

PUBLIC ACCOUNTS COMMITTEE
(1972-73)

(FIFTH LOK SABHA)

NINETY THIRD REPORT

**[Audit Report on the Accounts of Khadi and Village
Industries Commission for the years 1964-65 to
1970-71]**



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1973/Vaisakha, 1895 (Saka)

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Corrigenda to the Ninety-Third Report of the Public Accounts Committee (5th Lok Sabha) presented to Lok Sabha on 30.4.1973.

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
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63	-	12	Reistrar	Registrar
65	-	3	Commissions'	Commission's
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PART II*

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1-11-1972 (F.N.)

15-12-1972 (A.N.)

16-12-1972 (F.N.)

25-4-1973 (F.N.)

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(1972-73)

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

INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee do present on their behalf this Ninety-Third Report of the Committee (Fifth Lok Sabha) on Audit Reports on Annual Accounts of Khadi and Village Industries Commission for the years 1964-65 to 1970-71.

The Audit Reports for the years 1964-65 to 1970-71 were laid on the Table of the House on the dates shown below:

<i>Audit Reports for the year</i>	<i>Date on which laid on the Table of the House</i>
1964-65	23-6-1967
1965-66	13-5-1969
1966-67	24-11-1970
1967-68 }	10-8-1971
1968-69 }	
1969-70 }	27-4-1973
1970-71 }	

The Committee examined the Audit Reports at their sittings held on 1st November, 1972 (FN), 15th December, 1972 (AN) and 16th December, 1972 (FN). This Report was considered and finalised by the Committee at their sitting held on 25th April, 1973. Minutes of these sittings from Part II* of the Report.

3. A statement showing the summary of the main conclusions/recommendations of the Committee is appended to the Report (Appendix). For facility of reference, these have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the examination of these Audit reports by the Comptroller & Auditor General of India.

5. The Committee would also like to express their thanks to the officers of the Ministry of Industrial Development and Khadi & Village Industries Commission for the cooperation extended by them in giving information to the Committee.

NEW DELHI;
April 27, 1973
Vaisakha 7, 1895 (S)

ERA SEZHIYAN,
Chairman,
Public Accounts Committee.

*Not printed. One cyclostyled copy laid on the Table of the House and five copies placed in the Parliament Library.

MINISTRY OF INDUSTRIAL DEVELOPMENT

KHADI AND VILLAGE INDUSTRIES COMMISSION

CHAPTER I

GENERAL

Aims and Objectives

1.1. The Khadi and Village Industries Commission was set up on 1st April, 1957 under the Khadi and Village Industries Commission Act, 1956. The Commission replaced the All India Khadi and Village Industries Board which had been set up in 1953 by a resolution. The Committee enquired about how the difficulties which hampered the working of the All India Khadi and Village Industries Board and led to establishment of the Commission. The Ministry of Industries Development have furnished the following reply:

“The difficulties which hampered the working of the Khadi and Village Industries Board have been succinctly mentioned by the Minister of Production while piloting the Khadi and Village Industries Commission Bill in Parliament in September, 1956. He had mentioned that although the Khadi and Village Industries Board was conceived as an Advisory Board, yet certain executive functions were made to come within the purview of the working of this Board by usage and convention and by the compelling force of circumstances. The Advisory-cum-executive nature of the body had given room to several difficulties firstly on the part of the Board itself and secondly on the part of the Government. The Board felt handicapped because it could not hold or acquire or even transfer properties. Every scheme that it formulated had to come before Government for scrutiny and sanction. Every appointment that it had to make had to come before the Government for final approval. Therefore difficulties had arisen in the speedy implementation of the policies and programmes, mainly programmes of the Government. Board had to go through the complicated and cumbersome procedure of red-tapism. The Board had necessarily to refer to the Government each matter small and big and each scheme small and big and await the pleasure of the Government for the sanction being issued and in spite of Ministry's best efforts, due to the inherent circumstances in the very nature of the things, delays had become unavoidable with inevitable results. So it was mainly for the purpose of avoiding delays and ensuring speedy actions that the Commission was decided to be set up.

“Incidentally, there was also another reason for converting the erstwhile advisory body Board into a statutory commission. The responsibility for the management or mis-management of the funds should be laid squarely on the shoulders of the authority which was entrusted with the executive powers or with the administrative powers. The anomaly in the position in which one body was given the power to do things and another body was accountable to Parliament had to be removed and it was with a view to remove that anomaly that the constitution of the Commission was contemplated. According to what the Minister had said then the overall responsibility, the ultimate responsibility of the Government would be there but the responsibility would be shared to a very large extent by the Commission who would be directly responsible for the proper administration of funds and satisfactory discharge of its duties. The question of the Public Accounts Committee may have to be considered in the aforementioned back-ground.

“Commission under the Act is entrusted with the task of planning, organising and implementing programmes for the development of Khadi and Village Industries. These and other functions entrusted to the Commission under the Act are that way very comprehensive.

“Commission is given powers to incur expenditure as it thinks fit on purposes authorised by the Commission’s Act within the provisions of the budget approved by Parliament. It has also been invested with powers to sanction re-appropriation of expenditure from one head to another or from a provision made for one scheme to that in respect of another subject to the condition that in no case shall a reappropriation of funds be made from Khadi Fund to Village Industries Fund or *vice-versa*. As a consequence Commission has also been permitted to incur expenditure in excess of the limit provided in the budget approved by the Central Government under any head of expenditure or under any particular scheme so long as the budget approved by the Central Government is not exceeded.

“Commission has also been invested with powers by the Government to determine the rates at which and the terms on which financial assistance could be provided for various schemes under different industries except in case of certain specific grants and subsidies. Thus Commission is in a position to devise and design suitable patterns of financial assistance for various schemes and purposes on its own, in consultation with its Financial Adviser.

“Commission is empowered to grant loans in accordance with the provisions of the Loan Rules which are approved by the Government.

“Commission has also been empowered to make appointments subject to the condition that no person whose honorarium or the maximum salary exceeds Rs. 500/- per month shall be appointed by the Commission without the previous approval of the Central Government.

“Commission has also been empowered with the prior approval of Government to make Regulations regarding grant of gratuity medical aid, institution of Contributory Provident Fund and Conduct and Discipline of its employees and appeals from orders in relation thereto.

“The conferring of various powers referred to above on the Commission regarding incurring of expenditure, formulation of financial pattern of assistance, preparation of Regulations concerning the terms and conditions of the employees of the Commission as also making of appointments has helped a great deal in overcoming many of the difficulties which were experienced by the erstwhile Board in its functioning.

“Thus some of the administrative procedural and financial difficulties which were experienced by the Board have been removed to a good extent with the formation of the Khadi and Village Industries Commission as an autonomous Body.

“As a consequence of removal of some of these difficulties—procedural, administrative and financial, the Khadi and Village Industries programme could register a phenomenal progress over the 14 years period i.e. from 1956-57 to 1970-71....”

1.2. The Committee desired to know how far over the years the aims and objectives of the Commission had been fulfilled and whether the results achieved were commensurate with the investments made. In a written reply, the Commission stated: “The basic objectives for the development of khadi and village industries during the period have been two fold viz. (i) to extent work opportunities and (ii) to raise progressively the standard of living of the artisans by enabling them to earn more. The strategy of development has, however, undergone changes from plan to plan. In the Fourth Plan, the main objectives set before the programme were:

- (i) social objective of providing employment;
- (ii) economic objective of producing saleable articles; and
- (iii) wider objective of creating self-reliance among the people and building up strong community spirit.

"In consonance with the above, the programme attached more importance to (i) improvement of skills (ii) supply of technical guidance and tools/equipments (iii) provision of liberalised credit/financial assistance (iv) institutionalisation of activities to enable self-employed artisans to come to developmental fold and (v) to secure policy support from the State.

* * * * *

"Some of the achievements of the organisation are summarised below:—

- (i) It has done considerable pioneering work in respect of some village industries, such as the development of non-edible oils and soap industry, manufacture of manure and methane gas, palmgur and palm products Industry, screw pine activity under Fibre Industry, Cottage Match Industry, modern beekeeping etc.
- (ii) It has expanded the coverage of some of the existing industries to the whole of the country.
- (iii) It has increased the coverage of villages from 25,000 in 1953-54 to over a lakh villages in 1970-71.
- (iv) It has created an organisational base for further development in the form of 15 State Statutory Khadi and Village Industries Boards, 675 institutions registered under the Societies' Registration Act of 1860 and over 23,000 industrial cooperatives registered under the State Co-operative Acts.
- (v) It has enabled the Khadi and Village Industries Programme to register a sizeable progress in terms of production (500 per cent increase) and employment (400 per cent increase) over a period of 18 years.
- (vi) It has enabled the artisans of these industries to earn a better income than before. The nature of employment has now become fuller than before and the rates of wages/earning have also increased. Recently, the organisation has taken on hand a new scheme for providing full employment to artisans.
- (vii) It was because of the efforts of the Organisation that the quality of the products of village industries has improved considerably. Some of the products of village industries have secured certification from Indian Standards Institution.

- (viii) The organisation has succeeded in reducing the dependence on subsidies and grants. The programmes today are weighed towards mere loans than before. Except in Khadi, the element of rebates and subsidies is very small in financial provisions for village industries. In respect of khadi also, benefit of subsidy is passed on entirely to the consumer in the form of reduced price. Thus the net incidence of grant has been lightened.
- (ix) Despite reduction of grant, the organisations has been able to sustain the rate of growth. This should be considered a sign of strength.
- (x) The Organisation has brought considerable financial discipline in the institutions. It has adopted new budgeting techniques, introduced working fund for meeting working capital requirements, built up an imprest system. All these measures have helped the programme to ensure better utilization of funds.
- (xi) Khadi and Village Industries products used to cater only to internal market. But now some of the products have emerged as foreign exchange earners, e.g. silk khadi, kolhapuri Chappals, leather products, palm fibre etc."

1.3. During evidence the Vice-Chairman of the Commission stated, "So far as the three main considerations for the future development programme, viability, more employment and use of proper technology, which were envisaged by the Asoka Mehta Committee, are concerned, in all the industries wherever possible, right on from khadi to other village industries as well we have introduced many new implements, we have introduced appropriate technology, we have tried to phase the programme so as to accommodate most of the artisans. Some States like Maharashtra and Gujarat have already worked out employment guarantee scheme for their artisans. We are encouraging the artisans' training to have quality goods, after assessing the market situation because the view was that in years to come we must have self-sufficient and self-reliant industrial activity."

1.4 The Chairman of the Commission stated:

"The quantity of Khadi production from the yarn of the traditional charkha and the ambar charkhas has now become equalised. 7 lakhs nearly are the old charkha in different parts of India. 7 lakhs means 7 lakhs spindles because it is only one spindle. As soon as we come to the ambar charkha, the average is 4 spindle. So we have now almost equalised in number with the other charkha and today the demand for the new model charkha has become

irresistible. The difficulty is for the commission to manufacture adequate number of charkhas of the latest model and make it available. The cry is coming from Gujarat. The cry is coming from different parts of India for more ambar charkhas and particularly in the wake of the famine and my general feeling is that in the next four or five years we will see the end of the earlier poorer type of charkha which would be replaced by the ambar charkha and you will be interested that one of the recent developments in the Khadi Commission is not merely to produce and sell. We have found that unless we carry the mind of the people with us we shall not proceed quick enough. So, one of the major items which the Commission is now undertaking is a mass adult education programme among our artisans to convince them and to prove to them that to stay on the old level of technology will be disastrous."

