to the rules will be made early so that the Commission may have a hold on the retired officials, who are guilty of indulging in misappropriations, fraudulent practices, etc.

[S. No. 26 (Para 2.71) of 93rd Report of P.A.C.—5th Lok Sabha]

Action taken

As for the suitable modification of the rules giving adequate powers to the Commission to proceed against the retired officials who are guilty of indulging in mis-appropriations, fraudulent practices etc, necessary action has been initiated by the Commission to amend the Khadi and Village Industries Commission Employees (Conduct, Discipline and Appeal) Regulations with a view to bring them on par with the Central Civil Services (Conduct) Rules 1964 and Central Civil Services, (Classification, Control and Appeal) Rules, 1965.

[Ministry of Industrial Development O.M. No. 5(4)/73-KVI(II) dated 7-2-1974]

Recommendation

The Committee find that as on 31st December, 1972 an amount of Rs. 20.51 lakhs was outstanding to be recovered on account of overpayment of rebates and subsidies. The Committee desire that special efforts should be made to recover the overpayments.

[S. No. 28 (Para 2.77) of 93rd Report of PAC—5th Lok Sabha]
Sabha]

Amount of Rs. 20.51 lakhs was shown recoverable from the Institutions as a result of spot audit of rebates and subsidy payments conducted by the Audit Parties of the Commission. The procedure followed in this regard is briefly indicated hereunder:

Rebates/subsidy payments are made by the State Directors who are drawing and disbursing officers. The claims are properly verified with reference to cost chart, calculation, totalling etc. as per the procedure laid down before the payments are made. If any overclaim is preferred it is detected at the initial scrutiny and the same is disallowed and net amount only is paid. The Audit Parties are sent (after the payments are made) to the institutions when the amounts are disallowed on account of technical flaws such as breach or Certification Committee Rules, Cancellation of Certificates, non-renewal of Certificates etc., which cannot be termed as overpayments. In such cases, concerned institutions are representing for reconsideration of the amounts disallowed in audit. The Commission has considered the question of recoveries of rebates and subsidies at its meeting held on 29th August, 1973.

The rebates and subsidy claims being a recurring and endemic phenomenon the Commission decided that in future 95 per cent of each rebates and subsidy claim preferred by the institutions should be paid and the remaining 5 per cent can be paid after spot audit of the claims is made which could be completed within a period of not more than one year.

All the State Directors of the Commission have been addressed vide letter No. IA|SPA|PAC|73-74 dated 13th June, 1973 (copy enclosed) to take adequate steps to recover the outstanding amounts expeditiously.

[Ministry of Industrial Development O.M. No. 5(4)/73-KVI(II)
dated: 7-2-1974]

Director of Inspection.

KHADI AND VILLAGE INDUSTRIES COMMISSION
"Gramodaya", Irla Road, Vile Parle (West),

Bombay-56

D.O. No. IA|SPA|PAC| 73-74

Dated 13-6-1973.

SUB:—Recovery of overpayments under Rebate/Subsidies
reasons for non-recovery.....

Dear Shri

It is seen from the quarterly report for the period ended———
that Rs. -——— is outstanding for recovery under Rebate/Subsidy.

The Public Accounts Committee recommended that Special efforts should be made to recover the over-payments under Rebate/Subsidies as expeditiously as possible.

It is, therefore, emphasised that immediate steps may please be taken to effect recoveries under Rebate/Subsidies wherever possible. If the Institutions have ceased functioning and/or closed, all possible efforts should be made to prevail upon the official of the institutions by personal contact to refund the amount. When regular routine efforts fail, and there are no other alternatives but to initiate recovery proceedings, such cases may please be brought to the notice of this Office indicating total amount for recovery.

You are, therefore, requested to review the position and make special efforts for expeditious recovery.

