

EIGHTY-FOURTH REPORT
COMMITTEE ON PUBLIC
UNDERTAKINGS
(1983-84)

(SEVENTH LOK SABHA)

CENTRAL COTTAGE INDUSTRIES
CORPORATION OF INDIA LTD.

(MINISTRY OF COMMERCE—DEPARTMENT
OF TEXTILES)

[Action Taken by Government on the Recommendations
contained in the 61st Report of the Committee on
Public Undertakings (Seventh Lok Sabha)]



सत्यमेव जयते

Presented to Lok Sabha on.....⁵ APR 1986
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LOK SABHA SECRETARIAT
NEW DELHI

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**COMMITTEE ON PUBLIC UNDERTAKINGS
(1983-84)**

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**ACTION TAKEN SUB-COMMITTEE OF THE
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(1983-84)**

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9. **Shri Syed Sibtey Razi**

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 84th Report on Action Taken by Government on the recommendations contained in the 61st Report of the Committee on Public Undertakings (Seventh Lok Sabha) on General Cottage Industries Corporation of India Ltd.

2. The 61st Report of the Committee on Public Undertakings was presented to Lok Sabha on 15 April, 1983. Replies of Government to all the recommendations contained in the Report were received on 31 December, 1984. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 20 February, 1984.

3. The Committee considered and adopted this Report at their sitting held on 20 February, 1984.

4. An analysis of the Action Taken by Government on the recommendations contained in the 61st Report (1982-83) of the Committee is given in Appendix II.

NEW DELHI ;
March 4, 1984

Phalguna 19, 1905 (Saka)

MADHUSUDAN VAIRALE
Chairman,
Committee on Public Undertakings.

CHAPTTR I

REPORT

This Report of the Committee deals with the action taken by Government on the recommendations contained in the Sixty-first Report (Seventh Lok Sabha) of the Committee on Public Undertakings on Central Cottage Industries Corporation of India Ltd. which was presented to Lok Sabha on 15 April, 1983.

2. Action Taken notes have been received from Government in respect of all the 26 recommendations contained in the Report. These have been categorised as follows :

- (i) *Recommendations/observations that have been accepted by Government*
Sl. Nos. 1, 3 to 12 and 15 to 26.
- (ii) *Recommendations/observations which the Committee do not desire to pursue in view of Government's replies.*
Sl. No. 14.
- (iii) *Recommendations/observations in respect of which replies of Government have not been accepted by the Committee.*
Sl. Nos. 2 and 13.

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

A. Promotion and development of Cottage Industries

Recommendation (Serial No. 1—Paragraphs 2.27 and 2.28)

3. Objectives of CCIC inter-alia include promotion and development of cottage industries by providing them with capital, technical and managerial assistance and establishment of institutions for training of artisans and craftsmen. The Committee's examination of the working of the company during the last 6 years had revealed that these objectives set for the Company had not been realised to the extent envisaged. What impact CCIC could

make in promoting and developing handicrafts in the country without expanding its activities to these areas was not clear to the Committee.

4. In reply, the Government have stated that the Government's basic interest in the handicraft sector is to provide the necessary infrastructure for development and promotion of various crafts. CCIC has, largely by working closely with craftsmen, helped in preserving traditional craftsmanship and excellence of skill and in promoting sale of better quality products in the country.

5. The Committee feel that no positive steps or specific schemes have been taken up by the Corporation for providing capital for setting up of cottage industries in the country or for providing technical or managerial assistance to entrepreneurs. It appears that institutions for providing training to artisans and craftsmen have also not been set up by CCIC. The Committee hope that Corporation will pay more attention to these aspects which will have direct impact on promotion and development of cottage industries.

B. Objectives and Obligations of CCIC

Recommendation (Serial No. 2—Paragraph 2.29)

6. The Committee had recommended that the objectives and obligations of CCIC should be clearly defined and laid down not in the all embracing language of Articles of Association but in precise terms, so that its performance could be evaluated with reference thereto.

7. In their reply, Government have only stated that the objectives of CCIC have been clearly defined in the Memorandum and the Articles of Association. It has been further stated that the evaluation of CCIC is undertaken with reference to its objective as a marketing organisation in the field of handicrafts and handlooms taking into consideration its promotional and developmental role.

8. Apart from the Memorandum and Articles of Association wherein broad objectives of a company are laid down in very general terms, each public undertaking is required to formulate its micro objectives and obligations with the approval of the concerned administrative Ministry. This is as per the directions of BPE issued in 1970 and reiterated in 1979. In spite of the BPE instructions, micro objectives of CCIC have not been defined. The intention behind recommendation of the Committee was that micro objectives of the Company should be clearly spelt out. The Committee need hardly stress that to make a periodical meaningful evaluation of the performance of the Company, it is necessary that it should have well defined and clearly stated financial and economic objectives. The Committee trust necessary action on these lines will now be taken.

C. Corporate plan

Recommendation (Serial No. 6—Paragraph 3.15)

9. The Committee had suggested that a comprehensive growth plan for CCIC should be drawn up after its areas of operation have been clearly demarcated and the relationship of CCIC and HHEC clearly laid down in the light of the recommendations made by the Management consultant.

10. It has been stated in the reply that Government accept the recommendation that a comprehensive corporate plan taking due note of growth requirement of CCIC should be drawn up in the manner indicated in the recommendation.

