FIFTY-SECOND REPORT

PUBLIC ACCOUNTS COMMITTEE

(1980-81)

(SEVENTH LOK SABHA)

KHADI & VILLAGE INDUSTRIES COMMISSION

MINISTRY OF RURAL RECONSTRUCTION

Presented in Lok Sabha on 30-4-1981
Laid in Rajya Sabha on 30-4-1981

LOK SABHA SECRETARIAT
NEW DELHI
April, 1981/Vaisakha, 1903 (Saka)

Price : Rs. 4.70

CORRIGENDA TO 52ND REPORT OF PUBLIC ACCOUNTS COMMITTEE (SEVENTH LOK SABHA)

Page	Para	Line	For	Read
8	14	15	Circuated	Circulated
9	17	1	is	are
9	18	1 from bottom	Commissions	Commission's
24	46	7	Accounting	According
28	52	6	timeiy	timely
28	53	8	as	and
29	54	16	rserves	reserves
30	-	15 from bottom	soon	seen
32	57	11	th rspective	the respective
38	-	13	reverte	reverted
49	79	2 from bottom	liktly	likely
49	80	2	end	and
50	82	6	reasenable	reasonable
56	90	3	vis	viz.
60	99	6	Rs.1577 lakhs i.e. 226	Rs.15.77 lakhs i.e. 2.26
61	99	3 from bottom	givea	give
62	S.No.14	3	whole	while
64	S.No.4	1	is	are
72	S.No.16	1(Under heading 2)	33	53
72	S.No.16	8	as	and
72	S.No.17	6	to	for
73	S.No.19	5	Aandhra	Andhra
76	S.No.22	3	55.19	557.19
76	S.No.22	11	1962	1962-63
76	S.No.23	7	become	became
78	S.No.26	19	tknow	know
79	S.No.26	22	ral	real
79	S.No.26	1 to 9 from bottom	Delete the lines from "provide" to "identified"	
80	S.No.28	6	5.011	5011
80	S.No.28	5 from bottom	reckoing	reckoning
86	-	-	under heading 1 and against para 99 add 37 (S.No.)	
91	2.2	1 from bottom	Rs.2071 crores	Rs.20.71 crores

CONTENTS

PUBLIC ACCOUNTS COMMITTEE (1980-81)

CHAIRMAN

Shri Chandrajit Yadav,

MEMBERS

Lok Sabha

2. Shri Satish Agarwal
3. Shri Subhash Chandra Bose Alluri
4. Shri Tridib Chaudhuri
5. Shri K. P. Singh Deo
6. Shri V. N. Gadgil
7. Shri Ashok Gehlot
8. Shri Sunil Maitra
9. Shri Gargi Shankar Mishra
10. Shri M. V. Chandrashekara Murthy
11. Shri Ahmed Mohammed Patel
12. Shri Hari Krishna Shastri
13. Shri Satish Prasad Singh
14. Shri Jagdish Tytler
15. Shri K. P. Unnikrishnan

Rajya Sabha

16. Smt. Purabi Mukhopadhyay
17. Shri N. K. P. Salve
18. Shri Tirath Ram Amla
19. Smt. Maimoona Sultan
20. Shri Patitpaban Pradhan
21. Prof. Rasheeduddin Khan
22. Shri Indradeep Sinha

SECRETARIAT

1. Shri H. G. Paranjpe—*Joint Secretary.*
2. Shri D. C. Pandey—*Chief Financial Committee Officer.*
3. Shri Ram Kishore—*Senior Legislative Committee Officer (P.A.C.)*

INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Fifty-Second Report on Paragraph 34 (Civil) on the Khadi & Village Industries Commission.

2. The Advance Report of the Comptroller and Auditor General of India for the year 1978-79, Union Government (Civil) was laid on the Table of the House on 26 March, 1980.

3. In this Report, the Committee have dealt with the relationship of the Commission with the State Khadi & Village Industries Board, the state of finances of the Commission, its performance in the development of Khadi and Village Industries, exhibitions and its trading activities. The Committee have observed that unless the relationship between the Commission and implementing agencies is clearly defined and put on proper footing the effectiveness of the Commission which has to dole out crores of rupees in the fond hope of improving the economic condition of much neglected village artisans and unemployed people will be considerably weakened.

4. The Committee have desired that both the Central Government and the Commission should pursue the matter of building up reserves by the State Boards for absorbing irrecoverable losses with the respective State Governments. The Committee have observed that irrecoverable loans/losses should be met only from special reserves created by the State Boards and in no case the Commission should share such losses. The Committee also consider it imperative that the entire loan advanced to the State Boards should invariably remain covered all times by the guarantees given by the respective State Governments and no deviation should be made in this regard.

5. While dealing with the Commission's achievement in production of Khadi, the Committee observed that if the production of the Khadi with the traditional charkhas could be as high as 848 lakh square metres in 1965-66 there was no reason for its reduced production continuously for more than 13 years in spite of the fact of introduction of improved charkhas (NMCs) at a cost of Rs. 8.01 crores.

This clearly indicates that Commission has neither been able to mobilise organisational infrastructure and manpower nor create necessary interest in the people to take to Khadi production and its development.

6. The Committee have urged the Commission to give a fresh look to its financial affairs particularly in the maintenance of proper accounts and disbursements, utilisation, refunds and recoveries of loans/grants and its efficiency.

7. Written information* relating to points arising out of Audit Paragraph 34 (Appendix II) was furnished by the Ministry of Rural Reconstruction on 16 March 1981. The Committee considered and finalised the Report at their sitting held on 25 April 1981. The minutes of the sitting of the Committee form Part II of the Report.

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

9. The Committee would like to express their thanks to the officers of the Ministry of Rural Reconstruction for the co-operation extended by them in furnishing information to the Committee. The Committee also place on record their appreciation of the assistance rendered to them by the office of the Comptroller and Auditor General of India.

NEW DELHI;
April 26, 1981
Vaisakha 6, 1903 (*S*).

CHANDRAJIT YADAV,
Chairman,
Public Accounts Committee.

---

*Not vetted by Audit.

REPORT

KHADI & VILLAGE INDUSTRIES COMMISSION

Introductory

The Khadi and Village Industries Commission was set up on 18th April, 1957 under the Khadi and Village Industries Commission Act, 1956. It replaced the All India Khadi and Village Industries Board which was earlier set up by the Central Government by a resolution in 1953. The functions of the Commission as laid down in Section 15 of the Act are generally to "plan, organise and implement programmes for the development of Khadi and Village Industries." The Act enjoins upon the Commission, in particular, among other things, "to maintain or assist in the maintenance of institutions for the development of Khadi and Village Industries; to undertake, assist or encourage the production of Khadi or the development of village industries; and to promote and encourage cooperative efforts among manufacturers of Khadi and persons engaged in village industries".

2. The Commission implements its various schemes of development of Khadi and Village Industries mainly through statutory State Khadi and Village Industries Boards constituted under the Acts of the respective State Legislatures and through the registered institutions, cooperative societies and individuals.

3. For executing the schemes, the Commission advances loans and grants to the State Boards and the institutions/cooperative societies subject to the prescribed terms and conditions and loan rules. The State Boards further advance these loans and grants to the institutions and cooperative societies which actually execute the programmes, except for the schemes directly executed by the State Boards.

4. Commission also gives financial assistance in the form of loans and grants directly to the institutions/cooperative societies according to the loan rules and the terms and conditions as in the case of State Boards.

5. There are 24 State Boards (20 statutory and 4 Advisory), one in each State and Union Territory. The actual implementation of the development work in respect of Khadi and Village Industries was

mainly carried out by registered institutions cooperative societies and individuals in various States. The institutions, which are mostly engaged in production of Khadi, are generally directly financed by the Commission. The Cooperative Societies, which are mostly engaged in village industries, are financed by the State Boards out of funds received by them from the Commission. The accounts of the State Boards are not subject to direct scrutiny by the Commission. The State Boards are accountable to the respective State Governments and State Legislatures.