1.5 In a written reply, the Ministry stated:

"In its Third Five Year Plan the Commission planned to set up 3,000 Gram Ekais and introduce 100 ambar charkhas in each of them. The target for the introduction of ambar charkhas was thus fixed at 3,00,000 ambar charkhas.

"The number of ambar charkhas to be introduced in the first year of the Plan was placed at 40,000 in the second, third and fourth years it was proposed to introduce 80,000 ambar charkhas in each year and the balance of 80,000 charkhas were to be introduced in the final year of the third plan.

"As against this the Commission introduced only 9,459 ambar charkhas in 1961-62 and 4,075 ambar charkhas in 1962-63. No new ambar charkhas were introduced thereafter.

"The main reasons for curtailing the programme were (i) the failure to enthuse the institutions to take it up on the basis of Gram Ekais which were the basis of introduction, (ii) nearly 40 per cent of the ambar charkhas distributed in the field during early year were lying idle (Khadi Evaluation Committee Report Page No. 97), and (iii) The Estimates Committee and the Public Accounts Committee also were very critical of the Programme and had wanted curtailment.

"The Commission therefore decided to limit the introduction to 13534 during III Plan and to concentrate on consolidation of the work already done in the field.

"During the III Plan, therefore, more emphasis was laid on re-activation of idle ambar charkhas.

"The Working Group on Khadi and Village Industries has complimented the Commission for adopting a cautious approach."

1.6. To a question whether the Commission proposed to undertake a socio-economic survey of the conditions of the rural artisans, the Ministry replied as follows:

"While conducting other problem-oriented studies and surveys etc. the Commission also collects socio-economic details about the artisans engaged in different industries under its purview. In the case of new model charkha programme, however, special efforts were made to collect socio-economic details about the artisans since the inception of the programme. In fact, a survey to study and ascertain the socio-economic conditions of the new model charkha spinners is in progress to assess the latest position". According to a statement furnished by the Ministry during the years 1954 to 1969, 44 such surveys/studies were undertaken by the Directorate of Economic Research, Khadi and Village Industries Commission.

1.7. In June 1966, Government appointed a Committee with Shri Asoka Mehta as the Chairman to assess the progress of Khadi and Village Industries, to examine the organisational aspects and to make recommendations. The Committee submitted its report in February, 1968 which contained 57 recommendations. During evidence, the Committee enquired whether this report had been considered and action taken on any of the recommendations. The Secretary, Ministry of Industrial Development replied, "...the position about the Asoka Mehta Committee Report is that this has been discussed between the Ministry of Industrial Development and Planning Commission. Now, the only thing on which specific decision has so far been taken relates to the recommendation about conversion of the Commission into a Rural Industries Commission. Actually, we have not found it possible to accept that recommendation, but in regard to others, no specific decision has yet been taken. Then between the Planning Commission and the Ministry of Industrial Development, they will decide how far this recommendation should be taken into account". The witness ascribed the delay in taking a decision on the recommendations of the report to "certain differences between the Commission and the Ministry of Industrial Development and the Planning Commission... There have been several discussions between our Ministry and the Planning Commission, but the decision has not yet come."

He added, "I would submit that there are some basic things like Village Industries Commission which are affected among other recommendations and those are the things on which a decision has not yet been taken."

1.8. The Chairman of the Commission stated that "while no decision has become available from Government as to the total recommendations and the basic recommendations of the Ashok Mehta Committee's Report, the Commission studied this report in depth and there were a number of steps which we took, which we could on our own, to improve the working...."

1.9. Subsequently, in a written reply the Ministry informed the Committee as under:

"The recommendations of the Khadi and Village Industries Committee (Asoka Mehta Committee) have been considered in six meetings in which representatives of the Planning Commission and the Ministry of Industrial Development participated.

"Out of 57 main conclusions and recommendations of the Committee, 41 have been accepted in principle and 7 of them have already been implemented and follow up action with regard to the remaining is being taken.

"Out of remaining 16 recommendations one has not been accepted. Decisions on the remaining 15 recommendations could not yet be arrived at, but the matter is still being pursued for an agreed decision."

1.10. The Committee desired to know the value of production in the household sector vis-a-vis the Commission, industry-wise during the last three years. The Ministry replied that the value of production in the household sector as a whole were not available, but furnished the details of industry-wise production under the development programmes of the Commission during the years 1968-69 to 1970-71, which are reproduced below:

(Rs. in crores)

S. No.	Industry	1968-69	1969-70	1970-71
1	2	3	4	5
1	Cotton Khadi	17.36	18.71	17.59
2	Woollen Khadi	3.83	4.73	5.83
3	Silk Khadi	2.19	2.20	2.43
4	Processing of Cereals and Pulses	15.73	15.11	16.16
5	Village Oil	17.91	21.11	25.93
6	Village Leather	4.65	5.59	6.12
7	Cottage Match	0.22	0.25	0.26
8	Gur and Khandsari	21.50	19.61	18.35
9	Palm Gur	6.89	6.31	5.99

1	2	3	4	5
10	N.E. Oils & Soap	1.90	2.62	3.27
11	Hand Made Paper	0.54	0.61	0.71
12	Bee-Keeping	1.03	1.16	1.31
13	Village Pottery	2.09	2.34	2.67
14	Fibre	0.88	1.27	1.71
15	Carpentry & Blacksmithy	0.96	1.32	2.30
16	Lime Manufacturing	0.17	0.19	0.24
17	Gobar Gas	0.15	0.21	0.26
18	Other Industries	0.15	0.30	0.32
		<u>98.15</u>	<u>103.64</u>	<u>111.45</u>

1.11. The funds made available to the Commission were as follows:

<i>Plan/period</i>	<i>Funds made available for K.V.I. (Rs. in crores)</i>
I Plan	11.58
II Plan	78.71
III Plan	86.90
Annual Plan 1966-67 to 1968-69	53.05
IV Plan	59.69
	<u>289.93</u>

1.12. 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 basic 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. That 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.

1.13. The Committee find from the figures furnished to them that production under the development programme; 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.

Employment

1.14. The following table shows in brief the progress achieved by the Commission in the field of coverage, organisation, productions, sales, employment and wages:

Selected economic indicators

Item	Unit	1955-56	1970-71	Percentage increase
(i) Villages Covered	Number	about 25,000	Above 1,00,000	
(ii) Organisation				
(a) State Boards	„	2	15x	Excludes self consumption.
(b) Regd. Institutions	„	242	675@	Excludes weaving subsidy in cotton.
(c) Cooperatives	„	23,298	23,298	Khadi which reduces the prices by 6 to 7 percent.
(iii) Production Value in Rs crores	16.47	111.45	577	
(iv) Sales	5.28	99.97 *	1793	
(v) Employment (In lakhs)				
(a) Full time	0.69	2.22	222	
(b) Part time	8.90	16.99	91	
Total (v)	9.59	19.21	100	
(vi) Wages/Earnings Rs. crores	6.92	29.41	325	

1.15. When the Commission was last examined in 1966, the Committee were informed that employment in the Khadi and Village Industries was of the order of 3.21 lakhs full-time employees and 22.60 lakhs part-time. However, according to a statement now furnished it has been observed that the number of persons employed during the year 1970-71 was 2.22 lakhs full-time and 16.99 lakhs part-time. Asked to explain the reasons for the decrease in the number of persons employed the Ministry stated as under:

“The total employment, both full time and part-time in village industries in 1965-66 was 7.18 lakhs which has increased to 9.79 lakhs in 1970-71. It would thus be seen that there is no fall in employment as far as village industries are concerned.....”

“Coming to Khadi, it may be pointed out that there has been a gradual decline provided by the industry from 1965--66. The employment in 1966-67 came down to 18.60 lakhs from 18.95 lakhs in 1965-65. This further declined to 13.35 lakhs in 1968-69, 11.00 lakhs in 1969-70 and 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.

“The main cases for this development subsequent to 1965 are as follows:—

- (i) In 1965, the spinning wage on both traditional and ambar charkhas was raised, by 100 per cent in the case of traditional charkhas and 30 per cent in the case of ambar charkhas with a view to give some relief to the artisans in the context of rising cost of living. The cost of khadi also increased during this period because of increase in cost of cotton, increase in overhead charges, processing charges etc. in addition to increase in spinning wage. This, however, resulted in raising the cost of cotton khadi and eventually affected its sales the industry found the burden unbearable. This resulted in restricting sales and in turn production which as a corollary displaced some of the existing traditional spinners.
- (ii) In certain areas the institutions showed hesitation in purchasing traditional yarn in view of its high cost and

perferred to purchase ambar yarn which was relatively cheaper.

- (iii) The depletion of working force engaged in traditional charkha due to old age/death was not adequately replenished by the younger generation since the traditional charkha ceased to attract it even as a means of subsidiary income.
- (iv) The areas where certain development works were taken up and employment opportunities were created providing higher wages, the spinning activity was adversely affected.
- (v) The ambar charkhas which gave a better account in certain areas outlived their lives. These were not replaced by newly manufactured old style ambar charkhas.
- (vi) During the period the Government off-take of cotton khadi (i.e. sales against accepted tenders) also declined. This added to the difficulties."

1.16. The Committee desired to know the reasons for the average per capita income of Khadi workers being the lowest (ranging from Rs. 1.50 to Rs. 3.00 per day) as compared with other industries. They also enquired how the wages earned by the Khadi and village Industries workers compared with those engaged in agriculture. In a written reply, the Ministry stated:

"One of the reasons for the low income of khadi artisan is his low productivity compared to the productivity of the worker in the organised textile sector. As against annual per capita production of cloth of 150-1200 sq. metres in cotton khadi industry the *per capita* production in the organised cotton textile industry is 5,500 sq. metres of cloth. So far as traditional charkha yarn is concerned the wage content is around 70 per cent, while in the case of 6 spindle New Model Charkha it came down to 40 per cent. As against this the content of wage in mill yarn is only 6.4 per cent. While the cost of khadi per sq. metre varies between Rs. 3 to Rs. 4 depending on the yarn used in its weaving the price of mill cloth is around Rs. 1.80 per sq. metre. It would thus be seen that the weaving subsidy allowed by the Government on khadi does not fully bridge the gap between the prices of

khadi and mill cloth. It would thus be seen that inspite of the fact that the earnings of khadi artisans are low, the wage content in value of khadi is much higher than the wage content in mill cloth. An increase in the wages of khadi artisans would therefore result in further pushing up the price of khadi and would act as a constraint on its marketability. Even then, of the total employment provided under the programmes of khadi and village industries khadi accounts for 10 lakhs persons. This indicates that there are no better avenues of employment available for these people.

"In so far as the level of earnings are concerned it may be pointed out that the average per day earnings of a spinner on New Model Charkha compare well on par with off season agricultural wages which range between Rs. 1.50 to Rs. 3.00 per day. Wages on 6 spindle charkha vary from Rs. 1.50 to Rs. 2.00 per day and on 12 spindle charkha from Rs. 2.00 to Rs. 3.00 per day. In the case of traditional charkha, however, it varies from Rs. 0.50 to Rs. 1.00 per day and in the case of wooden ambar charkhas from Rs. 0.75 to Rs. 1.20 per day."

1.17. 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.