Yours sincerely,

Shri

Recommendation

The Committee are surprised that the Madhya Pradesh Khadi and Village Industries Board diverted an amount of Rs. 6.04 lakhs of unspent balances of grants and loans received from the Commission for development of Khadi and Village Industries for meeting its expenditure on establishment. This amount is still to be recovered from the State Board. The Committee desire that necessary steps should be taken by the Commission to ensure that funds given for development of Khadi and Village Industry are not diverted for other purposes.

[S. No. 29 (Para 2.80) of 93rd Report of PAC—5th Lok Sabha]

Action taken

The matter had been discussed with the Chief Minister of Madhya Pradesh on 20th June, 1972. During the discussion it had been agreed that the State Government might immediately look into this matter and sanction the grants so that the diversion might be set right. Subsequently the question was again discussed with the representatives of the State Board on 25th June, 1973 who have promised to take expeditious steps in the matter.

(ii) The Government of Madhya Pradesh have expressed their willingness to pay the amount to the State Board to nullify the div-

ersion of Rs. 6.04 lakhs. For this purpose the State Government has asked the State Board to furnish certain details. The Board has been asked by the State Government to prepare its basic establishment budget so that the expenditure thereof could be sanctioned and included in the budget for the future to avoid diversions. The Board is reported to be at it.

[Ministry of Industrial Development O.M. No. 5(4)/73-KVI(II)
dated 7-2-1974]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF REPLIES OF GOVERNMENT

Recommendation

The Committee would also like to know why no prosecution was launched in this case.

[S. No. 24 (Para 2.62) of 93rd Report of PAC—5th Lok Sabha]

Action taken

Regarding prosecution it may be stated that the Commission has first filed a criminal complaint against the office bearers of the institution for mismanagement and misappropriation of the Commission funds on 22nd June, 1964 with the Superintendent of Police, Dehradun. The Police authorities however, indicated that the case was of civil nature and not of criminal nature.

[Ministry of Industrial Development O.M. No. 5(4)/73-KVI(II)
dated 7-2-1974]

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

The Committee consider it to be their duty to place on record their disappointment and dissatisfaction at the working of the Khadi and Village Industries Commission. The Committee would not have ventured to do so had they not had this opportunity of studying its working in some detail. Their disappointment arises from the fact that the Commission's field of activities is of great importance to the country and its impact on the country's development, in particular in so far as it affects the weaker sections in rural India, had it functioned as it was expected to function, would have been very great indeed. As it is, such area as it has been able to cover during the past two decades of its existence (from 1953 to 1957, as All India Khadi and Village Industries Board and from 1957 onwards as Khadi and Village Industries Commission) has benefited from its operations only marginally. The Committee's dissatisfaction arises from the fact that such benefits as have accrued have been far smaller than is commensurate with the funds placed at the disposal of the Commission and with the enormous amount of goodwill, both official and non-official, that it enjoyed. As much as Rs. 289.93 crores were placed at the disposal of the Commission during the period of its existence. And for this substantial amount, the Commission has disappointingly little to show by way of achievement.

[S. No. 30 (Para 2.81) of 93rd Report of PAC—5th Lok Sabha]

Action taken

It is true that Rs. 289.93 crores were placed at the disposal of the Commission from 1953-54 to 1971-72. With this amount a production of Rs. 1,160.51 crores was effected and wages of Rs. 353.45 crores were distributed among the artisans spread throughout the country. Total annual production of Khadi and Village Industries products of Rs. 2.78 crores in 1953-54 was raised to an annual production of Rs. 121.39 crores in 1971-72. Besides thousands of artisans were trained in various processes of Village Industries and

conducted research in improving equipments and processes in improving the quality and quantity and reducing the cost of Khadi and Village Industries products. Commission also established 103 working units in the most difficult terrains in the country such as Lahaul situated at 10,000 ft. above sea level (mean level), Spitti at 12,000 ft. height, Uttarkashi, Mandi, Chamba Kinnaur, Agartala, Bikaner, Portblair, Jagadapur (Bastar), Kohima etc. which helped to promote industrious habits and self confidence and boost the morale of the persons in the areas bordering with Pakistan, China etc. These activities undertaken by the Commission were promotional in nature.