11. The Committee cannot but emphasise that the Corporate Plan of CCIC should be finalised early. The Committee desire that after the finalisation of the micro objectives of the Company its corporate plan should also be drawn up early so that not only the performance of the Company is judged against the set plan/targets but the Company receives a set direction for future performance.

D. Purchases made by CCIC from private traders

Recommendation (Serial No. 12—Paragraph 4.35)

12. While recommending that the tendency of CCIC to resort to purchases from private traders in preference to artisans and craftsmen should be curbed effectively, the Committee had *inter-alia* suggested that the procurement policy should be reoriented to provide that no purchases will be made from the private traders except in very exceptional cases.

The Committee also recommended that the infrastructure for the procurement may be suitably strengthened. The Committee had desired to be informed about the concrete measures taken in this direction.

13. In reply Government have stated that CCIC has been advised to continue with its efforts to increase their direct purchases from artisans/craftsmen, cooperatives and State Handicrafts Development Corporations. In addition CCIC has been asked to strengthen the infrastructure for more direct procurement to the extent necessary for this purpose.

14. It is gratifying to note that CCIC has been advised to continue with its efforts to increase their direct purchases from artisans/craftsmen, manufactures and State Handicrafts Development Corporations. The Committee, however, feel that more concerted efforts are required to reduce the share of private traders in the total purchases made by CCIC. A measure of success in this direction could be the extent to which the share of private traders is reduced from the present figure of 32% of the total purchases made by CCIC, which is undoubtedly on the high side.

15. The Committee have, however, not been informed whether CCIC has taken any positive steps to strengthen their procurement machinery and other infrastructure. They hope that early steps would be taken in this direction and the Committee informed of the concrete measure taken in this regard.

E. Provision of financial help for supply of Raw Materials at Reasonable rates to Artisans and Craftsmen

(Recommendation No. 13, Paragraph 4.36)

16. The Committee had *inter-alia* suggested that one way of increasing the proportion of CCIC purchases from the artisans/craftsmen could be that just as private traders were helping the artisans etc. by advancing money, CCIC should also consider extending financial help or arranging for supply of raw material at reasonable rates.

17. It has been stated in reply that the main function of CCIC is to provide marketing outlets for the handicrafts and handloom products and it would not be possible for the CCIC to directly extend financial help etc. although CCIC could help in providing necessary assistance for obtaining financial assistance required by needy craftsmen/artisans from financial institutions.

18. What the Committee had intended was that with a view to wean away artisans/craftsmen from the private traders who generally exploited them, the CCIC should consider extending financial help or arranging for supply of raw material at reasonable rates. This would reduce the artisans' dependence on the private traders for funds and raw material. The argument that the main function of CCIC is to provide marketlug outlets and it would not be possible for it to directly extend financial help etc. to artisans/craftsmen is hardly convincing. The Committee wish their suggestion for making finances and raw materials available to artisans/craftsmen as a measure of help had been considered with the seriousness it deserves. The Committee feel that extending financial help or rendering assistance in making raw material available to the artisans/craftsmen will directly contribute for promotion and development of handicrafts and cottage industries which, of course, is one of the objectives of CCIC and comes within its perview. They cannot but reiterate their earlier recommendation and hope that the Government will consider it in the light of the observations made above and keep them informed of the outcome.

F. Implementation of the Recommendations made by the Management Consultant

(Recommendation No. 19, Paragraph 5.16)

19. The structure of CCIC with particular reference to its relationship with HHEC had been reviewed by a Management Consultant who submitted

her report in April, 1982. The Committee had emphasised that the recommendations of the Management Consultant should be considered early and necessary action for their implementation be initiated. After evidence before the Committee, it had been intimated that the Board of Directors of CCIC had in their meeting of 2 November, 1982 decided that a joint meeting of representatives of STC, HHEC and CCIC should be convened to consider the report of the Management Consultant.

20. In their action taken note of 31st December, 1983 Government have stated that the report of the Management Consultant would need to be considered first by the Boards of CCIC and HHEC and that it would be considered by Govt. in the light of the comments and recommendations of the two Boards.

21. It is unfortunate that the recommendations made by the Management Consultant as far back as in April, 1982 have not been considered as yet. In a meeting of the Board of Directors of CCIC held on 2nd November, 1982 it had been decided that a joint meeting of HHEC and CCIC should be convened to consider the report of the Management Consultant. It appears from the reply of the Government that this joint meeting is yet to be held. The Committee would like to know the reasons why the joint meeting to consider the recommendations of the Management Consultant could not be held even after the lapse of one year. The Committee need hardly emphasise that in the interest of efficient functioning of CCIC it is important that the necessary changes in the management structure of CCIC with particular reference to its relationship with HHEC are effected without loss of time. The Committee desire that the recommendations made by the Management Consultant may be examined with a sense of urgency and necessary action in implementation thereof taken early.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1, Paragraphs 2.27 & 2.28)