Administrative Expenditure

1.18. The Committee desired to know the administrative expenditure of the Commission and the disbursements made by them.

The information furnished by the Ministry of Industrial Development in this regard for the years 1965-66 to 1971-72 is given below.

(Rs. in crores)

Year	Administrative Expenditure	Disbursement	
		Grant	Loan
1965-66	1.98	10.59	14.61*
1966-67	1.75	10.39	16.47
1967-68	1.91	9.78	10.65
1968-69	2.02 (Includes Rs. 2.15 lakhs on account of recoverable advances to staff).	8.88	8.88
1969-70 **	2.31 (Includes Rs. 2.66 lakhs on account of recoverable advances to staff).	8.08	9.16
1970-71 **	2.53 (Includes Rs. 3.69 lakhs on account of recoverable advances to staff).	7.81	7.71
1971-72 **	2.63	7.78	10.10

NOTE : **The break up of this administrative expenditure into Administration and Technical and promotional is as under :

	1969-70	1970-71	1971-72
Administrative	1.39	1.87	1.99
Tech. and promotional	0.92	0.66	0.64
	<u>2.31</u>	<u>2.53</u>	<u>2.63</u>

*The figures under disbursement given above against 1965-66 do not agree with the corresponding figures given in Page 158 of Asoka Mehta Committee Report, as an error has crept therein.

1.19. The statement below gives the sanctioned strength of officers and staff other than schematic staff borne on the regular establishment of the Commission from the year 1965-66 onwards, which includes 1057 posts which were vacant:

Cadre	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73
Administration	1950	1834	1769	1751	1769	1756	1776	1779
Accounts	141	142	141	139	139	142	142	142
Technical	2908	2860	2720	2850	2825	2828	2839	2840
	<u>4999</u>	<u>4836</u>	<u>4630</u>	<u>4740</u>	<u>4733</u>	<u>4726</u>	<u>4757</u>	<u>4761</u>
<i>No. of Officers and Staff in Position in Trading Activities</i>								
Trading Staff				672	542	541	536	534

1.20. The Committee asked about concrete economies effected in the administrative expenditure of the Commission pursuant to the recommendation of the Administrative Reforms Committee, 1964. The Ministry stated in a note:

- "1. (i) As a measure of economy the Commission introduced a policy of restriction in 1964 on creation and filling of ministerial posts except for Border Areas and new activities in special circumstances. This restriction was extended from time to time upto 1968. Though the restriction was applicable to ministerial posts, in effect, as a measure of economy, technical posts were also not being filled in.
- "(ii) The Commission appointed a Committee (Administrative Improvements Committee) *inter alia* to suggest the scope for introducing economy in the working of the Commission with particular reference to the administrative machinery. On the basis of the recommendations of this Committee the Commission abolished 476 posts in various Departments as a measure of economy.
- "(iii) Apart from the posts abolished as indicated at (ii) above, the Commission had also kept 1002 posts vacant as on 1-1-1970 as a measure of economy.
- "(iv) Strict budgetary control was introduced on T.A. and contingencies.
- "(v) The Commission abolished several Committees constituted by it in the past thereby reducing the number of Committees from 69 in 1964 to 11 as on 1-11-1972.
- "(vi) The following table indicates the expenditure on pay, allowances, and contingencies under the Commission from 1965-66 to 1971-72:—

1965-66	.	.	.	.	.	.	Rs. 1,86,40,000
1966-67	.	.	.	.	.	.	Rs. 1,64,55,000
1967-68	.	.	.	.	.	.	Rs. 1,78,66,000
1968-69	.	.	.	.	.	.	Rs. 1,88,37,000
1969-70	.	.	.	.	.	.	Rs. 2,33,03,000
1970-71	.	.	.	.	.	.	Rs. 2,33,57,000
1971-72	.	.	.	.	.	.	Rs. 2,39,53,000

"2. As a result of the various economy measures taken by the Commission the administrative expenditure was reduced from Rs. 1,86,40,000 in 1965-66 to Rs. 1,64,55,000 in 1966-67. However, despite the various measures taken by the Commission, the following factors, which were beyond the control of the Commission, contributed to the increase in expenditure during the subsequent years:—

- (a) increase in dearness allowance to the staff on six occasions from 1-12-65, 1-8-66, 1-2-67, 1-6-67, 1-11-67 and 1.9.68.
- (b) grant of interim relief to the staff on two occasions from 1-3-70 and 1-10-71.
- (c) annual increases due to increments.
- (d) increase in railway and bus fare and up-ward revision of mileage and daily allowance.
- (e) increase in contingency expenditure due to increase in prices."

1.21. The PAC (1965-66) were informed that the functions of the State Offices of the Commission were gradually being transferred to the respective State Boards. The Committee enquired how the matter stood at present. In a written reply, the Ministry stated:

"The Commission had transferred the functions of the State Offices in Gujarat, Bihar and Tamil Nadu in 1965 and 1966 to the respective State Boards. Consequently the State Offices of the Commission in these States were closed. The Staff under the State Offices of the Commission to the extent considered necessary for the State Boards to carry out the additional functions were transferred to State Boards. The economy in expenditure was only marginal as the Commission has to pay to the State Boards grant towards establishment charges for the staff thus transferred."

1.22. In reply to their recommendation contained in paragraph 2.25 of their 49th Report (Third Lok Sabha), it was stated that the necessity for reducing the number of Committees functioning under the Commission which then stood at 16 was kept in view. The Committee asked how many committees were presently functioning and whether it was necessary to have those committees. In a written reply, the Ministry of Industrial Development stated:

"The number of Committees functioning under the Commission is periodically kept under review. The following

five standing Committees have been set up by the Commission.

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

“Of these, the 2 Standing Finance Committees are provided for under Khadi & Village Industries Commission Act.”

1.23. It is seen from a written reply that there were some 25 other committees which functioned till last year. It has been stated:

“The question whether these Committees should be reconstituted or any other committee should be set up will be taken the recently reconstituted Khadi and Village Industries Board meets. It may, however, be pointed out that the Commission regularly reviews the working of its Committees so as to ensure that only the number of Committees necessary for its functioning are retained.”

1.24. 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 in 1971-72 comprised an amount of Rs. 1.99 crores of administrative and Rs. 0.64 crore 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.

1.25. In paragraph 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 committee it will be ensured that their number is kept to the minimum and that these function in a business-like manner.

**Relationship between the Khadi & Village Industries Commission
and State Khadi & Village Industries Boards|Institutions.**

1.26. The Committee had desired, vide paragraphs 4.34 of their 49th Report (Third Lok Sabha) and 2.12 of the 8th Report (Fourth Lok Sabha) that the relationship between the Commission and State Boards should be defined and put on a proper footing. They enquired how the matter stood at present. In a written reply, the Ministry of Industrial Development stated:

“Under its constituent Act, the Commission is responsible to the Government of India for rendering proper accounts of funds (Grants and Loans) it receives for the development of Khadi and Village Industries in the country and for the implementation of development programmes in terms of the agreed targets.

“State Boards being autonomous bodies established under Legislation enacted by the State Legislatures they have an independent status and their working is governed by the laws constituting them. 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 legal relationship in the working of the State Boards and accordingly a ‘Model Act’ was drafted to guide and govern the working of the State Boards.

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“In response to this, the following states have amended the Acts, Rules and included the suggestions:—

- (1) Himachal Pradesh.
- (2) Tripura.
- (3) Manipur.
- (4) Uttar Pradesh.

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The matter is being pursued with the State Governments. The Chairman has addressed them D.O. letter impressing upon them the need to consult the Commission before the reconstitution of the State Board to see that proper personnel have been taken on the Board.

“As regards guarantee|security for the funds of the Commission, the Commission communciated to the State Governments:—

- (1) To amend the State Board Acts like the provisions contained in Maharashtra State Board Act, or
- (2) To give in form approved by the Commission a guarantee for the funds of the Commission, or
- (3) To accept routing of funds through State Governments.

“A guarantee deed form approved by the Commission was sent to all State Governments to execute the same for the funds released to the State Boards.

“The present position of the State Boards, regarding amendment|security of their State Boards Act is as under:—

Act of the State Boards already provide for the security of the Commission's funds.

- (1) Maharashtra.
- (2) Manipur.
- (3) Himachal Pradesh.
- (4) Tripura.
- (5) Haryana.

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“At the instance of the Commission the Financial Adviser and Chief Accounts Officer have been appointed in all the State Boards except Uttar Pradesh, Madras, Mysore, and Himachal Pradesh. In Uttar Pradesh now Financial Adviser and Chief Accounts Officer was appointed on the ground that there was only an Advisory Board. In Madras the Khadi & V.I. Programmes were executed by the Government department and therefore the F.A. & C.A.O. was not appointed there. Later on the State Board came into existence. In Mysore all efforts were made to appoint a F.A. & C.A.O. Since there was no provision in the State Boards Act it was pleaded that unless and until the Act was amended suitably the appointment could not be made. In case of Himachal Pradesh, the question of appointment of F.A. & C.A.O. is being pursued with State Government.

"Besides the Commission has also introduced the procedure of studying the working of the State Boards by its senior officers since 1964. So far study of the working of all State Khadi & V.I. Boards have been made except Assam, Manipur, Tripura and Uttar Pradesh State Boards. This work is being completed within a couple of months. During the course of study efforts are made to know the financial, accounting, organisational and administrative procedure and problems, obtaining in the State Board, with a view to ensuring that the procedure regarding receipt, scrutiny and sanction of proposals for financial assistance are sound and conform to the provisions of the Act rules and regulations, that the working of the institutions under them is properly supervised and inspected, that the Boards have the staff with requisite qualifications and experience to render the required technical assistance and guidance to the aided institutions and maintain the accounts and conduct the audit of institutions properly and regularly. They also study if the utilisation certificates are obtained, scrutinised, finalised and sent to the Commission's office without delay and that the funds of the Commission are properly utilised for the purposes and on the lines intended to be done and that the overall financial position and working of the Boards is sound and satisfactory. The principal objective of these studies is to help the State Boards to improve their working."

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"It may also be added that in view of the fact that the Asoka Mehta Committee has recommended organisational changes of the KVIC and the State Khadi and Village Industries Boards the Government is in the process of taking a comprehensive view of this recommendation."

1.27. In reply to the Committee's observations contained in paragraph 1.13 of their 49th Report (Third Lok Sabha) regarding proper system of accounting and audit, better financial discipline, etc., it was stated that proposals were also under consideration for intensification of audit by undertaking, *inter alia*, performance audit, extension of the scheme of audit by Chartered Accountants to the institutions and cooperative societies, financed by the State Boards

in consultation with the Registrars of Cooperative Societies concerned. The Committee desired to know the latest position on this matter. In reply, the Ministry furnished by the following note:

“Accounts of the Institutions|Cooperative Societies directly aided by the Commission are audited by the Internal Audit Wing of the Commission for purposes of obtaining of utilisation certificates, to see that the funds provided have been utilised for the specific purpose for which they have been sanctioned.

“In order to have the information about the soundness and general financial position of the institutions, it was considered that it would be advisable to obtain the annual statements of accounts audited by the Chartered Accountants. Accordingly the Commission is receiving statements of accounts audited by the Chartered Accountants. The financial position of the Institutions is examined from these statements of accounts. Commission is also obtaining the general audit reports on the accounts of the institutions through its Internal audit wing. The position of performance against the targets is also generally examined at the time of audit. As regards Co-operative Societies, Commission has decided that the Registrar of Cooperative Societies should be approached with a request to place the Commission’s auditors on the panel of approved Auditors maintained by them for purposes of auditing the accounts of such directly aided cooperative societies as they are not able to complete themselves.