6. The Public Accounts Committee had first reported on the Audit Report on the Accounts of the Khadi and Village Industries Commission in the year 1963-64 (49th Report—3rd Lok Sabha). In this Report the Committee had dealt with exhaustively on the various financial and administrative aspects and programmes of the Khadi and Village Industries Commission. An Action Taken Report on the 49th Report was presented in 1967-68 (8th Report). The Committee examined the Audit Report on the Accounts of the Commission for the years 1964-65 to 1970-71 in the year 1972-73. In this Report the Committee had dealt with the major issues such as the aims and objectives of the Commission, administrative expences and the relationship between the K. V. I. C. and State Khadi and Village Industries Boards, besides dealing with selected cases of irregularities from the aforesaid Audit Report. An Action Taken Report on the 93rd Report was presented in 1973-74 (132nd Report).

7. The Committee examined the paras relating to Khadi and Village Industries Commission in the C. & A.G.'s Audit Report (Civil) for the year 1971-72 in the year 1973-74. These paras dealt with Village Leather Industry and the Village palmgur and other palm products industry assisted by the Commission. The Action Taken Report on the 123rd Report was presented in 1974-75 (161st Report). In the latest para on Khadi and Village Industries Commission in the Audit Report 1978-79, a comprehensive examination of the present state of relationship of the Commission with State Khadi & Village Industries Boards, the state of finances of the Commission, results of trading units and programmes of development of Khadi, Village Industries, and exhibitions has been dealt with. The Committee have dealt with these aspects in the sections that follow.

A. Inspection of State Boards

8. From 1957-58 to 1978-79, the Central Government advanced loans of Rs. 369.22 crores and grants of Rs. 323.23 crores to the Com-

mission which, in turn, disbursed Rs. 297.92 crores of loans and Rs. 192.95 crores of grants to the State Boards and institutions. Grants and loans to State Boards are substantial. It is but natural that there has to be a machinery in the Khadi and Village Industries Commission for watching the progress of work of the State Boards and for maintaining liaison between the Commission and the Boards. This aspect of the functioning of the Commission was one of the various points considered by the Public Accounts Committee in 1965-66. The Committee in their 49th Report (Third Lok Sabha), paragraph 4.64, had recommended that "besides exercising financial control, the Commission should also have an efficient machinery at its disposal to watch the progress made by the State Boards in their work. They also suggested that the system of regular inspection of the State Boards by the officers of the Commission should be adopted on a permanent basis with a view to examining the administrative and financial efficiency and the actual achievements of the State Boards."

9. Later the Commission, while noting the aforesaid recommendation, informed the Committee that "the system of regular inspection by the officers of the Commission has already been introduced. During 1966-67, seven State Boards were studied, *viz.*, Andhra, Assam, Kerala, Madhya Pradesh, Madras, Mysore and West Bengal. The report of such studies are first discussed with the Boards to ensure implementation of the suggestions. These reports are also discussed at the monthly meetings of the Commission. The State Board Cell of the Commission follows up the progress of implementation. Opportunities are also taken of the discussions of certain important points with the State Boards when they come for agreed programme discussion." (Eighth Report of PAC, page 39, Fourth Lok Sabha).

10. The Committee desired the Ministry of Rural Reconstruction, responsible for administering the Khadi and Village Industries Commission Act, 1956, to indicate in detail the inspection machinery set up by the Commission and how far it was effective in watching the utilisation of funds given to the State Boards and institutions for development programmes of khadi and village industries. The Ministry, in reply, informed the Committee as under:

"(i) *Annual discussions with the representatives of the State Boards and annual review of their activities.*

The Commission holds annual discussions with the representatives of the State Boards to assess the progress made by them in the development of Khadi and Village

Industries. These discussions are generally held directly with the Chairmen of the State Boards and Members of the Commission. In these Annual meetings an assessment is also made of the performance of the institutions/cooperative societies etc. assisted by the State Boards. The problems are discussed and effort made to find the solution. The topics for discussions include such items as availability of adequate machinery with the State Boards for implementation of the programme and utilisation of funds for the purpose for which these were given.

(ii) *Discussions between Chief Executive Officers of the Boards and the Chief Executive Officer of the Commission:*

Discussions are also held between the Chief Executive Officers of State Boards and Chief Executive Officer of the Commission before the close of the financial year about the progress made in implementing the programmes approved for the year.

(iii) *Periodical study/inspection of the working of the State Boards:*

The work of the State Boards is also studied periodically by Study Teams composed of senior officers working in the Commission after obtaining replies to a detailed questionnaire from the State Boards. During these studies the team examines all aspects of the working of the State Boards including such items as position of implementing agencies under the State Boards, coverage of artisans and the institutions, action taken by the Boards for revival of dormant institutions, training facilities, nature of policy support required and received from the State Governments and nature of problems faced by the industries in the State as well as coordination between technical staff of the State Boards and State Officers of the Commission.

(iv) *Assistance provided by the State Offices of the Commission:*

The State Offices of the Commission also keep a watch over the progress and performance of the State Boards. In addition, they also guide the State Boards in such matters as purchase of machinery and equipments, their installation with the assistance of field and technical staff available with the State Offices and attempt to solve the problems of units financed by the State Boards.

(v) *Monitoring Board*:

Pursuant to a recommendation of the aforesaid conference, it is proposed to set up a monitoring board in each State under the Chairmanship of the State Director of Khadi and Village Industries Commission for the monitoring and concurrent evaluation of programmes in Khadi and Village Industries Sector."

11. Again, the Administrative Staff College of India, Hyderabad in its Report on "Village Industry Profile and Organization Study" submitted in 1974-75 to the Commission and Central Government had commented. *inter alia,* on inadequate data base for formulation of development programmes and faulty loan appraisal methods in the set up of the State Boards. It had also made a number of suggestions, for example, need for larger coverage of artisans under the Khadi and Village Industries programmes, improvement in marketing structure, better availability of institutional finance and raw materials to the village artisans, systematic approach to plan formulation, better linkage between Khadi and Village Industries Commission and the State Boards and need for more professionalisation in the composition of State Boards and need for more professionalisation in the composition of State Boards. It had also suggested certain organisational changes in the set-up of the State Boards and preparation of the bankable projects.

12. The Khadi and Village Industries Commission in its 252nd meeting held in January 1978 had observed that very little was known about the functioning of the various State Boards not only with regard to the pace of expenditure from out of funds released to them by the Commission, but also with regard to actual implementation of the programmes and that this required strengthening of the Commission's machinery for periodical inspections of the State Boards. The Commission had stated in December 1979 that inspection parties were deputed for processing applications for financial assistance, releasing funds, working of some of the aided institutions and general functioning of the Boards. The Commission had also added that a system of quarterly reporting by the State Boards had been introduced. However, during the course of the Audit it was seen in January 1980 that only 5 out of 24 Boards had been inspected in detail by December 1979.

13. The Committee desired to know the action taken by the Government on the Report of the Administrative Staff College of India, and also the improvements made by the State Boards in regard to formulation of developmental programmes, loan appraisal methods and on other suggestions made in the Report. The Ministry of Rural Reconstruction informed the Committee thus:

"On receipt of this report, Khadi and Village Industries Commission appointed two expert committees to make recommendations in regard to marketing, organizational arrangements, policy support and institutional finance for formulation of Sixth Five Year Plan (1978-79 to 1983-84). These committees made a fresh appraisal of the matters discussed in the report. A Working Group set up in October 1977, to report on the various aspects of the working of the Khadi & Village Industries programmes and to make recommendations in regard to organizational and administrative set-up, credit, improving the production techniques and quality of products, marketing and exports, other assistance and facilities, outlays in the public sector and likely investment from private sources etc. took into account the report of the Administrative Staff College, Hyderabad and the two expert committees, while making its recommendations on the various aspects. The recommendation of this Working Group were suitably reflected in 6th Five Year Plan (1978—83).

In September, 1980, however, another Working Group was set up to go into the working of the Khadi & Village Industries Commission to suggest various measures, by which the programme could be accelerated and taken to all parts of the country. The recommendations of this Working Group have been duly incorporated in the revised 6th Five Year Plan (1980—85).

A conference of the State Ministers of Industries and Rural Development and heads of State Khadi and Village Industries Boards, Chief Executive Officers, State Boards was held in January, 1981 to examine in depth the constitution, structuring and working of the State Khadi & Village Industries Boards. Many useful suggestions have emerged as a result of these discussions and these are presently under examination. Meanwhile, KVIC had taken action on important recommendations such as the one in regard to pattern of assistance. The patterns have been revised with a view to ensuring that: (a) the assisted units become economically viable, (b) the full financial requirements of the units are taken care of and (c) the assistance to artisans working in backward and difficult areas is given on a rather liberal scale subsidising *inter alia* transport cost.