The Central Cottage Industries Corporation was set up in 1976 as a wholly owned subsidiary of the Handicrafts and Handloom Export Corporation of India, which in turn is the subsidiary of the State Trading Corporation. The CCIC, was set up mainly to take over the business of the erstwhile Central Cottage Industries Association, which was at that time running three emporia one each at Delhi, Bombay and Calcutta. However at the time of its incorporation as a Government Company in 1976, some laudable objectives had been set down for the company. These *inter-alia* included development of markets for products of cottage industries in India and abroad, promotion and development of cottage industries by providing them with capital and technical and managerial assistance ; establishment of institutions for providing training to artisans and craftsmen ; and otherwise assisting the artisans and craftsmen in increasing production and maintaining highest standards and traditions of workmanship and skills:

The Committee's examination of the working of the Company during the last 6 years revealed that precious little had been done for achieving the objectives laid down. Its main activity has been running of a few emporia for retail sale of handicrafts and handloom products. The actual sales turn over of CCIC has increased from Rs. 400.68 lakhs in 1976-77 to Rs. 715.57 lakhs in 1981-82 but this constitutes a very insignificant fraction of the country's total trade of handicrafts and handloom products. Even though no precise assessment of the total trade of handicrafts and handloom products has been made so far, the CCIC's share in this trade is not expected to be more than 4 or 5 per cent. With such a meagre turnover what impact CCIC could make in promoting and developing handicrafts and handloom products in the country is not clear to the Committee.

Reply of Government

The handicrafts sector is highly decentralised, a number of persons are engaged in the production and trade of handicrafts items being large, Government's basic interest in the handicrafts sector is to provide the necessary infrastructure for development and promotion of various crafts. Direct commercial activities of Government organisations are therefore, necessarily to be limited. Efforts are however being made continuously to increase the share of CCIC and other State Corporation's share in the total trade of handicrafts in the country.

Apart from the volume of purchases and sales involved, it has also to be emphasised that CCIC has, largely by working closely with craftsmen, helped in preserving traditional craftsmanship and excellence of skill and in promoting sale of better quality products in the country.

[U. O. No. 14/2/83—EP (T & J)—III, dated the 31st December, 1983].

Recommendation (Serial No. 3, Paragraph 2.30)

The Committee do not consider that the role of CCIC should be limited to running of some emporia or sophisticated retail shops exclusively for elites. It should have a more meaningful purpose for playing a positive role in the economic life of a wider section of poor artisans and craftsmen ; thus subserving a larger national cause. In this context the Company will have to expand its activities with a view to generating more resources, which can be employed for undertaking more of promotional and developmental work. The Committee, need hardly point out that managerial organisational and financial resources will have to be provided for to enable the CCIC to take over the responsibility of purchasing and disposing of a wider range of handicrafts and handloom products.

Reply of the Government

The authorised capital of CCIC has already been augmented. The financial resources of the Corporation for expanding its activities would need to be related to a well defined and realistic Corporate plan (recommendation No. 6) and met out of internal resources, augmentation of the capital base of the company as well as other developmental assistance provided by the Government for development of handicrafts. The strengthening of the organisational and managerial resources would also need to be related to the Corporate plan.

[U. O. No. 14/2/83—EP (T & J)—III, dated the 31st December, 1983].

Recommendation (Serial No. 4, Paragraph 2.31)

The Committee recommend that concrete measures should be taken to step up the CCIC's share in the total volume of trade in handicrafts and handloom so that it can make an impact and justify its role as an agency for promoting and developing handicrafts and handloom products in the country.

Reply of the Government

The recommendation of the Committee in increasing the volume of trade in handicrafts and handlooms is noted. CCIC would be asked to prepare a realistic corporate plan taking due note of the managerial, organisational and financial resources required. The Corporate plan would have to take due note of the augmentation of financial resources required in terms of the provisions indicated with regard to recommendation No. 3 above.

[U. O. No. 14/2/83—EP (T & J)—III dated the 31st December 1983].

Recommendation (Serial No. 5, Paragraph 3.6)

The paid-up capital of Rs. 50 lakhs, which is wholly subscribed by the holding company, is obviously inadequate. If the CCIC has to enlarge its area of operation, which the Committee feel it should, it would have to be provided with adequate capital base. The Secretary Department of Textiles admitted that the Company suffered from financial constraints and there was need for injection of more equity capital. The Committee would like that a realistic appraisal of the immediate financial requirements of CCIC, keeping in view the role assigned to it should be made and necessary finances arranged in whatever form considered desirable. This should be suitably augmented after finalisation of the Corporate Plan.

Reply of the Government

The Authorised Capital of CCIC has already been augmented. The paid up capital would be augmented taking into consideration the requirement after finalisation of the Corporate Plan. In the meantime, as recommended by the Committee, the immediate financial requirements have been assessed and additional share capital is being provided by the holding company.

[U. O. No. 14/2/83—EP (T & J)—III, dated the 31st December 1983].

Recommendation (Serial No. 6, Paragraph 3.15)

A perspective plan covering a few years period stated to have been drawn by CCIC has not been considered/approved by the Board of Directors of CCIC and HHEC. The so called perspective plan, according to the Ministry, was only there a bare outline in regard to the future expansion plans of the CCIC. The management has projected an annual growth rate of 10% in their volume of operations. The Committee feel that a comprehensive growth plan for the CCIC should be drawn up after its areas of operation have clearly demarcated and the relationship of CCIC and HHEC clearly laid down in the light of the recommendations of the management consultant.

Reply of the Government

The Government accept the recommendation of the Committee that a comprehensive corporate plan taking due note of growth requirement for CCIC should be drawn up in the manner indicated in the recommendation.