“The Commission has been pursuing with the State Governments the issue of vesting the powers of the Registrar of Co-operative Societies in the officials of the State Khadi and Village Industries Boards. The Government of Tamil Nadu and Kerala have delegated all the powers of the Registrars to the officials of the Board. Government of Bihar, Assam, Mysore, Uttar Pradesh, and Jammu and Kashmir have also delegated some of the powers of the Registrars to the officials of the Board. Certain other Governments are considering the proposal.

“In addition to the above, Commission examines every year the achievements against the targets as well as the financial position of the institutions at the time of annual budget discussions.”

1.28. The Committee wanted to know the procedure adopted by the Commission to watch the progress of its programmes. In reply, the Ministry of Industrial development stated as under:

“State Khadi and Village Industries Boards and major institutions under the direct list of the Commission are the bodies implementing the schemes of village industries for their development in various states of the country. So far as the State Khadi & Village Boards are concerned they try to undertake feasibility studies and on the basis of the potentialities revealed therein, plan for the development of village industries and submit proposals for financial assistance at the time of budget discussions in the Central office at Bombay. These proposals are generally scrutinised by Industry/Programme Directors and after they are satisfied about the need of the proposals they agree for financial assistance. Generally the State Boards take the responsibility of watching the progress of the institutions financed through them. The Industry/Programme Directors of the Commission extend the necessary technical knowhow to the State Boards by sending their technical personnel posted in the various State Offices wherever their services are needed. In addition, the State Boards also have got some technical personnel to guide the institutions and they (the technical personnel of the Boards) with the assistance of the technical personnel of the Commission guide the institutions in implementing the schemes.

“The technical staff of the State Boards visit the centres periodically and report the progress with suggestions for improvement, if any, to the State Boards. The State Boards, in turn report the progress to the Industry/Programme Directors in the central office of the Commission.

“So far as the direct institutions are concerned the State Directors of the Commission conduct feasibility studies and after scrutiny by the respective technical staff posted in the State Office, recommend the proposals for financial assistance to the Commission. The Industry/Programme Directors of the Commission after getting fully satisfied of the genuineness of the proposals, offer their advice.

“The technical staff of various Industry/Programme Directors posted in the State Offices of the Commission guide

the direct centres in technical matters. They also periodically visit the centres, help them in construction of buildings, manufacture/purchase of required machine and purchase and storage of required raw materials etc. etc. The technical staff also guide the institutions in introducing productivity methods in their processes and see that the institutions achieve progress as per the targets. The technical personnel posted in State Offices thus report the progress of their respective Industries to their Directories in Central Office of the Commission.

“The Commission prepares annual reports once in a year, on the basis of the progress reports received from the Industry/Programme Directors and State Boards and review their progress and make suggestions for improvements, whenever felt necessary.”

1.29. The State Boards 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.

1.30. 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.

1.31. 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.

1.32. At the instance of the Commission, some State Governments have vested powers of Registrar of Co-operative Societies in the

officials of the State Khadi & Village Industries Board. The Committee desire that efforts should continue to be made to persuade the other State Governments, to take appropriate action.

1.33. 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.

Results of the trading operations of the Commission's own trading units

1.34. The Annual Accounts of the Commission for the years 1964-65 to 1969-70 showed that while the Commission's own trading units made a profit of Rs. 20 lakhs during 1964-65 their operations during the subsequent five years resulted in loss amounting to Rs. 21,935 in 1965-66, Rs. 71 lakhs in 1966-67, Rs. 14 lakhs in 1967-68, Rs. 8 lakhs in 1968-69, Rs. 5 lakhs in 1969-70. According to the information furnished by the Ministry these units earned a net profit of Rs. 5,000 in 1970-71 and Rs. 5.04 lakhs in 1971-72.

1.35. In a written reply the Ministry explained the loss of Rs. 71 lakhs during 1966-67 as follows:

“Due to transfer of portion of A/T. Profit pertaining to previous years up to 31st March, 1964 to Government i.e. Rs. 66,01,833.00 in the year 1966-67. This represented profit earned during the period up to 31st March, 1964 and hence cannot be called as a loss. But for the transfer of profit to Government accounted during 1966-67 the normal working result of the Trading units during 1966-67 would have shown a net loss of Rs. 5.00 lakhs only.

“As the sales price of the supplies made to Government was not finalised no margin has been charged on the A.T. Supplies made during the years 1966-67. The provisioned loss accounted on A.T. Supplies for 1966-67 amounted to Rs. 2,25,223/- which is expected to get reimbursed when the sale prices are finalised by the D.G.S.&D.

“Due to reduction given on the value of goods in 1966-67 amounting to Rs. 1,55,697.01.”

The Ministry have stated following general reasons for loss in Trading units:

“The sales price of Khadi is being determined by taking into consideration the percentages of margin fixed by the Certification Committee. It is however seen that the margin thus earned by the unit is not sufficient enough to cover up their establishment expenditure in some units.

“Due to withdrawal of the scheme of production and sales subsidy and additional production and sale subsidy the units are deprived of assistance from grant funds from 1st April, 1967.

“The units are sometimes required to give reductions on the sale value of Khadi goods for being damaged, shopsoiled etc.”

1.36. The Committee desired to know how the various products were priced for sale through the trading units. The Member Secretary of the Commission replied that it was fixed at 20 per cent above the cost price. Explaining the basis of pricing the goods at 20 per cent above the cost price, the witness stated, “There are three stages. One is for Production Centre. We allow 7 per cent. In the 7 per cent they will cover salaries, rent, transportation etc. Everything will be included in this 7 per cent. The finished goods come to Central Stores. 4 per cent is allowed for the Central Stores. This 4 per cent is there to manage all these things. Then comes the retail shop. For them 10 per cent is allowed. . . . Taken together it will come to 20 per cent. . . . the Central Stores will be doing pricing and not the production Centre.” In a note subsequently furnished to the Committee on this point, the Ministry stated,

“Rule 19(a) of the Certification Rules provides for the maximum margin of 20 per cent intended to cover transport charges, packing and establishment. The Khadi Institutions, ever since the days when the production and sale of Khadi were in the hands of the All India Spinners Association were working on ‘no profit no loss’ basis. As such the institutions have hardly any margin to make profit for diverting the same for capital formation. There is therefore, no break-up of 20 per cent. However, as a result

of efforts made by the Khadi Commission together the information from old Khadi workers associated with the All India Spinners Association, the following broad break-up of the expenses which are to be covered by this margin has been collected:

Item	Percentage
Salaries and D.A. and allowances, P.F. in production and sales centres	6.25
Central Office	1.50
Development and expansion	0.50
Railway freight, packing, carding etc.	1.50
Rent	2.00
Lighting and sundries	1.50
Travelling	1.50
Postage and telegrams	0.35
Stationery, etc.	1.50
Vastrasavalamban	1.00
Depreciation of dead stock	0.50
Reduction of unsold stock and write off, shortages and losses	1.00
Interest on Capital	1.00
Addition to looms and equipment	0.40
TOTAL	19.50

1.38. The Public Accounts Committee in recommendation at Sl. No. 55 (Para 5.41) of their 49th Report (Third Lok Sabha) 1965-66, desired that the position should be examined so as to make the formula realistic on the basis of present day conditions. A Committee appointed under the Chairmanship of Shri Vichitra Narayan Sharma, the then Chairman of the Certification Committee for an objective examination of the question about the margins allowed on Khadi has considered the question. The Committee recommended that a flexible system of margins of over-heads at present working, would be more beneficial than a rigid and fixed system of varying margins, in relation to the big, medium and small institutions (and old as well as now ones). The Asoka Mehta Committee also *vide* paras 3.74 and 3.75 of their report clearly recognised that when the over-head expenses related to sales sector are included in over-all overhead expenses, it would be 20 per cent

which is actually the maximum permissible margins laid down by the Certification Committee.

“The Commission has considered the Committee’s Report in the light of the observations of the Asoka Mehta Committee at its meeting held in January, 1970 and has accepted the recommendation of the Committee.”

1.39. The Committee find that the trading operations of the Commission disclosed loss amounting to Rs. 21,935 in 1965-66, 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.

CHAPTER II

SELECTED CASES FROM AUDIT REPORTS

Excess closing stock with some of the trading Units

2.1. In the case of the following units, the closing stock was many times more than that of the average monthly sale of the units:—

Name of the unit	Sales during 1969-70	Average monthly sales during 1969-70	Closing stock on 31-3-1970	No. of times closing stock was to average monthly sales
(1)	(2)	(3)	(4)	(5)
(In lakhs of rupees)				
<i>Khadi :</i>				
Khadi Gramodyog Bhawan Goa .	1.15	0.10	1.37	14
Manipur Trading Activities, Imphal	0.29	0.02	0.61	30
Hill and Border Areas Bikaner .	21.76	1.81	29.15	16
Regional Office, Mandi . . .	2.69	0.22	5.67	26
Hills and Border Area, Pithoragarh	3.94	0.33	7.85	24
Endi Production Centre Rampur .	4.97	0.41	5.85	14
<i>Village Industries :</i>				
Bharatiya Tadgud Shilpa Bhavan, Dahanu	0.29	0.02	2.18	109
Charmalaya Gopuri	1.49	0.12	2.08	17
Processing of Cereals and Pulses Industry, Sonapur	2.23	0.23	8.83	38

[Paragraph 7(c) of Audit Report for 1969-70]

2.2. The Committee wanted to know whether the Commission has laid down any maximum limit for stocks to be held by the trading units. In a written reply, the Ministry stated as under: "The holding of stocks at a Bhavan could be influenced by a variety of factors, which render it difficult to stipulate a fixed minimum or maximum for stocks to be held by a Bhavan on a given date. The Commission's departmentally run emporia are expected to function both as a sales depot, and as a clearing agent to supplement and

complement the efforts of the Khadi producing institutions, particularly in the neighbourhood of the respective Bhavans. This feature, at times, might call for stocking of goods not strictly in proportion with the monthly/annual sales. Apart from this feature, the Bhavans could ill afford setting aside the need to stock goods of such varieties, patterns and designs for catering to the needs and tastes of the customer public."

2.3. It was stated by the Member Secretary of the Commission during evidence that "The normal average stock should be for eight months."

2.4. In all the units mentioned in the Audit Report, the closing stock on 31-3-1970 exceeded the limit of 8 months' sale. The Bhartiya Tadgud Shilpa Bhawan at Dahanu had a closing stock of 109 months' average sales, while the units at Sonapur, Imphal, Mandi and, Pithoragarh had closing stock ranging from 24 to 38 months' average sales. Explaining this position, the representative of the Commission stated, "Bhawans are not only expected to sell their goods, but also to act as clearing houses for smaller institutions.... All these centres are not routine centres. They have to boost sales and production, where there is nobody else to step in, we go there". Referring to the centres at Imphal and Pithoragarh, the Member Secretary of the Commission stated, "All these hill border areas are difficult areas where nobody else is going to take up the work. Only the Commission can do it.... We have to keep stocks for a longer period and we are unable to dispose them off."