The Commission has also prepared bankable profiles in respect of practically all village industries included in its schedule to facilitate flow of institutional finance. More technical personnel have been inducted at field level for providing technical guidance and conducting feasibility studies etc. The Commission has also opened raw material banks for supply of certain critical raw materials *e.g.* cotton, non-edible oil seeds, Marine Wool etc. in the units assisted by it.

The relationship between the Khadi & Village Industries Commission and the State Khadi & Village Industries Boards continues to pose some problems. While all the development funds for the running of KVI Boards, which are implementing agencies of the Commission, are provided by the latter; the State Boards continue to be under administrative control of the State Governments. This is a major bottleneck in the implementation of the KVI programmes in States and Government have received a number of complaints about the poor performances of the KVI Boards in some of the States. In the Conference referred to above considerable thought was given to the functioning of the State Boards. Consequently, a recommendation made was to enact a model Bill to regulate and streamline the functioning of the State KVI Boards, which will be circulated to all the State Governments for their views. In the Bill, provisions are to be made for closer association of Khadi & Village Industries Commission and with the functioning of the State KVI Boards with a view particularly to developing professional competence making optimum use of resources mainly financial, taking the village industries to all the nooks and corners in the country side and monitoring regularly and effectively the progress of the programmes in the KVI sector.

Government have also under consideration various proposals in regard to opening training institutes all over the country to train the instructors and the artisans, opening of raw materials banks and making proper arrangements for marketing of KVI products. Schemes are also under consideration whereby better linkages can be developed between the Khadi and Village Industries Commission organization and the other decentralised agencies working at the Block, District and State level."

14. The Ministry of Rural Reconstruction have admitted that the relationship between the Khadi and Village Industries Commission and the State Khadi Boards continues to pose some problems. While all the development funds for running of Khadi and Village Industries Boards which are implementing agencies of the Commission, are provided by the latter, the continuance of State Boards under the administrative control of the State Governments has been a major bottleneck in the implementation of the Khadi and Village Indusrties programmes in States. Government have themselves stated that they have received a number of complaints about the poor performances of the Khadi and Village Industries Boards in some of the States. A recommendation had been made by the conference of State Ministers of Industry and Rural Development to draft a model Bill to regulate and streamline the functioning of the State Khadi and Village Industries Boards which will be circuated to all the State Governments for their views. In the Bill, the provisions are to be made for closer association of Khadi and Village Industries Commission with the functioning of the State Boards with a view particularly to developing professional competence making optimum use of resources mainly financial, taking the village industries to all the nooks and corners in the country-side and monitoring regularly and effectively the progress of the programmes in the Khadi and Village Industries Sector. The Committee also note that some schemes are under consideration of the Government whereby better linkages can be developed between the Khadi and Village Industries Commission organisation and other decentralised agencies working at the block, district and State level.

15. The Khadi and Village Industries Commission came into being about 24 years back. It was clearly known to all concerned that the implementing agencies of the programmes of the Commission would mainly be the State Boards/Institutions. It was reasonable to expect that the relationship between the Commission and the implementing agencies would be defined and clearly laid down in order to facilitate proper execution of the programmes of the Com-

mission. As early as April 1966 the Public Accounts Committee in their 49th Report (Third Lok Sabha) had expressed their surprise that the relationship between the Commission and the State Boards had neither been defined nor put on proper footing, while large amounts of funds were being advanced to the State Boards and through them to the institution both by way of grants and loans without adequate control or scrutiny. The Committee had then desired that this state of affairs should be remedied forthwith and adequate safeguards and controls should be provided in the scheme of financial assistance given to them. Again, in 1967, the Committee expressed their unhappiness over the fact that Government had not taken any definite action to define the relationship between the State Boards and the Commission (PAC 8th Report—Fourth Lok Sabha).

16. The Committee would like to emphasise that the proposed model Bill on the subject should be finalised expeditiously and circulated to all concerned and further action to put the provision of the Bill on statute book be taken without any loss of time. The Committee feel that unless the relationship between the Commission and implementing agencies is clearly defined and put on proper footing, the effectiveness of the Commission which has to dole out crores of rupees in the fond hope of improving the economic conditions of the much neglected village artisans and unemployed people will be considerably weakened. The Committee would like the Government to give top priority to this aspect of the matter.

17. The Committee is distressed to note that inspite of the assurance given by the K.V.I. Commission only 5 out of 25 State KVI Boards had been inspected by them upto 1st December, 1979. The Committee note that a monitoring board in each State under the Chairmanship of the respective State Director of Khadi and Village Industries Commission is proposed to be set up for monitoring and concurrent evaluation of programmes in Khadi and Village Industries sector. The Committee also note that the Commission had intimated that a system of quarterly reporting by the State Boards had been introduced. The Committee desire that this quarterly reporting be made more effective so as to enable the Commission to evaluate properly the progress of implementation of its programmes.

18. The Committee welcome these steps and hope that they will help keeping a better watch on the progress of implementation of the Commissions programmes by the State Boards.

B—Finance & Accounts

19. The Accounts of the Commission are audited and certified by the Comptroller and Auditor General of India under section 23 of the Khadi and Village Industries Commission Act, 1956 read with section 19(2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, and the certified accounts together with Audit Report thereon are forwarded annually to Government for being laid before the Parliament.

20. During the period from 1957-58 to 1978-79, Government gave financial assistance to the Commission in the form of loans, amounting to Rs. 369.22 crores and grants amounting to Rs. 323.23 crores. Out of this, loans amounting to Rs. 297.92 crores and grants amounting to Rs. 192.95 crores were paid by the Commission to the State Boards and institutions. As on 31st March, 1979, Government loans outstanding against the Commission amounted to Rs. 183.14 crores.

21. A summary of the receipts and payments of the Commission (excluding those pertaining to loans raised from banks) during 1957-58 to 1978-79 is given below:—

	1957-58 to 1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
1	2	3	4	5	6	7
				(in crores of rupees)		
Receipts :						
Opening balance	0.57	6.69	5.05	4.37	3.99	5.26
Loans from Government	171.62	47.94	34.22	29.95	36.94	48.55
Grants and interest subsidy from Government	211.90	15.09	16.53	20.37	26.14	33.20
Repayment of loans and refund of unutilised grants by State Boards and institutions	135.12	2.40	5.13	4.16	5.21	4.10
Miscellaneous receipts .	6.05	2.36	1.24	0.74	1.12	1.34
Total . . .	525.26	74.48	62.17	59.59	73.40	92.45

1	2	3	4	6	6	7
Payments :						
Repayment of loans to Government	82.54	42.73	19.22	17.35	13.16	8.45
Loans to State Boards and institutions	-193.32	8.04	18.36	15.05	24.69	38.46
Grants to State Boards and institutions	137.38	7.59	9.40	9.53	13.03	16.02
Interest on Government loan	48.26	5.31	5.99	7.44	9.88	11.65
Administrative expenses	30.78	4.33	4.62	4.56	4.70	4.91
Miscellaneous payments	26.29	1.43	0.21	1.67	2.68	3.94
Closing balance .	6.69	5.05	4.37	3.99	5.26	9.02
Total .	525.26	74 48	62.17	59.59	73.40	92.45

(i) *Disbursement of Loans and Grants*

22. The Commission disbursed Rs. 490.87 crores to the State Boards and institutions during the period from 1957-58 to 1978-79 for development of Khadi and Village Industries Programmes in various States. The break-up of such assistance is given below:—

	Khadi	Village industries	Total
	(In crores of rupees)		
Loans	188.96	108.96	297.92
Grants .	152.71	40.24	192.95
	341.67	149.20	490.87

(ii) *Utilisation Certificates*

23. Out of Rs. 436.39 crores of loans and grants disbursed up to 1977-78 to the State Boards and institutions, utilisation certificates

for Rs. 50.68 crores were awaited (September, 1979). The year-wise break-up of pending utilisation certificates is as under:—

Year	Institutions	State Boards	Total
	(In crores of rupees)		
Up to			
1960-61 .	0.03	0.14	0.17
1961-62 .	..	0.15	0.15
1962-63 .	0.02	0.10	0.12
1963-64 .	0 04	0.23	0.27
1964-65 .	0.01	0.25	0.26
1965-66 .	0.01	0.38	0.39
1966-67 .	0.01	0.41	0.42
1967-68 .	0.06	0.40	0.46
1968-69 .	0.04	0.33	0.37
1969-70 .	0.06	0.36	0.42
1970-71 .	0.03	0.30	0.33
1971-72 .	0.08	0.57	0.65
1972-73 .	0 02	0.70	0.72
1973-74 .	0.03	0.48	0.51
1974-75 .	0.03	0.99	1.02
1975-76 .	0.11	2.33	2.39
1976-77 .	0.42	4.48	5.26
1977-78 .		..	36.77*
Total .	1.00	12.91	50.68

24. Out of the grants and loans of Rs. 157.77 crores disbursed to State Boards up to 1977-78, utilisation certificates for Rs. 20.71 crores were awaited (December 1979).