[U. O. No. 14/2/83—EP (T & J)—III, dated the 31st December 1983].

Comments of the Committee

Please see para 11 of Chapter I

Recommendation (Serial No. 7 Paragraph 3.33)

The CCIC has regarded export activity as only incidental to its domestic trade and until recently no specific steps had been taken for developing export market for Indian products. The Committee were informed that in 1981 the Board of Directors of CCIC took a policy decision to divert its resources to the export of handicrafts and handloom products and CCIC has now initiated efforts in this direction. It has been stated that a team of two executives was sent to London in August 1982 in this connection. Between HHEC and CCIC there used to be a division of activities in that HHEC concentrated on export and CCIC did the retail sales in the country, with CCIC entering the field of the exports question of coordination between the two bodies assumes significance. The Chairman, CCIC, who is also the Managing Director of HHEC was candid enough to admit that "there is a problem in the sense that HHEC being a mother organisation wants to control export." He further stated that "the coordination aspect as it stands today is not excellent but because we have now the common Chairman the coordination is not any problem any more". The committee feel that there could be no justification for duplication of efforts. In order to ensure that there is no overlapping of efforts and no scope for any misunderstanding, the role of the respective organisations in the matter of exports should be clearly spelt out.

Reply of the Government

Government note the recommendation of the Committee. It is clarified that there is no duplication of efforts with regard to export. It is also clarified that the decision of the Board of Directors in 1981 was not to divert the resources to the export of handicrafts and that the decision was to explore the export market with a view to improve the companies performance further. The Board of CCIC have again resolved that while CCIC may continue to export and should endeavour to increase its export, its primary emphasis should remain on the domestic market.

[U. O. No. 14/2/83—EP (T & J)—III, dated the 31st December 1983]

Recommendation (Serial No. 8, Paragraph 3.34)

The Committee also find that before CCIC became a subsidiary of HHEC, it was exporting high fashion garments through two importers namely

M/s. Heiser Egan of New York and M/s. Treacy Lowe Ltd. of London. Through this activity CCIC was not only doing fairly good business in high fashion garments but had also earned valuable foreign exchange. With the establishment of HHEC primarily as an export agency, CCIC's interest in garments export diminished. After the termination of its agreements with two foreign agencies, it has decided to hand over the export of high fashion garments to HHEC. This particular position has to be reconciled with the policy decision taken by the Board of CCIC in 1981 to enter the field of exports in a big way. The Committee do not find any reason for depriving the CCIC of the benefit of exports in high fashion garments for which they have developed considerable expertise over the years, without diluting its main function of internal trade. They therefore suggest that the areas of activities of the two sister concerns may be clearly delineated so that CCIC can enter the export field without in any way impinging on the role of HHEC, which has been specially established for handling exports.

Reply of the Government

Government note the recommendation of the Committee. It is clarified that there is no duplication of efforts with regard to export. It is also clarified that the decision of the Board of Directors in 1981 was not to divert the resources to the export of handicrafts and that the decision was to explore the export market with a view to improve the companies performance further. The Board of CCIC have again resolved that while CCIC may continue to export and should endeavour to increase its export, its primary emphasis should remain on the domestic market.

[U. O. No. 14/2/83-EP (T&J)-III Dated the 31st December 1983]

Recommendation (Serial No. 9, Paragraph 3.35)

The Committee would also like that in the matter of exports new areas of Asia, Gulf countries and Socialist countries like USSR be explored for giving a fillip to the export of Indian Handicrafts and Handloom.

Reply of the Government

HHEC has already entered the USSR market for handicrafts products and for gold jewellery in Gulf Countries. HHEC is also contemplating joint ventures for sale of Handicrafts and Handloom products in Gulf Countries.

[UO No. 14/2/83 EP (T&J)—III dated the 31st December 1983]

Recommendation (Serial No. 10, Paragraph 4.33)

The Committee have been informed that before 1979 CCIC had more links with the private traders than the artisans as it had been buying the bulk of merchandise from the traders. This meant that right upto 1979, the Company had been functioning like any other retail trader by buying articles from the middleman and selling the same after adding mark-up which would ensure a margin of profit. That surely could not have been the objective envisaged for a public undertaking like CCIC.

Reply of the Government

☛The Recommendation of the Committee is noted. CCIC has been advised to continue with its efforts to increase their direct purchases from artisans craftsmen, manufacturers, cooperatives and State Handicrafts Development Corporations.

[UO No. 14/2/83. EP (T&J)—III dated the 31st December 1983]

Recommendation (Serial No. 11, Paragraph 4.34)

It has been stated that after 1979, the CCIC, while making purchases of handicrafts has been giving preference to artisans, cooperative societies and State Corporations. However, even during the years 1979-80 to 1981-82 the share of the private traders in the total purchases made by CCIC remained as high as 32% and this figure has remained almost stationary all these years indicating that even now much effort has not been made to approach more artisans and craftsmen.

Reply of the Government

The Recommendation of the Committee is noted. CCIC has been advised to continue with its efforts to increase their direct purchases from artisans/craftsmen, manufacturers, cooperatives and State Handicrafts Development Corporations.