2.5. On being asked whether the surplus stock lying with one centre could not be transferred to another centre where the goods could be disposed of, the witness replied, "Sometimes it becomes difficult because they are producing there also. It takes time. First of all the Centres are scattered in far off places, So sending yarn there, getting it woven, getting it finished and disposing it of is a time consuming process."

2.6. The Committee enquired whether there was any arrangement by which the Commission got information regarding the stock position in the various centres. The representative of the Commission said in reply, "We have region-wise supervisors. Assistant and Deputy Directors are posted there for the purpose and periodical reports are reaching us."

2.7. The Committee asked whether there had been any instances of goods getting deteriorated due to long storage. In a note, the Ministry replied, "There had rarely been any occasion when the

whole stocks held by a departmental trading unit were declared as unsuitable for sale. Nevertheless, wherever deterioration of quality of some stocks had occurred, certain reduction of price of such stocks is allowed to make such stocks saleable."

2.8. 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 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.

Sundry Debtors

2.9. The amount under "Sundry Debtors" on 31st March, 1969 was Rs. 2.81 crores, as against the capital investment of Rs. 6.07 crores in the trading operations. Out of Rs. 2.81 crores, Rs. 0.52 crore relate to amounts due to the Commission from Government departments and Rs. 0.99 crore relates to the Commission's own departments/units. The balance of Rs. 1.30 crores is reported to be due from other parties. The extent to which confirmation of balances had been obtained could not be indicated by the Commission for want of detailed information.

[Paragraph 3 of Audit Report for 1968-69].

2.10. During evidence, the representative of the Commission informed that "the position as on 31st March, 1971 is that the amount due from sundry debtors is Rs. 364 lakhs, out of our entire working funds of Rs. 7 crores. Now, out of these Rs. 364 lakhs, examination has revealed that for Rs. 278 lakhs the recovery chances are good, that is, they are solvent debtors. We have got information indicated by the respective authorities that 2 debtors' cases amounting to Rs. 242 lakhs were examined and they have found that Rs. 234 lakhs were good, Rs. 7 lakhs doubtful and Rs. 0.84 lakh bad cases."

2.11. The Committee wanted to know the present position of the outstanding, the amounts due from different categories of debtors and the year wise break thereof. The Ministry replied that the year-wise break up of the outstanding was not readily available.

However, the total amount of sundry debtors as on 31-3-1972 was furnished, which is given below:

Sr. No.	Particulars	Khadi unit V I U. its		Total
		(Rs. in lakhs)		
1.	Govt. Departments & State Boards	59.14	4.85	63.99
2.	Commission's own units	70.11	3.46	73.57
3.	Other private Parties	150.13	15.31	165.44
		279.38	23.62	303.00

2.12. The Committee asked whether the debtors were required to confirm the amounts due from them as per the books of the Commission. Replying in the affirmative, the Ministry stated: "The respective in-charges of the trading units write to the debtor institutions requesting them to confirm the balances outstanding for recovery as at the end of March of every year."

2.13. Noting that as on 31st March, 1971 the Sundry Debtors stood at Rs. 3.64 crores as against a working fund of Rs. 7 crores in trading operations, the Committee asked whether it was advisable to have allowed credits to such extent. The witness replied: "Sometimes institutions are required to have credit sales. But we have calculated the bad and doubtful ones. They are only to the extent of Rs. 7.60 lakhs out of Rs. 242 lakhs, i.e. only 2.08 per cent of the total debtors." It was further explained: "...out of Rs. 364 lakhs, the distribution is such that the Bhawans account for Rs. 98.0 lakhs, production centres Rs. 53 lakhs, Service Units like the new model charka—Rs. 166.00 lakhs, then the hill border areas and other centres—Rs. 26.0 lakhs, the total comes to Rs. 343.0 lakhs for Khadi Unit. Now what happens is that some moneys with these institutions are bound to remain in circulation. For example, Rs. 166.0 lakhs which we have for Service Units, now, there, a certain amount of money is necessary for keeping the production up and keeping up turn-over of the model charka, etc. So, for that reason Rs. 166.0 lakhs are with them. Similarly for Bhavans, we have certain amount of turn-over and they also need certain amount of money and this amount of Rs. 343.0 lakhs is made up. Now, what we did was that in order to ascertain how much of these can really be regarded as good debt which can be expected to be repaid, how much is doubtful and how much is bad debt, we try to have this information from various institutions with whom this money is kept and we have come to the conclusion that out of Rs. 241.0 lakhs, an amount of

Rs. 234.0 lakhs is considered to be good and Rs. 6.73 lakhs is considered doubtful and Rs. 0.84 lakh is considered really bad and given up. We have been keeping an eye on this (a) to try to find out whether this money is necessarily to be allocated for operation and (b) we want to make sure that a large amount of this does not become bad."

2.14. The Committee wanted to know the steps taken to realise the Sundry debts expeditiously. The Ministry's reply in this regard is given below:

"The respective centre-in-charge of the trading units are writing to the debtors for the early clearance of the dues. Such letters are also vigorously pursued when the money is not remitted at the issue of the first letter. Most of the parties are certified institutions who are carrying on commission's programme and are in receipt of financial aids either from the Commission direct or through the State Boards. Recently the trading units have also been advised by the Central Office to initiate legal action for recovery when normal course of action is not found fruitful."

2.15. 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 crore was due from Government departments and State Boards, Rs. 0.74 crore 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 desire that necessary steps should be taken in future to safeguard public money.

Loans and grants outstanding for realisation from State Boards/ Institutions

2.16. The balance of loans out of the loans advanced to the institutions/State Boards as on 31st March, 1970 was Rs. 74.01 crores. Against Rs. 13.69 crores over-due on 31st March, 1969, of which Rs. 9.16 crores were yet to be realised on 30th April, 1971 as shown under the amount of loans overdue for repayment by 31st March, 1970 was Rs. 14.19 crores.

(In crores of rupees)

	Khadi	Village Industries	Total
State Boards	1.27	4.97	6.24
Institutions	1.39	1.53	2.92
	2.66	6.50	9.16

The year-wise break-up of the outstanding is not readily available with the Commission.

[Paragraph 3(a) of Audit Report for 1969-70]

2.17. The break-up of the balance of loans of Rs. 74.01 crores as between the State Boards and Institutions are as follows:

(Rupees in crores)

	Khadi	Village Industries	Total
State Boards	13.53	19.35	32.88
Institutions	36.57	4.56	41.13
	50.10	23.91	74.01

Asked to furnish the latest position, the Ministry furnished the figures as on 28-2-1973 which are given below:

(Rupees in crores)

	Khadi	Village Industries	Total
State Boards	16.76	23.66	40.42
Institutions	40.42	5.66	46.08
	57.18	29.32	86.50

2.18. The Committee wanted to know the number of institutions, from whom loan was recoverable had closed down. The Ministry furnished the following information as on 31-3-1970 in this regard:—

(Rs. in lakhs)

	Number of Institutions closed	Amount due
Khadi	93	52.57
Village Industries	389	48.73
	482	101.30

2.19. Explaining how recovery of loans from institutions was ensured the representative of the Board stated during evidence: ".....As far as recovery position is concerned, the whole loan has been just secured by hypothecation deed. Whenever surplus fund is there, now we have decided that a six month time limit should be given to the institutions so as to enable them to execute equitable mortgage deed of their assets to the Commission." He added that "Whenever we want to release the fund, we prevail upon them that overdue will have to be cleared before further payment... Apart from that we supervise it from time to time."

2.20. 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 Boards/Institutions.

2.21. The Committee are concerned to learn that 482 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 institutions, proper scrutiny of the financial soundness of the institutions and the antecedents of the office bearers is made in order to safeguard Government Funds.

Confirmation of balances of loans

2.22. The number of State Boards and institutions which did not confirm (position on 31st October, 1970) the balance of loans outstanding on 31st March, 1969 is 332 for Khadi (Rs. 20.93 crores) and 301 for Village Industries (Rs. 16.14 crores).

[Paragraph 2(b) of Audit Report for 1968-69]

2.23. Giving the latest position of confirmation of balance of loans by the borrowing institutions, the representative of the Commission stated: "...But in October 1972, the confirmation is pending with respect to Rs. 2.72 crores in regard to Khadi and Rs. 0.84 crores with respect to Village industries.....I would submit that 90 per cent of the loans in Khadi which was outstanding on 31st March, 1969 is confirmed and in village industries 96 per cent of the loans outstanding on 31st March, 1969 has been confirmed."

2.24. In a note subsequently furnished to the Committee, the Ministry indicated the position as on 28th February, 1973 regarding confirmation of loan balances outstanding:

For Loan Balance as on	Khadi		V.I.		Total	
	No.	Amount	No.	Amount	No.	Amount
(Rupees in crores)						
31-3-68 (a) Total balance to be confirmed	478	47.63	769	20.85	1247	68.48
(b) Balances yet to be confirmed.	48	0.70	53	0.48	101	1.18
31-3-69 (a) Total balance to be confirmed.	472	48.75	769	22.40	1241	71.15
(b) Balances yet to be confirmed.	70	2.72	58	1.02	128	3.74
31-3-70 (a) Total balance to be confirmed.	496	50.10	773	23.92	1269	74.02
(b) Balances yet to be confirmed.	86	2.71	104	4.63	190	7.34
31-3-71 (a) Total balance to be confirmed.	498	51.70	767	25.91	1265	77.61
(b) Balances yet to be confirmed.	162	11.60	200	11.14	362	22.74

2.25. The Committee enquired how the Commission kept a watch on receipt of confirmation of balances of loan by borrowing institutions and State Boards. In a written reply, the Ministry have stated: "The loanee institutions and State Boards are required to furnish to the Khadi and Village Industries Commission each year a certificate of confirmation of loan balances, outstanding as at the end of financial year. As per the Rule 32 of the Khadi and Village Industries Commission rules 1957, the Annual accounts of the Commission are to be submitted to the Government of India and Audit officers normally by the end of October of the following year. Since the Commission has to adjust the recoupment bills of the last quarter of the year against the imprest released during the course of the year, the accounts are required to be kept for adjustment in respect of imprest as well as receipts by way of transfer credits etc. The Commission has been insisting upon the aided bodies to submit all their recoupment bills before 31st May of the following year, so as to enable the Commission to carry out the necessary adjustments in the relevant years' accounts. However it has been our experience that the adjustment bills continue to be received as late as upto the end of August or so. Since non-adjustment

of such amounts would result in exclusion of expenditure represented by such bills from the accounts of the concerned year and vitiate the correct picture about disbursement, we have willy nilly been required to keep our accounts open for all such adjustment. After the closure of the accounts, the loan balances in various industry and purposewise accounts are struck and these balances are carried forward to separate registers styled as "loan balances confirmation registers". These balances are communicated to the loanee institutions/State Boards as early as possible requesting them to verify the loan balances and acknowledge the liability. Through these registers only, despatch and receipt of the confirmation of loan balances are watched.

"Apart from the above, since the onus of acknowledging the liability each year rest with the borrowing bodies, the Commission has prescribed submission of confirmation of loan balances outstanding as at the end of preceding year as a condition precedent for the release of imprest for the current year. Moreover, submission or otherwise of the certificate of confirmation of loan balance is taken into consideration at the time of budget discussions which normally start from July each year. It may be pertinent to point out here that in case where confirmation has not been received for more than two years, legal action, if necessary, is initiated, if special efforts to obtain confirmation or refund of loan fail.

"The progress of receipt of certificates of loan balances from the loanees is also being considered by the Commission at its monthly meetings."