*Break-up between institutions and the State Board was not available."

25. The Ministry of Rural Reconstruction furnished the following statement indicating the position of outstanding utilisation certificates, as on 30-11-1980, for the payments made up to 31st March, 1978:—

Year	Total Outstanding as on 30th September, 1979	Outstanding as on 30-11-1980			Utilisation Certificates received from October, 1979 to November, 1980. (2—5
		Institutions	State Boards	Total	
			(Rupees in crores)		
Upto 1960-61 . .	0.17	0.03	0.12	0.15	0.02
From 1961-62 to 1976-77	13.74	0.49	9.91	9.40	4.34
For 1977-78	36.77	0.61	6.66	7.26	29.51
Total	50.68	1.13	*15.60	16.81	33.07

*In addition utilisation certificates for Rs. 063 crores which had been received from Bihar State Board have been sent back to them for correction and return.

26. Thus, the amount of outstanding utilisation certificates which stood at Rs. 50.68 crores as at the end of September, 1979 has come down to Rs. 16.81 crores by 30th November, 1980, the Ministry added. The Ministry also stated that the amount for which utilisation certificates were still to be received from the institutions was relatively very small and that major part of the outsanding amount was of the State Boards.

27. The Committee desired to know whether the reasons for outstanding utilisation certificates for such heavy and old amounts had been analysed and what were the steps taken for their clearance. The Ministry of Rural Reconstruction stated that the heavy outstanding in respect of utilisation certificates from State Boards were found to be due to several facts. Firstly, a good part of the amount for which utilisation certificates were due was involved in defunct cooperative societies and institutions and the State Boards find it difficult to obtain utilisation certificates in respect of such

funds. As a remedial action, the Ministry stated, the Boards were being advised to treat the amounts involved in defunct societies and institutions as unutilised in respect of such institutions against which recovery proceedings as arrears of land revenue should be initiated, and certificate provided to the Commission on this basis. Wherever the Boards had not taken such recovery action, the Ministry stated, they were being advised to take necessary steps in the matter expeditiously.

28. The second reason for outstanding utilisation certificates was that in some cases, the Boards were not found to be adequately staffed to attend to utilisation certificates' work or they had not deployed adequate personnel for this work. As a remedial measure, the Commission had been providing financial assistance to the State Boards for strengthening their Audit, accounts and other staff. The Ministry further added:—

> "When the State Board's representatives come every year for discussing their annual programmes and allocations, the Commission emphasise the need to pay special attention to the clearance of outstanding Utilisation Certificates, particularly, in respect of old periods. In certain cases, Commission also take recourse, within practical limits, to power of the purse making further release of funds dependent on performance of the State Boards with respect to clearance of outstanding Utilisation Certificates.
>
> Whenever officers of the Commission visit the State Boards for test-check of Unutilisation Certificates, with a view to ensuring that there exists a suitable machinery in the State Boards for procurement and processing of Utilisation Certificates, they invariably help and assist the State Boards, in solving of their Problems about these matters"

29. In this connection, the Ministry has, however, also stated as follows:—

> "The Public Accounts Committee in their 49th Report (Third Lok Sabha) in para 2.21 had recommended that arrangements and understandings that the establishment charge of the State Boards should be met by the State concerned should be adhered to strictly. Though some of the State Boards have not been able to get the required posts sanctioned from their State Governments and though it was in the interest of the Commission that utilisation

certificates were promptly received, in view of the aforesaid recommendation of the Public Accounts Committee, it had not been possible for the Commission to assist the Board in this regard to the required extent and to advise and exhort them to appoint adequate staff necessary for procurement and processing of utilisation certificates."

30. The third reason, it has been stated, is that in recent years, the Boards have disbursed large amounts to individual artisans and small entrepreneurs. These artisans are mostly illiterate. They are not able to maintain any accounts, let alone proper account about utilisation of financial assistance provided to them. Yet the need is there to provide assistance to such self-employed artisans in patent and undisputable cases particularly when organisational framework of cooperatives etc. has failed to come up to the expectations.

31. The Ministry have, however, stated that having regard to the non-availability of requisite accounts/records with individual artisans for preparation of utilisation certificates, Commission have taken up the matter with Audit with respect to acceptance of utilisation certificates prepared on the basis of collateral evidence about utilisation of funds by grantees for the intended purpose.

(iii) Failure of Board|institutions to submit Utilisation Certificates in respect of earlier assistance:

32. According to Audit Report out of the grants and loans of Rs. 157.77 crores disbursed to the State Boards up to 1977-78, Utilisation Certificates for Rs. 20.71 crores were awaited. As per the latest figures furnished by the Ministry this stood as Rs. 16.81 as on 30-11-80. The Committee desired to know the number of cases together with amounts of loans and grants (in each case) paid to the State Boards|Institutions even though they failed to submit Utilisation Certificates in respect of earlier assistance given to them. The Ministry of Rural Reconstruction informed to the Committee latest position as given below:

"(i) In respect of directly aided institutions the information about the number of cases with amounts, in which loans and grants were paid to institutions even though they had not submitted Utilisation Certificates in respect of earlier assistance cannot be furnished without going into the analysing the position about thousands of payments made over years to institutions and ascertaining the position at the time of each such payment whether or not verification of the expenditure statements by way of recoupment claim furnished by them had been made in respect of all earlier disbursements made to each of such institutions.

(ii) All the State Boards have never cleared the outstandings in respect of Utilisation Certificates for any years and hence U.Cs. have always remained due from them in respect of earlier assistance provided to them, when fresh payments are made. As such, all payments made to the State Boards can be considered to have been made although they had failed to submit Utilisation Certificates in respect of earlier disbursements. In the circumstances, it may be practically impossible to list out all the payments made to the State Boards from time to time over the years for various schemes spread over numerous accounts to give information about the number of cases with amounts where payments have been made to State Boards, without clearance of all Utilisation Certificates. The State Boards, in fact, are intermediaries for channelling of financial assistance to the ultimate beneficiaries (implementing agencies working under them) and not the direct users of funds themselves except in the case of their departmental activities (which are relatively very small in the case of most of the State Boards). While considering discontinuance of further financial assistance to State Boards for their failure to submit Utilisation Certificates in respect of earlier assistance given to them, this position has necessarily to be kept in view. If further financial assistance is denied to the State Boards on the ground that they have failed to submit Utilisation Certificates in respect of some of the earlier disbursements made to them, even the institutions, whose performance in respect of submission of Utilisation Certificates to the State Boards is good, would unjustificably be denied the financial assistance which they should legitimately get. Although Commission does withhold further payment to the defaulting State Boards, this punitive measure, in the very nature of things, can be taken only for a limited period. Hence the Commission instead of stopping release of further funds to the defaulting State Boards till Utilisation Certificates in respect of earlier payments are furnished by them in full has been advising the State Boards not to provide assistance to the institutions which have not furnished *Utilisation Certificates, to them in respect of earlier* assistance. Commission also continue to export and help the State Boards to clear their outstanding Utilisation Certificates as already stated above."

(iv) *Utilisation Certificates from Institutions now defunct*:

33. At the time of the finalization of Audit Report, according to the information supplied by 19 State Boards to the Commission, 13458 institutions from which Rs. 8.42 crores were due were no longer functioning in August 1979. When asked to indicate the number of institutions which had stopped functioning without submitting the Utilisation Certificates and the amount of loan involved and also the steps taken by the Commission to recover outstanding loans and Unutilised grants from such institutions, the Ministry stated:

"Recovery of outstanding loans and unutilised grants from institutions which have stopped functioning without submitting Utilisation Certificates, is ensured by taking action against them under Section 190 of the Commission's Act, according to which any amount payable to the Commission is recoverable in the same manner as arrears of land revenue or by referring such cases to arbitration provided for in the Hypothecation deeds executed by the institutions or preferring of such claims with the liquidators of cooperative societies under liquidation or filling of civil suits etc. As at the end of 31-3-80 Commission had taken or initiated legal action against institutions|societies for recovery of Commission dues including the amounts of unutilised grants."