[UO No. 14/2/83. EP (T&J)—III dated the 31st December 1983]

Recommendation (Serial No. 12, Paragraph 4.35)

The Committee feel that the tendency to resort to purchases from private traders in preference to artisans and craftsman or their cooperatives needs to be curbed effectively. CCIC must keep in mind that the primary object for its setting up is to assist artisans and craftsmen and eliminate the middlemen. The Committee would expect the CCIC to make every effort to procure maximum possible quantities from the artisans and craftsmen and to bring down the

percentage of purchases from the private traders to the minimum. The procurement policy should be reoriented to provide that no purchases will be made from the private trader except in very exceptional cases. The Committee also recommend that the infrastructure for the procurement may be suitably strengthened. The Committee would like to be informed about the concrete measures taken in this direction.

Reply of the Government

Same as in recommendation No. 10 & 11 above. In addition CCIC has been asked to strengthen the infrastructure for more direct procurement to the extent necessary for this purpose.

(UO No. 14/2/83 EP (T&J)—III dated the 31st December 1983)

Comments of the Committee

(Please see paras 14 and 15 of Chapter I)

Recommendation (Serial No. 15, Paragraph 4.38)

The Committee have been informed that the CCIC do not always get traditional products of good quality in quantities sufficient to meet demand. According to the CCIC, the State Corporation engaged in the development of Crafts could play an important role in maintaining tradition and excellence of craftsmanship by providing design input, technical know, how quality raw material to craftsmen, developing packing with indigenous and traditional packing material etc. The Committee desire that the matter should be pursued through the Development Commissioner (Handicrafts).

Reply of the Government

As recommended by Committee necessary directions have been issued to Development Commissioner (Handicrafts).

(U O No. 14/2/83. EP (P & J)—III dated the 31st December 1983)

Recommendation (Serial No. 16, Paragraph 4.39)

The Committee are anxious to see that the artisans and craftsmen are enabled to get the maximum prices for their products and at the same time are free from the clutches of unscrupulous middlemen. They regret that no systematic analysis has been made to ascertain the cost of production of articles produced by the artisans and craftsmen and the extent of profit margin accruing to them and the traders. This aspect of the matter needs to be studied with a view to ensuring a reasonable return for the labours of artisans and craftsmen. This will incidentally help the CCIC in exercising a check on the reasonableness of the prices of products required to be purchased from the traders in the interest of business in exceptional circumstances.

Reply of the Government

A study on various aspects of credit, distribution and margins in respect of handicrafts has been entrusted to National Council of Applied Economic Research, New Delhi. The survey is to cover 1200 artisans households in 12 important crafts spread all over the country.

[UO No. 14/2/83. EP (T & J)—III dated the 31st December 1983].

(Recommendation (Serial No. 17, Paragraph 4.40))

The Committee note that the State Corporations/State organisations are agencies working independent of CCIC for the promotion of handicrafts. They have been informed that the CCIC entered into buying arrangement with four State Corporations, as according to them, the state Corporations could follow up orders placed by the Company and they could also exercise quality control and secure delivery schedules, but these arrangements did not last.

The Development Commissioner (Handicrafts) informed in evidence that according to the present working arrangements, the CCIC and State Corporations have their separate outlets. There were however buying arrangements between CCIC and State Corporations not on the competitive but on a business-deal basis. Even then the Committee would like the Ministry, Company to ensure that there is no duplication of efforts and unhealthy competition between the CCIC and State Corporation in the matter of promotion of handicraft and handloom products in various States. There is also need for better and more purposeful coordination between CCIC and the State Corporations.

Reply of the Government

Observation of Committee have been noted. In a meeting held at Delhi on 11th May, 1983, under the chairmanship of Development Commissioner (Handicrafts), the State/Central Corporations have been advised to avoid duplication of efforts and unhealthy competition between themselves and have a better and purposeful coordination for achieving the objectives.

[U. O No. 14/2/83—EP (T & J)—III, dated the 31st December, 1983.]

Recommendation (Serial No. 18, Paragraph 4.41)

The Committee have been informed that no detailed survey has been done in regard to opening emporia and sale outlets in places where Five-Star Hotels are coming up, nor any efforts have been made in that direction. The Committee feel that big tourist hotels, other tourist centres and international airports in the country could be a very good medium to sell handloom and handcraft products and it could enlarge the scope of working of CCIC much more.

Reply of the Government.

The recommendation have been noted and the CCIC would be asked to take this into account while formulating their corporate plan.

[U. O. No. 14/2/83—EP (T & J)—III, dated the 31st December, 1983.]

Recommendation (Serial No. 19, Paragraph 5.16)