2.26. The Committee wanted to know the reasons for the delays in furnishing confirmation of balances of loan by the loanees. The representatives of the Commission explained: "Mostly the confirmation is due from the State Boards. With respect to State Boards, the imprest money and the programme are there, they go on spending the amount on the basis of the programme. It takes time for them to confirm the amount... The accounts ending 31-3-1972, would be usually closed by October, 1972, because we are giving imprest amounts to State Boards/Institutions from which expenditure is met. The expenditure made upto March is booked subsequently because the details come later. The accounts then are closed and we draw up the outstanding balances after proper reconciliation. That will be October only and then only we start issuing letters for confirmation. Then the institutions have to confirm. There is the inevitable time lag."

2.27. The Committee enquired whether the decision to withhold further assistance to State Boards/Institutions, pending their furnishing

ing of confirmation of balances of loans already given was implemented. The representative of the Commission replied: "What used to happen is this. At the time we discussed with the State Boards, we had taken up the question of confirmation of loan balances, not only with the State Boards but with the Institutions also. At such meetings, among other things, the most important point which we discuss is about confirmation of loan balance and what used to happen is that they would tell us that they would be sending a party, their accountant or somebody else—to reconcile the figures and only when the party came certain reconciliation used to take place; but it takes a long time because the process itself is a long procedure. So, whenever we found that reconciliation had been done and it was a matter of merely getting confirmation, in such cases where extenuating circumstances were obtaining, we usually agreed to release imprest."

2.28. 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.

Institutions under Liquidation or against which legal action to effect recovery of loans has been taken

2.29. The number of institutions which are under liquidation or against which legal action to effect recovery has been taken as on 31st March, 1969 is 460 (Rs. 96.04 lakhs). Of these, there are seventeen institutions (Rs. 44.24 lakhs) where recoveries more than a lakh each are due.

[Paragraph 2(d) of Audit Report for 1968-69]

2.30. The institutions under liquidation or against which legal action to effect recovery of loans was taken during the three years 1964-65 to 1966-67 are given below:

	No. of institutions under liquidation or against which legal action taken	Amount involved (in lakhs of Rupees)
1964-65	88	21.49
1965-66	162	46.66
1966-67	315	1.55

2.31. On being asked what the latest position in this regard was, the representative of the Commission said: "We have taken legal action against 515 institutions. . . . After getting Rs. 85 lakhs between March, 1972 and October 1972, the balance is Rs. 159.26 lakhs."

In a note furnished subsequently, the Commission stated:

"The question of recoveries of the Commission's dues is being pursued with the liquidators in respect of Co-operative Societies that have been liquidated. Similarly, in cases of registered institutions appropriate legal action including resorting to arbitration proceeding etc. is in progress. As regards the 17 institutions involving recovery of Rs. 44.24 lakhs referred to in the para, it may be stated that a sum of Rs. 4.14 lakhs has been recovered leaving a balance of Rs. 40.10 lakhs. The cases are under constant review."

2.32. To a question regarding dues written off, the Ministry replied in a note that "so far in five cases an amount of Rs. 53,103 had to be written off with prior approval of the Government of India."

2.33. 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.

2.34. 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.

Utilisation Certificates in respect of loans and grants given to State Boards and Institutions

2.35. In respect of grants and loans paid upto 1968-69 utilisation certificates for Rs. 17.39 crores were awaited (31st March, 1971) from State Boards and institutions as detailed below:—

	(In crores of rupees)
State Boards	14.62
Institutions	2.77
	<hr/> 17.39

[Paragraph 4(a) of Audit Report for 1969-70]

2.36. The Committee desired to know the latest position of receipt of utilisation certificates. The Secretary to the Ministry stated: "The present position of our utilisation certificates in relation to the disbursement made upto the end of financial year 1970-71 is as follows: The total disbursement made upto the end of 1970-71 is Rs. 305.30 crores. Against these utilisation certificates received

amount to Rs. 281.94 crores. Balance of utilisation certificate to be received is Rs. 23.36 crores." He gave the year-wise break up of outstanding utilisation certificates as under:

upto 1963-64	Rs. 1.63 crores
1964-65 to	
1966-67	Rs. 6.07 ,,
1967-68	Rs. 2.38 ,,
1968-69	Rs. 2.68 ,,
1969-70	Rs. 3.94 ,,
1970-71	Rs. 6.66 ,,
TOTAL	Rs. 23.36

2.37. In a subsequent note, the Ministry stated that "out of the total amount of Rs. 275.51 crores disbursed upto 1968-69, utilisation certificates are outstanding as on 28-2-1973 only for Rs. 12.05 crores which work out only to 4.4 per cent of the disbursement." The statement furnished by the Ministry in this regard is reproduced below:—

Year	Amount Disbursed			Utilisation Certificates Outstanding		
	Institution	State Board	State Govt.	Institution	State Board	State Govt.
I	2	3	4	5	6	7
Upto 60-61	64.21	21.99	6.19	0.04	0.72	0.02
61-62	15.85	9.22	0.26	0.03	0.71	..
62-63	16.45	8.50	0.03	0.02	..	0.02
63-64	13.92	9.42	0.02	0.07	..	..
64-65	16.13	9.15	..	0.17	1.79	..
65-66	12.98	9.67	0.01	0.06	1.83	..
66-67	17.58	7.87	..	0.15	1.77	..
67-68	12.96	6.32	..	0.38	1.81	..
68-69	10.80	5.98	..	0.20	2.26	..
TOTAL	180.88	88.12	6.51	1.12	10.89	0.04

2.38. The Committee desired to know the reasons for delay in furnishing utilisation certificates. The representative of the Commission explained: "...in the case of the old periods, one of the difficulties was that sometimes records were not readily available. It is not as though the amount was not utilised. But the certificate can be issued only after verifying it from the institutions then there might be defunct institutions...Then the other point is this that the utilisation is to be done within 12 months of disbursement under the rules. Sometimes it happens that instead of 12 months, they take a few more months. In such cases they will have to be regularised and for regularisation we have to go to Government also. So all these things take time...It is because we have to depend on the State Boards for receipt of utilisation certificates. In spite of the fact that the amount was disbursed by the State Boards, certificates have not been received by them. We have been providing them all kinds of assistance for obtaining the utilisation certificates. We have been giving them such kinds of assistance like rendering services of our staff, guide them on the procedure to be followed for receipt and finalisation of utilisation certificates and with all the help and assistance that we have rendered to them so far, we have found that it has not been possible for the State Boards to obtain these utilisation certificates. It is mostly because many of these institutions have gone out of production or they have ceased to function."

2.39. Elaborating the point further the financial Adviser of the Commission deposed: "They (utilisation certificates) are received from the State Boards as well as institutions. We disburse through the State Boards for ultimate disbursement to various institutions and societies and mostly societies. We also disburse the funds directly to certain major institutions and societies are concerned, our audit parties go to them and collect these certificates and they are countersigned by our auditor in token of having vetted them and then these certificates are received by us. So far as direct institutions and societies are concerned, there is very little difficulty as far as the processing part is concerned. But coming to State Boards, we disburse funds to the State Boards and in turn they disburse to societies and institutions. We are primarily depending on the State Boards for giving

utilisation certificates.....Prior to 1960-61 there were a lot of arrears in regard to the receipt of utilization certificates from the State Boards. To overcome this difficulty, there was a meeting between our Chairman and the C&AG of India and certain decisions were taken. It was felt that for the period prior to 1960-61, a consolidated utilisation certificate would be sufficient provided a senior officer of our Commission would go around and satisfy himself that the machinery for obtaining the utilization certificate was more or less in existence there. Subsequently, as a result of the discussion, we got officers from the Indian Audit Department posted in the various State Boards. As a matter of fact, today, we have got Financial Adviser and Chief Accounts Officer from the Indian Audit Department in most of the States Boards. In the subsequent discussion/correspondence with the Audit Department it was agreed that where the officers of the Indian Audit Department are posted, we need not exercise any detailed check. After all, they are signing the utilisation certificates. The first thing is that there should be some staff of the State Board specially deputed for this purpose to go to the spot... The second point is that these State Boards should maintain the required register.....They (the field staff or the audit staff) go to the institutions. They check from the registers and records, and from the records, they see whether the funds given to them for specific purposes have been utilised for those purposes, whether they were spent during the period allotted, whether they were spent according to the pattern, whether there was any excess, and if they had not spent, they also note what is the unspent balance. All these particulars are sent by the field staff and they are entered against the register maintained in the Head Office, and on that basis, the utilisation certificate is furnished by the FA and CO of the State Board to the Commission.....”

“Audit Parties headed by an Officer of the Commission had visited 11 State Boards for examining the procedure obtaining at the latter in carrying out necessary examination with a view to expediting utilisation certificates. In a written reply, the Ministry stated as follows:

“Audit Parties headed by an Officer of the Commission had visited 11 States Boards for examining the procedure obtaining at the State Boards in the matter of procuring of Utilisation Certificates and their processing etc., and/or to conduct test-check of the Utilisation Certificates procured by the State Boards in accordance with the procedure followed by the Commission with the approval of the Statutory Audit. On such visits, the adequacy or otherwise of the

prevailing procedure was discussed with the State Boards, for the sake of effecting improvements, wherever called for. The subsequent receipts of reports and Utilisation Certificates from the State Boards indicated that this has resulted in the improvement in the quality and quantity of Utilisation Certificates received."

2.41. The Committee are concerned that the utilisation certificates was 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.

Checking of Utilisation Certificates

2.42. Of the certificates of utilisation received for grants and loans paid upto 1968-69, those for Rs. 43.29 crores (Rs. 34.87 crores—State Boards and Rs. 8.42 crores—institutions) were yet to be checked (31st March 1971) for working out the unspent balances/the amounts spent on unauthorised purposes/the extent of belated utilisation. Of this, Rs. 19.55 crores (Rs. 17.94 crores—State Boards and Rs. 1.61 crores—Institutions) related to the period upto 1964-65.

The Commission stated in May 1971 that the delay in processing the utilisation certificates in the case of State Boards is that the Commission's auditors are required to test check the utilisation certificates prepared by State Boards.

[Paragraph 4(b) of Audit Report for 1969-70].

2.43. The Committee wanted to know the reasons for the delay in checking the utilisation certificates and the present position regarding checking of the certificates. The representative of the Commission explained: "..... we had to send officers and see to it that a suitable machinery existed. We are also having the F.A. & C.A.O. from the Audit Department. In other cases, a test check was to be done; and this has been done. Recently, we have been able to clear about Rs. 16 crores in the last one month, out of Rs. 58 crores—because it had gone up to that figure. Out of a total disbursement of Rs. 305 crores during 1970-71, we received Rs. 281 crores. Out of that Rs. 58 crores are pending. Out of the amount, we have cleared, in the last one month, Rs. 16 crores. That makes it Rs. 42

crores. That is the latest position. Some of these initial snags have been cleared."

2.44. Asked whether the Commission Audit staff was adequate considering the number of institutions dealt with by the State Boards, the Ministry replied that "this position of the Commission's Audit Party is being reviewed and necessary arrangements are being made to augment the staff strength."