Khadi and Village Industries Commission is essentially a development organisation. Its achievements have been indicated in the 93rd Public Accounts Committee Report at pages 4 and 5. These can be summarised as under:

- (i) considerable pioneering and promotional work in various fields;
- (ii) widening of coverage of villages from mere 25,000 in 1953-54 to over one lakh villages in 70-71;
- (iii) creation of an institutional infrastructure in the form of State Boards, registered institutions and industrial co-operatives;
- (iv) considerable increase in production and employment in 18 years;
- (v) improvement in quality of products;
- (vi) reduction of grant element in the programme;
- (vii) more financial discipline in the working;
- (viii) contribution to export promotion efforts.

[Ministry of Industrial Development O.M. No. 5(4)/73-KVI(II)
dated 5-3-1974]

Recommendation

A few figures will illustrate these summary statements. Production of Khadi declined from 848.54 lakhs sq. metres in 1965-66 to 567.37 lakhs sq. metres in 1970-71. Full-time employment during this period generated by the Commission amounted to no more than 117,000 in 1970-71. It stood at 182,000 in 1965-66. Similarly, part-time employment generated amounts to 824,000 less than half of what it had succeeded in general in 1965-66, when it stood at 1,713,000. But the expenditure on administration, on pay and al-

lowances and contingencies in respect of the staff employed, administrative, accounts and technical increased from Rs. 1.98 crores in 1965-66 to Rs. 2.63 crores in 1970-71.

[S. No. 31 (Para 2.82) of 93rd Report of PAC—5th Lok Sabha]

Action Taken

As regards increase in Khadi Production effected by the Commission it may be stated that there was annual production of Khadi to the extent of Rs. 2.19 crores in the year 1953-54 which was increased to 25.85 crores in 1970-71. It has already been explained in detail (in annexure) in reply to the recommendation (at S. No. 2) that the entire cotton textile sector in the country including the mill sector has passed through a period of considerable strain during the period from 1968 to 1971. Measures taken by the Commission to check the fall in Khadi production have also been described therein.

2. The expenditure on administration on pay and allowances and contingencies in respect of staff employed, administrative, accounts and technical in respect of Khadi in 1965-66 was Rs. 1.01 crores and not Rs. 1.98 crores as stated in the para. Similarly expenditure on administration on the above items for 1970-71 was Rs. 1.18 crores and not Rs. 2.63 crores as stated in the para. The expenditure shown in para on establishment is for both Khadi and Village Industries. However the comparison has been made only in relation to Khadi production only.

[Ministry of Industrial Development O.M. No. 5(4)/73-KVI(II)
dated 5-3-1974]

Recommendation

Looking at the working of the Commission from another angle, one finds that trading operations of the Commission resulted in an overall loss of Rs. 98.17 lakhs during the period 1965-66 to 1970-71. The Committee do not have an assessment of losses due to bad debts and irrecoverable loans. As on 31st March, 1971, amount due from sundry debtors amounted to Rs. 3.64 crores as against the entire working fund of Rs. 7 crores. Out of the loans advanced as on 31st March, 1970 to institutions and State Khadi Boards, the outstanding amount was as much as Rs. 74.01 crores. The amount of loans overdue for payment as on that same date, 31st March, 1970, was of the order of Rs. 14.19 crores.

[S. No. 32 (Para 2.83) of 93rd Report of PAC—5th Lok Sabha]

Action taken

The net loss arising out of the trading operations of the Commission for the period from 1965-66 to 1970-71 was Rs. 32.17 lakhs and not Rs. 96.17 lakhs as already explained in reply to the recommendation at S. No. 11. The total net loss of the trading operations of the Commission from 1953-54 to 1971-72 was Rs. 32.22 lakhs only.