In the absence of a clear perception on the objectives and obligations of CCIC at the time of its incorporation in 1976, no serious attention seems to have been paid in determining its management structure. It has been stated that the proposal initially under consideration by the Ministry was that CCIC may be formed as a subsidiary of STC, Later, however, it was felt by Government that the purpose, in view would be better achieved by entrusting the management responsibility to HHEC and the responsibility for financing to STC. This is how CCIC came to be formed as a subsidiary of HHEC, which in turn is a subsidiary of STC. The appointments to the Board, the Chairman as also of the Chife Executive of CCIC are made by Government. In terms of reporting too, CCIC reports directly to the Government although it is reportedly sending reports to HHEC also as required under Article 72 of the Articles of Association. The relationship between HHEC and CCIC has been limited to the appointment of some Directors of HHEC alongwith some Director of STC on the Board of CCIC. Even the monitoring of the performance of CCIC was being done directly by the Ministry. This arrangement has apparently not worked satisfactorily and the dual control has not been conducive to efficient functioning of CCIC. The structure of CCIC with particular reference to its relationship with HHEC has been, reviewed by a Management Consultant who has inter-alia suggested several changes in CCIC's relationship with HHEC. The Committee feel that efficiency and development of an organisation depends upon the management structure it has. The Committee have not gone into the merits of the recommendations made by the management consultant. They nevertheless feel that in case CCIC continues as a subsidiary of HHEC it should have a separate board even though there could be a common Chairman for the two companies. The Committee also wish to emphasise that the recommendations of the management consultant should be considered early and necessary action initiated for their implementation to the extent possible.

Reply of the Government

The entrustment of the management responsibility of CCIC to HHEC at the time of incorporation in 1976 had been taken/taking into consideration the activities of CCIC. The appointments to the Board of CCIC are made by Government in terms of the provisions of the Articles of Association, of CCIC.

The relationship between STC, HHEC and CCIC as envisaged are reflected in the appointment of the Directors of CCIC which is in accordance with the Articles of Association. It may be clarified that the reports of CCIC are sent to the parent organisations, in terms of the reporting requirements of these corporations and they are also endorsed to Government in order to avoid time delays. The reports sent to Government are those prescribed for all public sector undertakings. The Monitoring of performance of CCIC by the Ministry is being done in accordance with the policy of Government to review the performance of all public sector undertakings. It is also clarified that the Board of CCIC is separate. The report of the management consultant would need to be considered by the Board of CCIC and HHEC. It would, thereafter be considered by the Government in the light of the comments and recommendations of the two Board.

[U. O. No. 14/2/83—EP (T & J)—III, dated the 31st December, 1983].

Comments of the Committee

Please see Para 21 of Chapter I

Recommendation (Serial No. 20, Paragraph 5.28)

One obvious drawback arising out of the dual control of CCIC by Government and HHEC has been that top appointments have been badly delayed to the detriment of the CCIC. It is surprising that for a period of more than 3½ years the Company was without a Chairman. During the same period only two-Government Directors constituted the Board and discharged the functions of the Board. Between 1976 and 1982 as many as 4 Chairman and 3 Chief Executives changed hands. Although the present Chief Executive, who is known as General Manager, is in position since 1979, surprisingly he is not a member of the Board. The Chairman CCIC has informed that the need for making the Chief Executive a member of the Board has been felt and Government approached in the matter. The Secretary, Department of Textiles, however, stated that Government was still awaiting the comments of the Board of CCIC and the HHEC on the suggestions/recommendations made by the Management consultant. After examination of the Ministry's representatives, the Committee have, however, been informed that the Ministry have accepted that the Chief Executive should be designated as Managing Director and the matter was being processed for obtaining the requisite approval. It only illustrates how casually the working of CCIC has been looked upon both by Government and the holding Company. The Committee cannot but express their unhappiness at this state of affairs. They trust that necessary action to make the Board a meaningful body and the Chief Executive a more purposeful functionary will be taken without further loss of time.

Reply of the Government

The appointments to the Board of Directors of CCIC are made by the Government in terms of the Articles of Association and in accordance with the

provisions thereof. Government have also upgraded the post of **Chief Executive** to the level of **Managing Director**.

[U O No. 14/2/83—EP (T & J)—III dated the 31st December 1983]

Recommendation (Serial No. 21 Paragraph 5.34)

The Committee have received an impression that in the matter of monitoring the administrative Ministry has not played the role expected of it. During the last 4 years the Ministry held only 4 performance appraisal meetings. There is no indication to suggest if the holding company was associated with any of these meetings. In fact as the immediate owner of the Company, the holding Company on its own should have organised periodic performance reviews of its subsidiary. According to CCIC, the Ministry gave only one directive for reducing advertisement expenses in reply to which the CCIC pointed out that their advertisement cost was within the usual business norms. More important problems besetting the Company such as inadequacy of finance, need for coordination between CCIC and HHEC do not appear to have been discussed any stage. No meetings were held for review of annual accounts. The Committee cannot but stress that in order to make the concept of accountability of the enterprise to Government effective and purposeful, the performance review meeting should be held more frequently. While holding these review meetings care should be taken to discuss and analyse the problems and difficulties faced by the undertaking and provide guidance where necessary. It is also imperative that the representatives of the holding company are also associated with these meetings.

Reply of the Government

The Review meetings of CCIC are held periodically. The representatives of the holding company are also associated with these meetings. The Ministry would also take care to discuss and analyse the problems and difficulties faced by the undertaking and provide guidance wherever necessary.

[UO No. 14/2/83—EP (T & J)—III dated the 31st December 1983]

[Recommendation (Serial No. 22, Paragraph 6.6)]

Under the provisions of the Company law, the balance sheet and profit and loss accounts of the company together with the Audit Reports thereon are to be placed before the annual general meeting after audit within six months of the close of the previous financial year. The Committee find that there has been undue delay in the presenting of Annual Reports of the CCIC to Parliament. The reports for the year 1979-80, 1980-81 and 1981-82 have not been presented. During the course of evidence' Secretary, Department of Textiles

admitted that there has been a chain of delay in the finalisation of accounts. Such delays should be avoided in future. The Committee would suggest that Government should impress upon the Company to finalise the accounts, get them audited within the stipulated period and arrange to present the same to Parliament without further loss of time.