2.45. From a note subsequently furnished by the Ministry, the Committee observed that as on 28th February, 1973, out of utilisation certificates received upto 1968-69 for Rs. 256.99 crores, the certificates processed and intimated to Audit amounted to Rs. 222.48 crores and the balance certificates were under process. The note also stated the reasons for the delay in checking the certificates as follows:

"Certain types of expenditure incurred by the institutions, not strictly in conformity with the approved pattern of assistance, have been depicted in the Utilisation Certificates as 'Objected expenditure'. The consideration of the admissibility of such an expenditure calls for protracted correspondence with the concerned institutions etc., which in itself is time-consuming.

"As for the Utilisation Certificates relating to State Boards, the absence of any uniform procedure for procuring and processing Utilisation Certificates by the State Boards, and the discrepancies noticed in the year-wise disbursements as between the Commission's and the State Board's books of accounts, unavoidably delayed the process of scrutinising and furnishing Utilisation Certificates to Government and Audit. The inadequate staff strength of the Commissions Internal Audit Wing had inhibited clearance of the backlog through visits to the State Boards for that purpose."

2.46. 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 Commis-

sion and also to bring the internal audit effective and upto date. The procedures of internal audit could be reviewed and streamlined in consultation with the Comptroller and Auditor General of India.

Refund/Regularisation of funds disbursed by the Commission

2.47. For funds disbursed upto 1967-68, refund/regularisation for a total amount of Rs. 432.22 lakhs (as per details given below) was (31st March, 1971) awaited, as per the certificates of utilisation received and checked by the Commission:—

Year in which payment was made by the Commission	(Amount in lakhs of rupees)		Total
	Loan	Grants	
Upto 1960-61	89.76	110.84	200.60
1961-62	9.16	6.76	15.92
1962-63	14.02	9.58	23.60
1963-64	8.48	18.17	26.65
1964-65	14.75	6.51	21.26
1965-66	28.61	4.89	33.50
1966-67	68.80	2.98	71.78
1967-68	35.57	3.34	38.91
	<u>269.15</u>	<u>163.07</u>	<u>432.22</u>

[Paragraph 4(c) of Audit Report for 1969-70].

2.48. The position of refund/regularisation of amounts out of the funds disbursed upto 1967-68 as on 30-12-1972 is as follows:—

(Rupees in lakhs)

Year	Loans	Grants	Total
Upto 1960-61	82.14	108.38	190.52
1961-62	8.72	6.13	14.85
1962-63	9.82	8.83	18.65
1963-64	8.25	17.37	25.62
1964-65	14.72	6.00	20.72
1965-66	28.69	5.59	34.28
1966-67	68.61	3.02	71.63
1967-68	36.60	3.93	40.53
	<u>257.55</u>	<u>159.25</u>	<u>416.80</u>

2.49. During evidence, the representative of the Commission told the Committee that the latest position in this regard was that the amount to be refunded/regularised had come down from Rs. 432.22 lakhs to Rs. 416 lakhs.

2.50. The Committee desired to know the steps taken to expedite recovery of the amounts to be refunded. In reply, the Ministry stated as below in a note:

“The amounts to be refunded are inclusive of the amounts objected/time-barred expenditure requiring regularisation by the Commission.

“Steps taken by the Commission for refund of the amounts are as under—

- (1) Refund calls are issued to the institutions, with copies to Industry/Programme Directors with instructions to pursue the matter for refund/recovery of the amounts;
- (2) The Commission is recovering the amounts from subsequent payments after obtaining concurrence from the institutions;
- (3) The Commission has also constituted a “Special Recovery Section” to take further necessary action in accordance with Khadi and Village Industries Commission Act and Rules made thereunder, against defaulting institutions for recovery of Commission’s dues. When normal course of recovery fails, special steps, legal or otherwise, are taken through Special Recovery Section.”

2.51. 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.

Closing of accounts of trading units closed/transferred.

252. The following departmental trading units have been closed or transferred to institutions etc; but their accounts have not yet (March 1971) been finally closed:—

<i>Name of the Unit</i>	<i>When transferred closed</i>
<i>Units transferred :</i>	
1. Production & Sales Centres in Andhra Pradesh	May, 1967
2. Khadi Bhavan, Bangalore	October, 1968
3. Jari & Silk Centre, Surat	August, 1969
4. Khadi Bhavan, Madras	September, 1969
<i>Units closed :—</i>	
1. Saranjam Karyalaya, Bangalore	March, 1959
2. Production and Sales Centre in Madhya Pradesh	December, 1960
3. Directorate of Trading Activities, Calcutta	October, 1962
4. Hand Pounding of Paddy Industry, Khadi & Village Industries Commission, Bhopal	1962-63
5. Surplus Khadi Scheme	March, 1955
6. Substandard Khadi	March, 1956
7. Saranjam Karyalaya, Nasik	January, 1967
8. Cannanore Scheme	March, 1968
9. Ambar Charkha Section (Head Office)	March, 1968

[Paragraph 7(a) of Audit Report for 1969-70]

253. The Committee wanted to know the circumstances that led to the transfer/closure of these units and at what level the decision was taken. In reply, the Ministry stated as follows:

“The trading activities of the Commission are undertaken by the Commission in such areas where the institutions or State Boards do not come forward to take initiative. Some of the activities are implemented in the most difficult and backward hill and border areas in a pioneering and exploratory spirit to see whether something useful can be done for keeping the hitherto neglected inhabitants of these strategic areas. It is the general policy of the Commission to start the activities in such areas and transfer

them to the institutions or State Boards as and when they come forward. Accordingly decisions were taken at the Commission/Standing Finance Committee level to transfer these activities to institutions whenever it was considered necessary to do so. In case of some units the target dates fixed for transferring the units to the institutions could not be adhered to due to procedural and administrative difficulties.

As regards closure of the trading units it may be stated that the working of the trading units is constantly reviewed by the Commission from time to time and efforts are made to reduce the losses by improving their sales and reducing their overheads to the extent possible. However whenever the conditions warranted, the Commission has to decide to close down certain centres running into losses. Certain trading units such as substandard Khadi and Surplus Khadi Schemes were closed as the schemes were discontinued by the Commission."

2.54. The Committee desired to know the reasons for the delay in closing the accounts of the trading units closed/transferred which have been referred to in Paragraph 7(c) of Audit Report for 1969-70. The reply given by the Commission in this regard is reproduced below:

"At the time of closure or transfer of the trading units several factors such as (i) disposal of stocks fixed assets (ii) recovery of amounts from sundry debtors (iii) settlement of dues of creditors etc were required to be dealt with. The accounts of the closed/transferred trading units cannot be closed unless and until the above items are finalised.

"Commission takes special efforts to recover the amounts locked up in Sundry Debtors. When the Commission is convinced that no further recovery is possible then only the Account can be finalised. Till then they have to be kept open. However it may be seen from the statement given below that the liabilities of the trading units are gradually brought down to a lower level in finalising the accounts of these Units.

	Balance of Capital at the time of closure	Balance of capital outstanding as on	
		30-9-72 (Rupees in lakhs)	28-2-1973 (Rupees in lakhs)
<i>Units transferred :</i>			
1. Production & Sales Centre in Andhra Pradesh .	109.96	8.25	8.02
2. Khadi Bhavan, Bangalore .	11.08	8.52	8.22
3. Jari & Silk Centre, Surat .	4.56	0.74	0.58
4. Khadi Bhavan, Madras'	22.26	0.15	0.08
<i>Units lost :</i>			
1. Saranjam Karyalaya, Bangalore	1.82	Nil	Nil
2. Production and Sales Centre in Madhya Pradesh	3.13	0.96	0.88
3. Directorate of Trading Activities, Calcutta .	47.67	33.45	33.39
4. Hand Pounding of Paddy Industry, Khadi and V.I. Commission, Bhopal	0.86	0.06	0.06
5. Surplus Khadi Scheme .	0.39	0.16	0.16
6. Substandard Khadi	9.22	0.02	0.02
7. Saranjam Karyalaya, Nasik	2.15	0.43	0.36
8. Cannanore Scheme	8.67	3.32	3.32
9. Ambar Charkha Section (Head Office)	2.84	0.83	0.82
	224.61	56.89	55.91

"The clearance of the balance amounts is being vigorously pursued."

2.55. The Committee pointed out that in cases of some closed units finalisation of accounts was pending for as long as 13 years. In this connection the Committee cited the instance of production and Sales Centre in Madhya Pradesh. In reply, the representative of the Ministry stated: "... After this Audit paragraph was received, the Commission appointed a special officer for the closed units. He went into these cases and the Commission also, three years back started a system of getting monthly reports on not only this particular unit but on each one of the units that were closed or transferred. One of the reasons for the delay was that all these were Sundry Debtors and they had to be pursued. We pursued each and every Sundry Debtor so as to get the last pie or till an answer was received that there was no chance of getting the money. We could not close the accounts. The other reason was that there were certain disputes

also. The parties were not accepting our accounts and reconciliation was also taking a long time."

2.56. As for the position in respect of Production and Sales centre in Madhya Pradesh, the Committee were informed: "Assets were of Rs. 4.88 lakhs. The present position is Rs. 4.19 lakhs have been cleared. There were liabilities of Rs. 8.48 lakhs; Rs. 8.47 lakhs have been cleared. The present assets that have remained are only Rs. 69,000..... There were two types of assets. Certain stocks were there, they were sold out. Closing means that we do not operate it further as a production centre. Some officers remain incharge of the books and it is the duty of the officer concerned to go on clearing both the assets and liabilities. The stocks that we have, we continue to sell."

2.57. The Committee asked when the accounts of the remaining 13 units were expected to be finalised. The representative of the Commission stated: "It will depend on how long it will take the sundry debtors to be pursued—that is how long we are going to continue trying to get the money back from the sundry debtors." However the Secretary of the Ministry added: "I think a special drive has to be launched in regard to all these cases. I don't think there is any point in keeping all these things pending."

2.58. 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.

Misappropriation of funds by an institution

2.59. During 1956-57 to 1961-62, loans and grants totalling Rs. 3.51 lakhs and Rs. 4.09 lakhs respectively were advanced to an institution (Amar Bharati, Dehradun) for development of Khadi and Village Industries. According to the report received in January, 1964 from the Certification Committee of the Commission, the institution misappropriated the funds, forged various records and committed other irregularities such as fictitious "badlon transaction" etc. In November, 1965, the matter was referred to the District Collector, Dehradun, for recovery of the dues (amounting to Rs. 4.05 lakhs) as arrears of land revenue. Recovery was awaited. (November, 1967).

[Paragraph 9 of Audit Report for 1965-66]

2.60. Giving the present position, the Ministry stated as follows:

“At the instance of the Commission the property of the institution had been attached by the Revenue Officials at Dehradun in pursuance of the recovery proceedings as per order dated 14-5-1968 of the Addl. Collector, Dehradun. Against the attachment order M/s..... had filed a petition in the Court of A. D. M. (E) Dehradun on the ground that the property belonged to the Housing Co.. The petition was however dismissed by the Court. Thereafter M/s..... appealed in the court of the Commissioner, Meerut Division, Meerut. As per the order dated 30-11-1970, the Additional Commissioner, Meerut Division, recommended to the Uttar Pradesh State Government that the revision be accepted, the order of Additional Collector set aside and the property released from attachment. The case is pending with the Board of Revenue, Lucknow.

2.61. 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.

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

Finalisation of theft and fraud cases.

2.63. According to the records of the Commission, finalisation of 55 cases of theft and fraud involving Rs. 2.07 lakhs was pending on 15th November, 1970. Of these, 31 cases involving Rs. 1.07 lakhs pertain to the period 1956-57 to 1966-67.