(v) Recovery or Regularisation:

34. The Committee desired to know the action taken by the Commission for recovery or regularisation of Rs. 4.67 crores disallowed by the Commission while scrutinising the utilisation certificates for grants and loans paid to the institutions.

35. While indicating the break-up of the amount of Rs. 4.67 crores disallowed by the Commission, the Ministry stated:

"The break-up of the amount of Rs. 4.67 crores disallowed by the Commission while scrutinising the Utilisation Certificates between grant and loan is as follows:—

Grants	:	Rs. 1.51 Crores
Loan	:	Rs 3.16 Crores
Total	:	Rs. 4.67 Crores

Regarding the question as to what action has been taken for recovery and regularisation of the amount of Rs. 4.67 crores, it may be mentioned at the outset that the expenditure incurred by the institutions which could be regularised on receipt of further information from them has, by and large, been already regularised. In some cases, where the expenditure could not be regularised the disallowance of expenditure is being objected to and disputed by the assisted institutions and some such cases are subject matter of arbitration or adjudication by the tribunal appointed by the Government under section 25(3) of the Commission's Act. So far as the component of loan (Rs. 3.16 crores) in this amounts is concerned, its repayment| refund is already being insisted upon in normal course. As such, major part of the amount of Rs. 4.67 crores is recoverable. However, it may be mentioned that major part of the total amount (grant and loan) is recoverable from institutions which are either defunct or under liquidation and in most cases, those amounts are already included in the demand notices issued to the institutions and communicated to the District Collector for recovery as arrears of land revenue etc."

36. The Commission disbursed by way of loans and grants Rs. 341.67 crores for the development of khadi and Rs. 149.20 crores for the development of village industries during the period from 1957-58 to 1978-79. Out of Rs. 436.39 crores of loans and grants disbursed upto 1977-78 to the State Boards and institutions, utilisation certificates for Rs. 50.68 crores were awaited till September, 1979 and out of grants and loans of Rs. 157.77 crores disbursed to State Boards upto 1977-78, utilisation certificates for Rs. 20.71 crores were awaited till December, 1979. The Committee are told that out of Rs. 50.68 crores, outstanding utilisation certificates as on 30th November, 1980 for the payments made upto 31st March, 1978 stood at Rs. 16.81 crores the major part of which was from the State Boards.

37. Giving the reasons for heavy outstandings in respect of utilisation certificates from the State Boards, the Ministry have stated that the major part of the amount for which utilisation certificates were due was involved in defunct cooperative societies and institutions. Secondly, the State Boards were not adequately staffed to attend to utilisation certificates work, and thirdly, since the State Boards have disbursed large amounts to individual artisan and small entrepreneurs who are mostly illiterate and that such individuals

are unable to maintain any accounts let alone proper accounts about the utilisation of financial assistance. The Committee note that the Commission, having regard to the non-availability of requisite accounts|records with individual artisans for preparation of utilisation certificates, has under consideration a proposal for acceptance of utilisation certificates prepared on the basis of collateral evidence about the utilisation of funds by the grantees for the intended purpose. The Committee would like to sound a note of caution that before this proposal of "collateral evidence" is given effect to, the system should not, as a matter of course, be made applicable to every grantee. It should be confined only to exceptional cases or illiterate grantees living in backward rural areas. Otherwise, the Committee apprehend, the procedure is likely to be misused.

38. As regards giving of financial assistance to the State Boards for strengthening their staff, the Committee would like to reiterate their earlier recommendation made in para 2.21 of their 49th Report (Third Lok Sabha) in which it had been stated that such charges should be met by the State concerned and not by the Commission.

39. Regarding the information about the failure of State Boards| Institutions to submit utilisation certificates in respect of earlier assistance before asking for a fresh assistance, the Ministry have stated that in respect of directly aided institutions such information cannot be furnished without going into and analysing the position about "thousands of payments made over by the years to institutions and ascertaining the position at the time of each such payment whether or not verification of expenditure statements by way of recoupment claim furnished by them had not been made in respect of earlier disbursements made to each of such institutions." The Committee would like the Commission to examine the feasibility of introducing a card system with a permanent loan|subsidy number allotted to each grantee so that it is able to keep a track of all outstanding loans and their proper utilisation before subsequent loans and subsidy to such grantee are to be dealt with. The Committee feel that this system would help the Commission in monitoring the information about utilisation of assistance given to the various institutions and individuals.

40. The importance of furnishing the utilisation certificates by the institutions and State Boards has been stressed by the Committee in the past (vide 93rd Report—Fifth Lok Sabha). The Committee would like the Commission to take serious view in regard to grant of further assistance to the State Boards and institutions which are not in

a position to account reasonably for the moneys given to them and to produce certificates for their proper utilisation. If a particular State Board or an institution persistently defaults in rendering proper account of furnishing utilisation certificates, further assistance to such Board or Insitution should be discontinued. The Committee do not agree that such discontinuance will deny financial assistance to those institutions whose performance in respect of submission of utilisation certificates has been good. Suitable assistance can be provided to such deserving institutions. The Committee desire the Commission to make vigorous efforts to obtain utilisation certificates and to get the backlog cleared at an early date. The Commission should see to it that no arrears relating to utilisation certificates are allowed to accumulate.

41. The Committee also note that the Commission had taken or initiated legal action against institutions/societies which have stopped functioning without submitting utilisation certificates for recovery of Commission's dues including the amounts of unutilised grants. The Committee desire the Commission to pursue this matter vigorously. The Committee would also like the Commission to publish the names of such institutions and the names and addresses of their Chief Executives, including the treasurers, by whatever name called, in the Annual Reports of the Commission. Through this method, at least the public would know the names of defunct institutions and their promoters.

42. While scrutinising the utilisation certificates submitted by the assisted institutions, the Commission had disallowed an amount of Rs. 4.67 crores consisting of Rs. 1.51 crores given as grants and Rs. 3.16 crores as loan. On being asked to indicate the action taken to recover or regularise these amounts, the Ministry have merely stated "......the expenditure incurred by the institutions which could be regularised on receipt of further information from them has, by and large, been already regularised. In some cases, where the expenditure could not be regularised the disallowance of expenditure is being objected to and disputed by the assisted institutions and some such cases are subject matter of arbitration or adjudication . .so far as component of loan (Rs. 3.16 crores) in this amount is concerned, its repayment/refund has already been insisted upon in normal course. As such, major part of the amount of Rs. 4.67 crores is recoverable......".

The Committee regret to say that the information furnished by the Ministry is vague. The Committee desire the Ministry to furnish specific details about the action taken to recover this amount of Rs. 4.67 crores.

(vi) *Reconcilation of Accounts*:

43. The Committee desired to know the action taken by the Commission to reconcile the amount of Rs. 15.32 crores (loans) and Rs. 3.51 crores (grants) stated to have been refunded by the State Boards with the figure as per the Commission's own books of accounts. The Ministry, in reply, stated: "The State Boards have been requested to furnish details about the amounts stated to have been refunded by them for facilitating their cross checking with the accounts/records of the Commission. Wherever this information has been received, reported refunds are being traced and linked in the Commission's books of accounts and Utilisation Certificate records."