Reply of the Government

The Ministry has directed the company to finalise the accounts expeditiously and get them audited in a time-bound manner in order that the arrears liquidated at an early date. The Corporation has completed its accounts for the year 1980-81 and the same are currently under print, thereafter the accounts for 1980-81 will be placed on the Table of both the House of Parliament. The Accounts for the year 1981-82 are being audited and will also be finalised soon. The final annual accounts after all the formalities like approval of Board, comments of Comptroller and Auditor General are completed, are expected to be available by the end of March, 1984. Simultaneously, the work of finalisation of Accounts for the year 1982-83 is also progressing and the Accounts for the year will be completed in all respects by the end of September, 1984. It is expected that the company will clear the arrears and complete the accounts for the year 1983-84 as well by the end of December 1984.

[U.O.No.14/2/83—EP (T & J) III, dated the 31st December 1983.]

Recommendation (Serial No. 23, Paragraph 6.12)

More than Rs. 11 lakhs were embezzled by an officer by resorting to fraudulent acts and forgery. The case remained unnoticed for 7 years and was detected just by chance. This causes a serious reflection on the supervisory staff. It is also indicative of the lacunae in the system followed in the CCIC. The committee would like that suitable remedial steps be taken to avoid recurrence of such cases in future. The Committee would also like to be informed about the outcome of the cases now pending in the Courts in this connection.

Reply of the Government

The Corporation has reported that it has already taken necessary steps to strengthen the system. The Corporation would also be asked to inform the the committee and the Ministry the outcome of the cases pending in the Courts in this connection.

[U.O. No. 14/2/83-EP (T & J)—III dated the 31st —December, 1983.]

Recommendation (Serial No. 24, Paragraph 7.8)

In the first 2 years (1976-77 & 1977-78) of its operations the CCIC incurred loss of Rs. 15.40 lakhs. From 1978-79 to 1981-82 the Company has made profit of Rs. 61.23 lakhs. However, as a percentage of the total sales, the net profits earned during the last four years ranged only between 1.05% in 1980-81 to 3.97% in 1979-80, although the minimum mark-up for sales fixed by the Company is 30% and this goes up to 65% in certain categories of goods. The obvious inference is that the overhead expenses of the Company are quite high.

Reply of the Government

As indicated during evidence the Ministry have already advised the CCIC to have a detailed review of the administrative overheads. The Ministry would be following this up with CCIC in the Review meetings.

[UO. No. 14/2/83 EP (T&J)—III dated 31st December, 1983]

Recommendation (Serial No. 25, Paragraph 7.9)

The percentage of administrative overheads to total sales was 27.7% in 1978-79, 26% in 1979-80 and 26.0% in 1981-82. Though the management do not agree that Percentage of overheads to the total sales was on the high side keeping in view the standard norms applicable to any retail organisation, the Ministry feel that prima-facie the percentage of administrative overheads is excessive. This calls for a detailed review and the Committee trust that the matter will be looked into with a view to reduce the overheads and thus increase company's profits.

Reply of the Government

As indicated during evidence the Ministry have already advised the CCIC to have a detailed review of the administrative overheads. The Ministry would be following this up with CCIC in the Review meetings.

[U. O. No. 14/2/83-EP (T&J)—III, dated the 31st December 1983]

Recommendation (Serial No. 26, Paragraph 7.10)

From the figures of overhead expenses of the Company made available to the Committee, it is seen that expenses on personnel were as high as 63% of the total overhead expenses in 1979-80 and 62% of the total in 1980-81. A realistic assessment of the requirement of personnel may also be undertaken

and concrete steps taken for the optimum utilisation of the existing staff which is admittedly on the high side.

Reply of the Government

The Govt. accept that the assessment of the requirement of personnel should be undertaken by CCIC and worked out in relation to the corporate plan.

[UO No. 14/2/83-EP (T&J)—III dated the 31st December 1983].

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

Recommendation (Serial No. 14, Paragraph 4.37)

The Committee were given to understand that the traditional craftsmen and other artisans were not getting facilities to market their products to CCIC. The Secretary, Department of Textiles while admitting this in evidence stated 'I would not say that we are completely happy with the present situation.....' He added that 'in the first instance, it is for the artisans to group themselves into cooperatives.....if there is a cooperative institution it helps them to market the products better, it also helps them to obtain the finance and raw materials better.....' The committee suggest that the artisans and craftsmen should be afforded all possible help including finance to enable them to form their own cooperative societies so that the sale of products produced by the artisans and craftsmen is regulated in a manner which would enable them to safeguard their interests and save them from exploitation by the private traders.

Reply of the Government

The Development Commissioner (Handicrafts) is operating a plan scheme for share capital assistance to primary handicrafts societies, with a view to help artisans who form their own cooperatives. Under the scheme, 90% of the share capital is paid by the Govt. and the expenditure is shared equally between the Central and State Govts. The member has to give only 10% of the face value of the share. The share capital assistance can be utilised for revival of dormant societies, the formation of new societies as well as induction of new members to the existing societies.