2. The steps taken for improving the position of Sundry Debtors has already been indicated in reply to recommendation at S. No. 13.

3. As regards position of overdues, action taken to improve the position has already been stated in reply to recommendations at S. No. 14.

[Ministry of Industrial Development O.M. No. 5(4)/73-KVI(II)
dated 5-3-1974]

Recommendation

These figures are given illustratively. Many more can be given, but the Committee feel that these should suffice to indicate without a shadow of doubt that the Commission has not been functioning in an effective and businesslike manner almost throughout its existence. The Government itself thought it necessary to look into the working of the Commission and appointed a competent committee to go into its working. That committee, presided over by Shri Asoka Mehta reported in 1968. Out of the 57 recommendations made by that committee, 41 have been accepted in principle and only 7 have so far been implemented. Of the remaining 16 recommendations, one has been definitely not been accepted. A decision on the other 15 is still pending. Why Government should have been so dilatory in studying the report of the Asoka Mehta Committee and giving effect to several of its recommendations as were acceptable to it, is not easy to understand. For, it is certain that during the past 5 years since the Asoka Mehta Committee reported, the working of the Commission cannot be said to have shown any marked improvement. Many of the recommendations of the Asoka Mehta Committee are almost certainly likely to be out of date by now and Government would be well-advised to take a realistic view of the facts which are already with them and having regard to the fact that the objectives of the Commission for the achievement of which the Commission was established, are sound, so reconstitute the Commission that it has on it a Finance Member preferably drawn from the Indian Audit and Accounts Service. The Finance Member's concurrence will be necessary in all matters with financial implica-

tions, provided however, that there the Chairman disagrees, he shall have the right to overrule his Finance Member for reasons to be recorded in writing. To clear up the existing Augean stables, a special cell should be created under the Finance Member. The object of these suggestions is two-fold; the Commission should be enabled to function at as early a date as possible without being saddled with the burden of the sins of the Commission and omission of the existing Khadi and Village Industries Commission during the past several years, and when relieved of the old burden it should be capable of functioning under proper financial discipline.

[S. No. 33 (Para 2.84) of 93rd Report of PAC—5th Lok Sabha]

Action taken

As indicated in reply to the recommendation at S. No. 1 of the Report, out of 57 recommendations of the Khadi and Village Industries Committee (Asoka Mehta Committee) decisions on 15 recommendations are still pending due to various reasons. These recommendations relate to the structural changes recommended by the Committee on the set up of the Khadi and Village Industries Commission etc. The recommendations of the Public Accounts Committee to "so reconstitute the Commission that it has on it a Finance Member preferably drawn from the IA&AS" will also be taken into consideration by Government before a final decision is taken on the structural changes in the set up of the Khadi and Village Industries Commission. However, it may be stated that there is already a Financial Adviser to the Commission, appointed by the Government, he is drawn from the IA&AS and has the necessary financial powers as provided in the Khadi and Village Industries Commission Rules. The status of the Financial Adviser has recently been raised and his grade of salary is now equivalent to that of a Joint Secretary to the Government of India.

[Ministry of Industrial Development O.M. No. 5(4)/73-PAC
dated 5-3-1974]

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

The Khadi and Village Industries Commission was set up on 1st April, 1957 under the Khadi and Village Industries Commission Act, 1956, replacing the All India Khadi and Village Industries Board set up in 1953 by a regulation. The basis objective of the Commission is to extend work opportunities and to raise standard of living of the artisans by enabling them to earn more. The Commission have been provided with financial assistance by Government in the form of loans, grants and subsidies. The total amount of funds made available to the Commission upto the end of the Fourth Plan period came to Rs. 289.93 crores. The working of the Commission was reviewed by the Khadi and Village Industries Committee (Asoka Mehta Committee) set up in June 1966, which submitted a report in February, 1968. The Committee have suggested replacement of the Commission by a Rural Industries Commission to promote the development of cottage and small scale industries in the rural areas. The Committee have been informed that this recommendation has not been accepted by the Ministry of Industrial Development. Out of 57 recommendations made by the Asoka Mehta Committee 41 have been accepted in principle and only 7 have so far been implemented. Out of the remaining 16 recommendations one has not been accepted and the decision on the 15 is still pending. The Committee are astonished that although more than 5 years have elapsed. Government have not yet found it possible to take a decision on all the recommendations of the Asoka Mehta Committee. The Committee desire that early action should be taken to examine the remaining recommendations of that Committee and to implement those which are accepted.