(vii) *Loan confirmation*:

44. Out of loans of Rs. 297.92 crores paid by the Commission to the State Boards and institutions till March 1979, for Khadi Village Industries programmes Rs. 170.83 crores were outstanding as on 31st March, 1979, but confirmation of balances was received only for Rs. 66.88 crores till September 1979. While indicating that the outstanding balance of the loan as on 31st March, 1979 including loan imprest with the State Boards and institutions was Rs. 182.93 crores and not Rs. 170.83 crores as pointed out in the Audit para, the Ministry informed the Committee that the present position (as at the end of 30-9-1980) in respect of receipt of confirmations from the borrowers for the total loan and imprest balance of Rs. 182.93 crores was that the balance amount for which confirmations were still due was only Rs. 69.57 crores. In this regard, the Ministry furnished the following figures:

Loan balance outstanding as on 30-3-1979

	Village Industries		Khadi		Total	
	No.	Amount	No.	Amount	No.	Amount
				(Amount—Rs. in crores)		
State Boards	23	53.47	22	35.67	45	89.14
Major Institutions	21	1.89	18	34.19	39	36.08
Other Institutions	771	7.48	530	50.24	3101	57.72
Total	815	62.84	570	120.10	3185	182.94

Balance to be confirmed as at 30-9-1980

	Village Industries		Khadi		Total	
	No.	Amount	No.	Amount	No.	Amount
					(Amount—Rs. in crores)	
State Boards	8	23.47	5	4.83	13	28.30
Major Institutions	13	1.50	11	19.98	24	21.48
Other Institutions	287	3.92	194	15.86	481	19.78
Total	308	28.89	210	40.67	518	69.56

(viii) *Procedure for obtaining confirmation*:

45. As to the procedure followed for obtaining confirmation of outstanding balances, the Ministry 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 Rule 22 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 (now by the end of August as per the recommendation of the Parliamentary Committee on papers laid on the Table of the House). Since the Commission has to adjust the recountment 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 open 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 recountment bills before 31st of May of the following year, so as to enable the Commission to carry out the necessary adjustments in the relevant year's accounts. The adjustment bills, however, 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, Commission have willy nilly been required to keep their accounts open for all such adjustment. After the closure of the accounts, the loan balances in various industry and purpose-wise 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 rests 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 balances 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 cases 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 loanee is also being considered by the Commission at its monthly meeting (now every quarter)".

46. Giving the reasons for not obtaining confirmation of the entire outstanding loan balances, the Ministry stated:

"(i) Major portion of the balance outstanding particularly in respect of village industries loan to be confirmed is accounted for by the State Boards. Whenever State Boards representatives come for discussion of their annual programme and allocations with the Commission they are being asked to confirm the loan balances of the Commission with them and in most cases they do reconcile the balances as per their books with the balances appearing in their names in the Commission's books. Unfortunately, however, some of the State Boards do not follow up this exercise with formal confirmation of the balances. In some other cases for some small difference between their figures and Commission's figures the State Boards do not send their formal confirmation letters of balances. For instance as per the Commission's records the loan outstanding with the Tamilnadu State Board as at the end of 31-3-79 in respect of village industries was Rs. 6.49 crores. Accounting to their books of accounts however there was a difference of Rs. 50/- between their figure and figure as per the Commission's books. Since the board has not sent formal letter confirming the loan balance on account of this small difference, we have shown the entire amount of Rs. 6.49 crores as unconfirmed. Thus out of Rs. 23.48 crores of loan balances outstanding and to be confirmed as at the end of 31-3-79 under Village Industries by 8 State Boards 6 State Boards having loan balances of Rs. 23.19 crores have agreed during the course of budget discussion held recently with them to confirm the loan balances subject to reconcilation leaving relatively small amount of Rs. 28.00 lakhs for confirmation by 2 other small State Boards.

(ii) There is difficulty in getting the confirmation from the defunct institutions and institutions under legal action or such institutions that do not approach the Commission for further financial assistance. There were 468 institutions from whom loans aggregating to Rs. 2.02 crores were due as on 31-3-79 which were either under liquidation or against whom legal action had been initiated by the Commission".

47. The Committee regret to note that an amount of. Rs. 15.32 crores (loans) and Rs. 3.51 crores (grants) stated to have been refunded by the State Boards remained to be reconciled with the figures as per Commission's books of accounts. The Committee are surprised to find that the Commission has requested the State Boards to "furnish details about the amounts stated to have been refunded by them for facilitating their cross checking with the accounts/records of the Commission." The Committee consider this as another proof of the weakness in the maintenance of accounts and records of the Commission. The information about the progressive position of refunds/recovery of grants and loans ought to be available with the Commission and it should not be necessary for the Commission to seek such information from the loanees to reconcile its accounts.

48. As regards confirmation of loans by the borrowing bodies, Commission is stated to have "prescribed submission of confirmation of loan balances outstanding at the end of preceding year as a condition precedent for the release of imprest for the current year" and "in cases 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 Committee have been informed that the major portion of the balance outstanding, particularly in respect of village industries loan to be confirmed is accounted for by the State Boards. The Committee do not consider this a justifiable reason for non-receipt of confirmation. This state of affair has created an impression on the Committee's mind that financial procedures are not being followed by the State Boards. The Commission is stated to be facing difficulty in getting confirmation from defunct institutions or institution under legal action or such institutions which do not approach the Commission for furher financial assistance. The Committee desire that, besides taking action permissible under the law against the defaulting institutions, the details of loan together with the names of such institutions and those of their Chief Executives/promoters should be published in the Annual Reports of the Commission. This will, at least, invite public attention to such institutions/individuals and possibly deter other institutions to fall in line with defaulting institutions.

(ix) *Recovery of over-due loans:*

49. As in September, 1979, as per the default statements submitted by the State Boards, Rs. 9.1 crores of loans were overdue for repayament and the loans over-due from institutions were Rs. 4.70 crores. When asked whether the Commission had any system of its own to ascertain the details of the loans that had become over-due from the State Boards, the Ministry stated:

> "It is not that the Commission does not have a system of its own to ascertain the details of loans that become over-due from the State Boards. Till 1974 default statements were being prepared and communicated to the State Boards and the recovery of such over-due loans followed up and the progress in this respect was being submitted to the Commission every quarter. However, since the State Boards are paid numerous loans during a year for different schemes and for over 20 Industries having different tenures and terms of repayment the entire exercise of working out the over-due amounts had become so time consuming that by the time such information was ready, its practical utility was almost lost."

50. The Committee desired to know the steps taken by the Commission to effect prompt recovery of these over-due loans. The Ministry informed the Committee thus:

"Regarding recovery of over-due loans from State Boards, the position is that their ability to repay loans to the Commission in accordance with tenure and terms of repayments really depends on the timely repayment of loans to the State Boards by the institutions assisted by them. *Defacto*, the State Boards work as intermediaries/agents for channelling of Commission's loan assistance to the ultimate borrowers, *i.e.* institutions, societies and individual artisans, etc., although *dejure,* the State Boards are borrowers of Commission's loans funds with the liability to repay loans as per prescribed terms and conditions. As already observed in the Audit Report, as many as 13,458 institutions and societies financed by the State Boards are reported to be defunct or under liquidation and that these bodies owe loan of Rs. 8.42 crores to the State Boards. The Commission has therefore been exhorting the State Boards to take expeditious action for recovery of loans locked up in defunct or dorment societies and institutions. Unfortunately, however, even where the State Boards have taken necessary steps for recovery of their dues from such institutions and societies, the whole recovery process is found to take an inordinately long time.

The Commission has been taking the State Boards to ascertain the irrecoverable amount in each case of defunct institution or society and to sanction write-off of such amount and to send to the Commission the required State Board's/State Governments' share of this loss so that the Commission could, in its turn, take up the matter about the write off of such irrecoverable loan amounts and sharing of consequential loss. As early as in 1962 the Commission had taken up the matter of building up reserves by the State Boards with the assistance of State Government to meet such losses, both with the State Governments and the State Boards. Most of the State Boards however are found to have not created such reserves, particularly for want of required assistance from their State Governments."

51. As to the latest position regarding recovery of over-due loans from institutions, the Ministry stated:

"Regarding recovery of over-due loans from the institutions, the latest position is that as against Rs. 6.76 crores, which were over-due as on 31st March, 1979 the figures as on 30th September, 1980 was of the order of Rs. 6.44 crores. This amount of over-due loans includes an amount of Rs. 2.91 crores due from institutions which are already under legal action for recovery of Commission's dues. Apart from this the over-due amount also includes an amount of over Rs. 2 crores in respect of working capital loans paid for village industries. These working capital loans are normally to be converted into working fund and when once they are so converted, the institutions are not to pay any part of this amount so long as their retention by them is justified with reference to their actual production and sales and the targets set in the light of such achievements. These defaults have however been worked out with reference to the tenures and terms of repayment, according to which working capital is to be repaid within 5 years, 30 per cent at the end of the 3rd year another 30 per cent at the end of 4th year and the balance 40 per cent at the end of 5th year. As a good part of this amount is eligible for conversion into working fund and is in course of such conversion, strictly speaking this cannot be called overdues as such.