[Paragraph 4 of Audit Report for 1968-69].

2.64. To a question whether there was delay in taking action in cases which were not *sub judice*, the Ministry furnished the following note:

“The procedure generally followed in dealing with cases of theft, fraud etc. is as follows:

“Whenever any case of misappropriation/defalcation was noticed or even suspected, the delinquent is kept under suspension and a claim is lodged with the Insurance

Corporation as the employees handling cash/stock/store are generally covered under Fidelity Guarantee Insurance Policy. A thorough investigation and audit of the accounts is conducted for assessing the losses and fixing the responsibility thereof after giving ample opportunity to the employee for offering his explanation. Departmental Enquiry Committees have been, and are being instituted wherever considered necessary. Police cases have also been lodged whenever warranted and services of the accused terminated or deterrent departmental action taken as the case may be.

“In view of the above procedure being followed by the Commission some delay in *taking action* is inevitably.”

2.65. The Committee desired to know the latest position with regard to the 55 cases of theft and fraud referred to in the Audit paragraph. The representative of the Board deposed: “The number of cases were 55, of which the number of cases on which action has been completed is 8; action in progress—47; and out of this, no recoveries are pending but cases kept outstanding for finalisation because of police cases or disciplinary action is 6. That leaves 41. Of this, 29 pertains to the period 1965-66 to 1966-67; this comprises of civil suits pending in 6 cases, police cases pending in 5; recoveries being pursued in 8; under process for write-off in 2; and under correspondence in 8.”

2.66. In a note subsequently furnished in this regard, the Ministry stated as follows:

“Of the 55 pending cases, action has been completed in respect of 8 cases. In 6 cases, no recoveries are involved but these cases are kept pending for finalisation of police cases, disciplinary action etc. Thus there are 41 cases pending involving a recovery of Rs. 1.08 lakhs.”

2.67. At the instance of the Committee, the Ministry furnished a statement giving the details of the cases of financial irregularities and misappropriations which came to the notice of the Commission/Government during the period 1967-68 to 1971-72. Of the 28 such cases, five were investigated by CBI. The CBI recommended prosecution of the officers concerned in three cases and departmental action in 2 cases.

2.68. The Committee asked what action was taken against the officers involved in these cases. Replying, the Secretary of the Minis-

try stated: "In regard to those cases where the CBI has recommended criminal proceedings, they have been filed in the court, and they are in the court. In regard to the other cases where CBI has recommended Departmental action, Departmental proceedings have been started. An Inquiry Officer has been appointed and he is to issue notice of the charges. In the case of Mr., however, who has retired already, we are not able to take any action against him because according to the Khadi and Village Industries Commission Rules, after an officer has retired from service, Departmental action is not possible."

2.69. On being asked what action was proposed to be taken against those officers who had retired, the Secretary explained: "Criminal cases can be filed but in cases where the CBI has come to the conclusion that a criminal case cannot be made out, Departmental action has to be taken; but unfortunately according to the KVIC Rules, Departmental action against a person who has retired from service is not possible." To a question as to what the position was under Government rules, the Secretary stated: "According to some modifications which have been made in the Government Servants' Conduct Rules, action can be taken against a Government servant for mis-appropriation provided it was committed within four years of the date of retirement." Asked why such a provision could not be made in KVIC Rules, the representative of the Commission replied: "This point occurred to me. I discussed this with our Legal Adviser also because I also feel that a person, even if he has retired should be held responsible and Departmental action should be started against him. We also feel that something should be done, otherwise any person can retire and escape Departmental action. So a suitable modification for this purpose will be made."

2.70. 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.

2.71. 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.

2.72. 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.

Recoveries of overpayments of rebates and subsidy noticed in spot audit

2.73. On 31-3-1971, the position of recoveries of overpayments of rebates and subsidy noticed in spot audit of rebate and subsidy claims was as under:—

Name of the Zone	Amount due for recovery	Period to which the amount due for recovery relates
1. Gujarat .	2,973.23 (As on 31-1-1972)	1961-62 to 1967-68
2. Madhya Pradesh	1,05,183.50	1961-62 to 1968-69
3. Bihar	1,10,559.54	1955-56 to 1958-69 1963-64 to 1969-70
4. West Bengal .	29,886.50	1960-61 to 1969-70
5. Mysore .	1,90,450.61 (As on 31-1-1972)	1964-65 to 1970-71
6. Madras .	2,817.17	1965-66 to 1969-70
7. Punjab . .	87,970.98 (As on 31-1-1972)	1962-63 to 1969-70
8. Hyderabad .	13,502.22	1960-61 to 1969-70
9. Assam . .	786.73 (As on 31-1-1972)	1959-60 to 1969-70
10. Maharashtra .	4,249.47	1959-60 to 1967-67
11. Rajasthan	1,65,846.31 (As on 31-1-1972)	(Information not available)
	<u>7,14,226.26</u>	

The position of recoveries as on 31-3-1971 in the remaining zones, viz., Uttar Pradesh and Kerala, could not be ascertained as information was not available with the Commission (April 1972).

(Paragraph 3 of Audit Report for 1970-71)

2.74. At the instance of the Committee, the Ministry furnished a statement showing the latest position of recoveries of the overpayments. The statement is reproduced below:

State/Office/Boards	Amount due for recovery	Position as on
	(Rs. in lakhs)	
Assam	0.01	31-3-1972
Bihar	2.39	31-12-1972
Gujarat	0.04	31-12-1972
Hyderabad	0.06	31-12-1972
Madhya Pradesh	1.07	31-12-1972
Maharashtra	0.13	31-12-1972
Mysore	2.00	31-12-1972
Punjab	0.97	31-12-1972
Rajasthan	2.10	31-12-1972
Tamilnadu	—	31-12-1972
U.P.	11.28	31-12-1972
West Bengal	0.40	31-12-1972
Kerala	0.02	31-12-1972
Orissa	0.04	31-12-1972
TOTAL	20.51	

2.75. The reasons for recoveries of overpayments of rebates, subsidies, etc., made to various institutions by different State Boards and Regional Offices of the Commission as early as 1959-60 onwards remaining outstanding were explained by the Ministry thus:

"The overpayments of rebate, subsidy etc. result mainly from two reasons, viz., clerical errors and technical grounds. In the former cases, the claims are excessive on account of clerical/arithmetical errors in the claims preferred. These overpayments are clear cases and immediate action is taken for recovery.

"In the case of the second category, the payments noted for recovery arise on account of certain technical grounds which are disputed by the institutions/societies. They therefore, seek review or revision of the report of overpayment. Such cases of review/revision are considered at various stages viz., (i) Industry Directors,

(ii) Chairman, Certification Committee, and (iii) Director of Inspection. The technical grounds on which such overpayments are based include among others, non-observance of proper procedures by the claimant institutions/societies, irregularities in the process of purchases/production etc., extension of scope of activities by the institution/societies outside its area of jurisdiction, non-renewal of certificates of institutions/societies etc. The review conducted in this regard contributes to delay in speedy recovery. However, a proper watch is maintained over the recovery of these overpayments by calling for periodical returns from the State Offices."

2.76. Asked whether any of the institutions from whom recoveries of overpayments were to be effected had become defunct and how the recoveries were proposed to be effected in such cases, Ministry replied as below:

"The overpayment of rebates and subsidies also relate to institutions which have become defunct subsequently. Recovery of these amounts is arranged to be effected in the same manner as the loans and grants due from them. These include efforts by the State Directors such as persuasion with the President/Chairman/Secretary of the Institution/Society and Arbitration, legal action, revenue recovery proceedings etc., where the normal course of recovery fails."

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

Diversion of Funds

2.78. The Madhya Pradesh State Khadi and Village Industries Board diverted Rs. 6.04 lakhs of unspent balances of grants and loans received from the Commission upto 1961-62 for development of Khadi and Village Industries, for meeting its expenditure on establishment. The reason for diversion of development funds is reported to be reduction in establishment grant given by the State Government. Refund of Rs. 6.04 lakhs by the State Board is still (October, 1970) awaited.

[Paragraph 7 of Audit Report for 1968-69].

2.79. The Committee enquired whether the Madhya Pradesh State Khadi and Village Industries Board has since refunded the amount. In a written reply the Ministry stated:

"The question of refund is being pursued with the State Board. The Board has informed the Commission that the matter is under

active consideration of the Board and the State Government and an early decision is expected."

2.80. 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.

Conclusion

2.81. 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.

2.82. 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.

2.83. 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.

2.84. 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 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 implications, provided however, that where the Chairman disagrees, he shall have the right to over rule 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 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.

NEW DELHI;

April 27, 1973.

Vaisakha 7, 1895 (Saka).

ERA SEZHIYAN,

Chairman,

Public Accounts Committee.

APPENDIX

Summary of main conclusions|recommendations

S. No.	Para No. of Report.	Ministry/ Department concerned.	Conclusions, Recommendations
1	2	3	4
1.	1.12	Ministry of Industrial Development.	<p>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 basic 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. 269.93 crores. The working of the Commission was reviewed by the Khadi & the 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</p>

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.

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Ministry of
Industrial
Development

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.

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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.

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1.24

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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. 263 crores in 1971-72 comprised an amount of Rs. 1.99 crores of administrative and Rs. 0.64 crore 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 re-

view so as to effect economy and reduce the burden of such heavy non-productive overhead expenditure.

In paragraph 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.

Ministry of Industrial Development.

1.25

5.

The State Boards 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.

1.29

6.

-do-

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.

-do-

1.30

7.

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.

-do-

1.31

8.

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.

-do-

1.32

9.

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.

-do-

1.33

10.

3

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2

The Committee find that the trading operations of the Commission disclosed loss amounting to Rs. 21,935 in 1965-66, 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.

-do-

1.39

11.

2.8 Ministry of Industrial
Development

2.8

12.

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 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.

-do-

2.15

13.

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 sun-

dry debtors amounted to Rs. 3.03 crores out of which Rs. 0.64 crore was due from Government departments and State Boards, Rs. 0.74 crore 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 desire that necessary steps should be taken in future to safeguard public money.

14.

2.20

-do-

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 Boards/Institutions.

15.

2.21

-do-

The Committee are concerned to learn that 482 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 loan 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.

16. 2.28 -do- From figures given to the Committee they find that out of a total number of 1285 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.

8

17. 2.33 Ministry of Industrial Development -do- 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.

18. 2.34 -do- 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.

2.41

-do-

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 outstanding 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.

2.46

-do-

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 procedures of internal audit could be reviewed and streamlined in consultation with the Comptroller and Auditor General of India.

2.51

-do-

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

inspite 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.

22. 2.58 -do-

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.

23. * 2.61 Ministry of Industrial Development

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.

24. 2.62 -do-

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

25. 2.70 -do-
The Committee are disturbed that out of 55 cases of theft and fraud pertaining to the period 1966-57 to 1966-67 action has been completed only in 8 cases. The Committee desire that the remaining cases should be finalised expeditiously.

26. 2.71 -do-
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.

27. 2.72 -do-
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.

28. 2.77 -do-
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.

29.

2.80

-do-

The Committee are surprised that the Madhya Pradesh Khadi & 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 & Village Industry are not diverted for other purposes.



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2.81

-do-

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 importance of the industry.

surate 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.

31. 2.82. Ministry of Industrial
Development:

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.

32. 2.83. -do-

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.

33.

2.84

-do-

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 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 & 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 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.