[S. No. 1 (Para 1.12) of 93rd Report of PAC—5th Lok Sabha]

Action taken

Out of 57 recommendations of the Khadi and Village Industries Committee (Asoka Mehta Committee) 41 have been accepted in

principle, one has not been accepted and decisions of the Government for the remaining 15 recommendations are still pending due to various reasons. It may be clarified that the recommendations on which the decisions are pending relate to the structural changes recommended by the Committee on the set up of the Khadi and Village Industries Commission and the State Boards etc. including the suggestion regarding the transformation of the existing Khadi and Village Industries Commission in to a Rural Industrial Commission to promote the development of cottage and small industries in the rural areas. Out of the 41 recommendations which have been accepted by Government, 21 have so far been implemented and the remaining accepted recommendations are in the various stages of implementation. Efforts are being made to arrive at an agreed decision with regard to the recommendations which are pending.

[Ministry of Industrial Development O.M. No. 5(4)/73-KV(II)
dated 5-3-1974]

Recommendation

The Committee feel concerned that although one of the major objectives of the Commission is to provide employment in the rural areas, there has been gradual decline in employment in khadi industry. The employment came down from 18.95 lakhs in 1965-66 to 9.42 lakhs in 1970-71. While full-time employment during this period came down from 1.82 lakhs in 1965-66 to 1.17 lakhs in 1970-71, the part-time employment came down from 17.13 lakhs in 1965-66 to 8.24 lakhs in 1970-71. This fall in employment is a direct result of the fall in production of khadi which came down from 848.54 lakhs sq. metres in 1965-66 to 567.37 lakhs sq. metres in 1970-71. Another unsatisfactory feature in Khadi industry is that the average wage of the workers is very low ranging from Rs. 1.50 to Rs. 3.00. In view of all this the Committee suggest that a comprehensive study of the position regarding khadi industry should be undertaken forthwith with a view to taking steps to sustain it and make it attractive to the workers.

[S. No. 3 (Para 1.17) of 93rd Report of P.A.C.—5th Lok
Sabha]

Action taken

As a result of certain measures taken by the Commission Production and Sales have improved in 1971-72 as follows:—

- (i) Compared to 1970-71, the production of woollen and silk khadi in terms of quantity and value has increased.

- (ii) In the case of cotton khadi, the cloth production has slightly decreased (9 per cent) and the yarn production has increased by about 23 per cent compared to previous year.
- (iii) Employment to cotton, woollen and silk, both full-time and part-time has increased in 1971-72 compared to 1970-71 (by about 2 per cent).
- (iv) Sales of khadi have increased by 13 per cent in 1971-72 compared to previous year.
- (v) The proportion of New Model Charkha yarn, better in quality compared to traditional yarn is fast increasing. Its proportion to total cotton yarn production was 19 per cent in 1971-72 compared to about 10 per cent in 1970-71.