These two amounts account for about Rs. 5 crores of the total amount of Rs. 6.76 crores that was overdue as at 31st March, 1979. Regarding recovery of the balance amount, which is in respect of capital expenditure loan, the matter is invariably taken up with the concerned institutions when they come for budget discussions either in the Central Office of the Commission or in the discussions held at state-level at the outstation and the repayment behaviour of the institutions is taken into account while agreeing for future allocations.

It may also be pertinent to mention in respect of these over-due loans under capital expenditure that although while prescribing the terms and conditions governing the grant of loans under Rule 8(a) of Khadi and Village Industries Commission Loan Rules (1958), Government have approved that the loan for pucca structure shall be for a period of 20 years and the loans for kutcha structure shall be for a period of 10 years, the Commission has been trying to see that the repayment is effected within ten years in case of pucca structure and within 5 years in the case of kutcha structure and these over-dues have been worked out on this basis. However from practical experience, it is found that these tenures are unrealistic. If the Commission had adopted the approved liberal tenures major portion of this over-due amount would not have appeared as over-due."

52. The Committee note that as in September 1979, an amount of Rs. 9.14 crores was over-due for recovery from the State Boards and Rs. 4.70 crores from institutions.

As regards recovery of over-due loans from State Boards, the Ministry have stated that their ability to repay loans to the Commission is dependent on the timely repayment of loans to the State Boards by the institutions assisted by them. The Committee do not agree that the repayment of loan can be made completely contingent on the institutions' repayment. The State Boards have a definite responsibility in the matter. Only when they are made to realise this, concrete efforts for recovery can be expected of them.

53. The Commission has also been asking the State Boards to ascertain the irrecoverable amount in each case of defunct institution or society and to sanction write-off of such amount and to send to the Commission the required State Board's/State Governments' share of this loss so that the Commission could, in its turn, take up the matter for the write-off of such irrecoverable loan amounts and sharing of consequential loss. The Committee do not agree with this approach of the Commission as would like such losses to be entirely borne by the State Boards.

54. The Committee also note that as early as in 1962, the Commission had taken up the matter of building up reserves by the State Boards with the assistance of State Government to meet the irrecoverable losses, both with the State Boards and the State Governments. The Committee are informed that most of the State Boards have not created such reserves, particularly for want of required assistance from their State Governments. At this stage, the Committee would like to emphasise that it should not be the concern of only Central Government and Khadi and Village Industries Commission to develop khadi and village industries for improving the economic life of the people in villages, but equally of the State Governments/Union Territories and State KVIC Boards also.

The Committee therefore desire that both the Central Government and the Commission should pursue the matter of building up rserves by the State Boards for absorbing irrecoverable losses with the respective State Governments. The Committee feel that financial discipline has to be imposed on the State Boards. Irrecoverable loans/losses should be met only from Special Reserves created by the State Boards and in no case the Commission should share such losses.

55. For implementing the programmes of development of khadi and village industries, it requires investment of enormous amount of funds which the States, with their revenue resources, may not have financial capacity to invest. Therefore the Central Government places annually funds in the hands of the Commission which in turn are disbursed to the State Boards for implementing khadi and village industries development programmes. The Committee feel that it is mainly in the interest of the States to see that these funds are properly utilised.

The Committee do not find any reason to make a distinction between de facto **and** de jure **liability of the State Boards to repay loans according to prescribed terms and conditions.**

(x) *Guarantees for loans*:

56. According to Audit, the Commission had been pressing the State Governments to give guarantees for loans paid by it to the State Boards. Against loan of Rs. 89.14 crores outstanding against 23 State Boards as on 31-3-1979, guarantees to the extent of Rs. 68.35 crores only had been received, leaving the balance of Rs. 20.79 crores uncovered. Explaining the reasons why the guarantees for this balance were not obtained from the respective State Governments, the Ministry stated:

> "The State Boardwise breakup of the loan amount of Rs. 20.79 crores in respect of which Commission was either to get guarantees from the State Governments or the amendment to the State Boards Acts on the desired lines providing for the required guarantee were to be is as follows:

	Rs. in crores
Andhra Pradesh State Board . . .	4.95
Tamil Nadu State Board	13.23
West Bengal State Board	1.85
Gujarat State Board . .	0.76
TOTAL	20.79

The present position in respect of providing of guarantees etc. in respect of the above mentioned amount is given below:—

Andhra Pradesh State Khadi & Village Industries Boards

As a result of persistent follow up efforts pending consideration and issue of amendment in the provisions of the Andhra Pradesh Khadi & Village Industries Board Act, Andhra Pradesh State Government agreed in May, 1978 to furnish the guarantee to the Commission in the prescribed form for the funds released by the Commission to Andhra Pradesh Khadi and Village Industries Board during the years from 1970-71 to 1977-78. Subsequently the State Board forwarded a draft agreement (guarantee) duly filled in to be executed by the State Government for an amount of Rs, 2,61,19,637.85 payable by the Board to the Commission as on 31-3-79 relating to the funds disbursed by the Commission to the Board for 1970-71 to 1977-78. The draft agreement form was the one as prescribed by the Commission. The Commission, however, informed the Board that as per its records the outstanding position of loans as on 31-3-79 was 4,95,09,241.78 and requested the State Board to move the State Government to furnish the guarantee for this amount. In the meanwhile, the State Government has been issuing yearly guarantee for the period (conditional) in the form of Government order and the total amount of such guarantee for the period from 1970-71 to 1977-78 works out to Rs. 413.95 lakhs for the amount of grants and loans released or agreed to be released by the Commission to the Board during these years. Thus it may be soon that out of the amount of Rs. 4.95 crores which was due from the State Board as at the end of 31-3-79, the State Government has agreed to cover an amount of Rs. 2.61 crores by their guarantee in the form prescribed by the Commission. The guarantee for the disbursements made during the year 1978-79 which included in the aforesaid balance of Rs. 4.95 crores would also be received. The real problem which remains to be resolved is about State Government guarantee to be received for the loans paid to the Board prior to 1970-71.

* * * * *

The correct position in this respect has been explained to the State Government representatives in the past and the question in respect of guarantee for funds paid prior to 1970-71 is again being taken up with the State Government. The State Board has also been requested to get the Act amended as early as possible.

Tamilnadu State Khadi & Village Industries Boards

During the budget discussions in 1978, the Tamilnadu State Board intimated that the question of amending the provisions of the State Board Act was under consideration of the State Government. The Board was advised that it should immediately move the State Government to issue the yearly guarantee in the form approved by the Commission, pending amendment to the Act which might take some time. Subsequently, the Commission pursued the matter both with the State Board and the State Government. In March, 1980 the Tamilnadu State Government has informed the Commission that the proposal of amending Section 25(5) of the Tamilnadu Khadi and Village Industries Board Act, 1959 in respect of providing the guarantee by the Government to Khadi and Village Industries Commission for the loans obtained by the Tamilnadu Khadi & Village Industries Board was under consideration of the Government. Durig the budget discussions held with the Chief Executive Officer and Financial Adviser of the Tamilnadu State Board on 25th July 1980, it was agreed that necessary amendment to the State Board Act is suggested by Commission would be introduced in the next session of the State Assembly and the amendment of the Act would be done by the end of the year. The matter is being pursued.

West Bengal Khadi & Village Industries Board:

As a result of persistent efforts, the West Bengal State Government informed the Commission in May, 1980 that it had been decided by the State Government that the State Government guarantee would be accorded for the loans already advanced by the Commission during the year 1971-72, 1974-75, 1975-76 and 1976-77, and that for future loans separate guarantee would be issued in each case mentioning the amount. Accordingly the State Government has provided guarantees for amount aggregating to Rs. 94.85 lakhs. As regards guarantee of funds lent to the Board during the years 1972-73 to 1973-74 State Government has regretted its inability to accord guarantee retrospectively. The Commission, however, is pursuing the matter with the State Government for obtaining guarantee for the above mentioned years and this was reiterated in the meeting with the Chairman and Financial Adviser and Chief Accounts Officers of the State Board held on 21st July, 1980, wherein the Board has agreed to take up this matter with the State Government (it may be noted that so far the Commission has received guarantee of loan of a total amount of Rs. 94,85,615.99 for the period 1971-72 and from 1974-75 to 1978-79).

From the above, it would be clear that the Commission has been consistently and persistently making every effort to obtain guarantee from the State Government and as well as to get the State Board Acts amended."