[UO No. 14/2/83-EP (T&J)—III dated the 31st December 1983]

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Serial No. 2, Paragraph 2.29)

The Ministry considered the role of CCIC only to be that of a retail trading organisation with the developmental activities for promoting and encouraging traditional crafts having been assigned to the Development Commissioner Handicrafts. It has been a retail selling organisation, because when it was established, simultaneously the All India Handicrafts Board was set up which was basically a developmental body. However that there has been no clear cut demarcation of the functions of the two organisations is obvious from the fact that the Design Cell set up by CCIC for design development is more of a developmental activity. The Committee do not wish to suggest that CCIC should not undertake any developmental activity but would emphasise that the objectives and obligations should be clearly defined and laid down not in the all embracing language of Articles of Association but in precise terms. The objectives so defined should serve as a mandate for the organisation and its performance should be evaluated with reference thereto.

Reply of the Government

The objectives of the Central Cottage Industries Corporation have been clearly defined in the Memorandum & the Articles of Association. The wide ranging nature of Articles of Association are meant to provide necessary flexibility required for a commercial organisation such as the CCIC.

CCIC has been organised essentially as a marketing organisation in the field of handlooms and handicrafts and in keeping with the requirements of this trade, they have to undertake a number of subsidiary or related activities. In terms of the Indian Companies Act, the Corporation cannot undertake such activities unless provided for by the Articles of Association. The evaluation of CCIC is undertaken with reference to its objective as a marketing organisation

in the field of handicrafts and handlooms taking into consideration its promotional and developmental role.

[U.O. No. 14/2/83-EP (T&J)—III dated the 31st December, 1983].

Comments of the Committee

Please see para 21 of Chapter I

Recommendation (Serial No. 13, Paragraph 4.36)

One way of increasing the proportion of purchases from the artisans/craftsmen could be that just as private traders are helping the artisans etc. by advancing money. CCIC should also consider extending financial help or arranging for supply of raw material at reasonable rates. It need hardly be pointed out that maximisation of purchases from the artisans and craftsmen will not only eliminate the Company's dependence on private dealers but will also be conducive to healthy interaction culminating in financial benefits both to the Company and the artisans and craftsmen.

Reply of the Government

The main function of CCIC is to provide marketing outlets for the handicraft and handloom products and it would not be possible for the CCIC to directly extend financial help, etc. However, CCIC could help in providing necessary assistance for obtaining financial assistance required by needy craftsmen/artisans from financial institutions.

[UO No. 14/2/83-EP (T&J)—III dated the 31st December 1983].

Comments of the Committee

Please see Para 18 of Chapter I

CHAPTER V

**RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES
OF GOVERNMENT ARE STILL AWAITED**

-NIL-

NEW DELHI ;
4 March, 1984

19 Phalguna, 1905 (Saka)

MADHUSUDAN VAIRALE,
Chairman,
Committee on Public Undertaking.

APPENDIX I

MINUTES OF THE 47TH SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 20.2.1984

The Committee sat from 15.30 to 16.00 hrs.

PRESENT

Shri Madhusudan Vairale—*Chairman*

MEMBERS

2. Shri Kamaluddin Ahmed
3. Shri Lakshman Mallick
4. Shri N. Kudanthai Ramalingam
5. Shri B. D. Singh
6. Shri Hari Shankar Bhabhra
7. Shri Mahendra Mohan Mishra
8. Shri Narendra Singh
9. Shri Manubhai Patel
10. Shri M. S. Ramachandran
11. Shri Syed Sibtey Razi

SECRETARIAT

1. Shri M. K. Mathur—*Chief Financial Committee Officer*
2. Shri S. C. Gupta—*Senior Financial Committee Officer*
3. Shri G. S. Bhasin—*Senior Financial Committee Officer*

REPRESENTATIVES OF C & A.G.

1. Shri R. C. Suri—*Chairman, Audit Board*
2. Shri K. P. Lakshmana Rao—*Secretary, Audit Board*

The Committee considered the following Action Taken Reports, as approved by the Action Taken Sub-Committee and adopted the same :—

* * * * *

- (i) Action Taken Report on 61st Report of CPU (1982-83) on Central Cottage Industries Corporation of India Ltd.

* * * * *

The Committee authorised the Chairman to finalise the Reports on the basis of factual verification by the Ministry/Undertaking concerned and Aud it wherever necessary and to present the same to Parliament.

The Committee then adjourned.

APPENDIX-II

(Vide Para 4 of Introduction)

Analysis of action taken by Government on the Recommendations contained in the Sixty-first Report of the Committee on Public Undertakings (Seventh Lok Sabha)

| | | |
|-----|---|-------|
| I | Total number of recommendations made | 26 |
| II | Recommendations that have been accepted by the Government (<i>Vide</i> recommendations at S. Nos. 1, 3 to 12 and 15 to 26) | 23 |
| | Percentage to total | 88.5% |
| III | Recommendations which the Committee do not desire to pursue in view of Government's replies (<i>Vide</i> recommendation at Sl. No. 14) | 1 |
| | Percentage to total | 3.8% |
| IV | Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>Vide</i> recommendations at Sl. Nos. 2 and 13) | 2 |
| | Percentage to total | 7.7% |
| V | Recommendations in respect of which final replies of Government are still awaited. | Nil |
| | Percentage to total | |

C.P.U. No. 528

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