From the above it would be seen that the signs of favourable trend are clearly discernible although it may take some more time to recover the lost ground. As regards the level of wages obtaining in khadi, the position is not so dismal for the following reasons:—

- (i) According to the official estimate nearly 40 per cent population in 1971-72 was below poverty line i.e. earning less than Rs. 27.00 per month, *per capita* in rural areas. In this context, the wage level of Rs. 1.50 to Rs. 3.00 does not appear to be very low.
- (ii) A recent Socio-economic study of New Model Charkha Spinners has revealed that a considerably large proportion of spinners on new model charkha are from poorer strata of rural society including landless workers.
- (iii) Khadi and Village Industries Committee (Asoka Mehta) in 1968 recommended that the desirable level of wages for Khadi and Village Industries should be at least equal to off season agricultural wages *vide* Recommendation. No. 21 (Para 4.20). The wage level of Rs. 1.50 to 3.00 per day *per capita* meets this requirement. Khadi and Village Industries Commission is striving hard to improve this level of wages by introduction of improved tools and techniques of production. National Committee for Science and Technology has recently constituted a panel for khadi to formulate technology plan for khadi.

Feasibility of undertaking a comprehensive study of Khadi Industry as suggested by the Public Accounts Committee is under consideration.

[Ministry of Industrial Development O.M. No. 5(4)/73-KVI(II)
dated 21-1-1974]

NEW DELHI;
April 27, 1974.
Vaisakha 7, 1896 (S).

JYOTIRMOY BOSU.
Chairman.
Public Accounts Committee.

APPENDIX

SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

S. No.	Para No. of Report	Ministry| Deptt. concerned	Conclusions|Recommendations
1	2	3	4
1	1.4	Min. of Industrial Development	The Committee hope that final replies in regard to the recommendations/observations to which interim replies have been furnished will be submitted to them expeditiously after getting them vetted by Audit.
2	1.8	do.	The Committee very much regret that the position regarding procurement of utilisation certificates has not shown much improvement. In respect of loans and grants disbursed upto 1970-71, utilisation certificates were outstanding for an amount of Rs. 18.05 crores as on 31st March, 1973. The Committee desire that vigorous efforts should be made to obtain all outstanding utilisation certificates. Particularly, those pertaining to the period prior to 1963-64 have got to be obtained at once, or they might just be unavailable.
3	1.11	do.	The Committee are disappointed that the position regarding processing of utilisation certificates received from the State Boards is still very unsatisfactory as 40 per cent of the utilisation certificates are yet to be processed. The Committee would like the Commission to complete the processing of the remaining certificates expeditiously.

- 4 1.14 do. The Committee are dissatisfied with the slow progress in the disposal of cases of losses caused by thefts. Out of 72 cases pertaining to the period 1956-57 to 1971-72, 11 cases have been closed, 11 cases are such where all possible efforts to recover the amount have failed, and three cases are pending for trial. The Committee desire that necessary action should be taken to finalise the remaining 47 cases expeditiously, as with the lapse of time there would be risk of non-recovery of the amounts and also difficulty in taking action against the persons concerned.
- 5 1.17 do. The Committee had drawn attention to some unsatisfactory features based on the figures made available to them regarding the decline in production of Khadi, fall in employment, increase in administrative expenditure, accumulated trading losses, huge amounts of 'sundry debtors', outstanding and overdue loans, etc. The Committee had expressed their disappointment and dissatisfaction at the working of the Commission, especially because the benefits that had accrued were not commensurate with the huge amount (Rs. 289.93 crores) placed at the disposal of the Commission by Government.
- 6 1.18 do. The Committee had referred to the delay in taking action and implementing the recommendations of the Asoka Mehta Committee which reported as long ago as in 1968. The Committee had suggested reconstitution of the Commission with a Finance Member on it and creation of a cell under him to liquidate old cases of outstanding loans, etc., but no steps in that regard have been taken so far. This is regrettable. It is important that there should be on

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the Commission at least one member who will be charged with the task of directing financial matters.

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do.

From the position explained in the Ministry's replies, the Committee see no reason whatsoever to deviate from the views expressed by them earlier. The Committee desire that an early decision should be taken on the pending recommendations of the Asoka Mehta Committee, as also their own recommendation regarding the appointment of a Finance Member on the Commission. The Committee expect that there would soon be tangible improvements in the working of the Commission and would like a report on what is being done without delay.

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