57. The Committee find that inspite of the pressing requests made by the Commission to the State Governments to give requisite guarantees for loans paid by it to the respective State Boards there was still an amount of Rs. 20.79 crores remaining uncovered by such guarantees as on 31-3-1979. The Andhra Pradesh State Board has to provide the requisite guarantee for Rs. 4.95 crores, Tamil Nadu State Board for Rs. 13.23 crores, West Bengal State Board for Rs. 1.85 crores and Gujarat State Board for Rs. 0.76 crore. The Committee consider it imperative that the entire loan advanced to State Boards should invariably remain covered at all times by the guarantees given by th rspective State Governments and no deviation should be made in this regard. The Committee would also like the Central Government to exert its pressure on behalf of the KVIC on the State Governments to settle the matters relating to giving of guarantees by the State Governments. The Committee would like to be informed of the action taken in the matter within three months after the presentation of this Report.

(xi) *Equitable mortgages*:

58. As pointed out by Audit, the Commission had decided to obtain equitable mortgages to secure loans paid to the institutions. No mortgage deeds had, however, been obtained till September 1979 from 1,132 institutions against which loans totalling Rs. 33.57 crores were outstanding (March 1978). The Commission stated in December, 1979 that loans paid to the institutions, which had not created equitable mortgages, were covered by security in the form of hypothecation of their movable assets and "that besides most of the institutions being small and not having sizeable immovable assets for mortgage in favour of the Commission...the process of obtaining the title deeds from them was complicated and slow". Explaining the reasons why mortgage deeds were not obtained from these institutions, the Ministry *inter alia* stated:

> "Out of Rs. 33.57 crores of loans which were not covered by mortgage deeds, 2 institutions owing Rs. 11.46 crores to the Commission as at 31-3-1978 have deposited title deeds of their properties with the Commission with the intention of creating equitable mortgage to secure the loans.

One other institution owing Rs. 1.16 crores to the Commission by way of loan as on 31-3-78 had been pleading all these days that the security provided to the Commission for its loans by that institution in the form of hypothecation of their moveables, (stocks etc.) is much more than the loan amount owed by the institution to the Commission. Commission has however decided to ask the institution to execute equitable mortgage of its immoveable property, which it is likely to do soon. Thus the balance amount which remains to be covered by mortgage deeds is about Rs. 21 crores now. Of this amount, nearly Rs. 2.00 crores are due from institutions which are already under legal action for recovery of Commission's dues.

Creation of equitable mortgages by 45 institutions, owing Rs. 7.74 crores as on 31-3-78 to the Commission by way of loan are in course of completion. These institutions have deposited the title deeds of their immovable properties with the Commission.

* * * *

It may however be pertinent to note in this connection that the principal and primary security in respect of loans paid by the Commission to institutions and societies is provided by the Borrowers in the form of hypothecation of their moveable assets and the mortgage of immovables in most cases serves the purpose of a collateral or additional security.

* * * * *

The Commission has been vigorously pursuing the question of obtaining equitable mortgages from the remaining institutions and has asked the State Directorates of the Commission to contact the institutions for expeditious completion of the formalities in respect of creation of mortgage of their immovable properties in favour of the Commission. With a view to pressurising the institution to create the equitable mortgages, Commission has been withholding release of funds to the defaulting institutions and funds are released in such cases when the institutions undertake to execute mortgages. Compliances by them with their undertakings is also being followed up".

59. The Committee find that 1,132 institutions had not created equitable mortgages to secure loans paid to them by the Commission. The uncovered loans amounted to Rs. 33.57 crores as in March 1978. According to the Commission most of such institutions are small and do not have sizable immovable assets for mortgage in favour of the Commission. The Committee are informed that the loans paid to the institutions, which had not created equitable mortgages, were covered by security in the form of hypothecation of their movable assets. As stated by the Ministry, two institutions owing Rs. 11.46 crores to the Commission have deposited title deeds of their properties to the Commission with the intention of creating equitable mortgage to secure the loans. Another such institution owing Rs. 1.16 crores to the Commission by way of loan as on 31st March 1978 is stated to have pleaded that the security provided to the Commission for its loan by the institution in the form of hypothecation of its movables was much more than the loan amount owed to the Commission. The Commission has, however, decided to ask the institution to execute equitable mortgage of its immovable property "which it is likely to do soon". Nearly Rs. 2 crores are due from institutions which are already under legal action for recovery of Commission's dues. Creation of equitable mortgages by 45 institutions owing Rs. 7.74 crores as on 31st March 1978 to the Commission by way of loan are in course of completion. These institutions have deposited the title deeds of their immovable property with the Commission. The Ministry has also informed the Committee that the principal and primary security in respect of loans paid by the Commission to the institutions and societies was provided by them in the form of hypothecation of their movable assets and the mortgage immovables in most cases serves the purpose of collateral or additional security.

60. The Committee would like the Commission to obtain equitable mortgage against all loans advanced to various institutions. It is for the institutions borrowing funds from the Commission to expedite creation of mortgages in addition to hypothecating their movable properties. The Committee recommend that the Commission should exert its power of the purse over such institutions and keep its loans secured fully.

C. Performance in Khadi development

61. The Public Accounts Committee in their 93rd Report (Fifth Lok Sabha: 1972-73) while expressing their disappointment and dissatisfaction at the working of the Khadi and Village Industries

Commission, had observed: "Their disappointment arises from the fact that the Commssion'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 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."

62. Later, in the action taken notes, the Committee was informed about the achievements of the Commission in the following summary form:—

"(i) considerable pioneering and promotional work in various fields;

(ii) widening of coverage of villages from mere 25,000 in 1953-54 to over one lakh villages in 1970-71;

(iii) creation of an institutional infrastructure in the form of State Boards, registered institutions, industrial cooperative;

(iv) considerable increase in production and employment in 18 years;

(v) improvement in quality of products;

(vi) reduction of grant element in the programme;

(vii) more financial discipline in the working;

(viii) contribution to export promotion efforts."

(132nd Report of PAC, Fifth Lok Sabha, 1973-74).

63. A further review of the performance of the Commission conducted by Audit in September 1979 reveals the facts given in succeeding paragraphs.

As pointed out by the Audit, the Commission had given financial assistance totalling Rs. 356.25 crores (Rs. 158.96 crores as grants and Rs. 197.29 crores as loans) during the period from 1953-54 to 1978-79 to various State Boards, institutions, etc. for implementing the khadi programmes. However after attaining a peak level of production of 858.54 lakh square metres in 1965-66, there was sharp decline to 557.19 lakh square metres in 1973-74. The annual level of production of khadi attained in 1978-79 was 715.05 lakh square metres of cloth. About 637.65 lakh square metres were accounted for by the nine States and the balance of 77.40 lakh square metres by the remaining twelve States and Union Territories. The imbalance in the development of khadi among different States had been brought out earlier in the Report of Khadi Evaluation Committee (1960), Estimates Committee (1961-62) and Ashok Mehta Committee (1966). The Audit pointed out that out of 1,227 implementing agencies functioning in the country in 1978-79, 924 were operating in the nine States, namely, Uttar Pradesh, Tamil Nadu, Rajasthan, Punjab, Gujarat, Andhra Pradesh, Maharashtra and Karnataka. The remaining 12 States and Union Territories together had only 303 agencies. In Nagaland no implementing agency had been set up till 1978-79.

64. The following table indicates the progress of khadi development in terms of production and employment during the successive plan periods under the All India Khadi and Village Industries Board upto March 1957 and thereafter under the Commission:—

"Annual level attained at the end of	Production		Employment		
	Quantity (In lakh square metres)	Value (In crores of rupees)	Full time	Part time	Total
First Plan (1955-56)	239.90	5.54	0.61	5.96	6.57
Second Plan (1960-61)	537.65	14.23	2.06	15.08	17.14
Third Plan (1965-66) .	848.54	26.81	1.82	17.13	18.95
Annual Plan (1968-69)	600.19	23.38	1.32	12.03	13.35
Fourth Plan (1973-74)	557.19	32.72	1.07	7.77	8.84
Fifth Plan (Upto 1977-78) .	684.12	64.89	2.39	6.83	9.22
(Upto 1978-79)	715.05	76.54	2.43	7.91	"10.34

65. The Committee desired to know the steps taken by the Commission to improve the performance in the Khadi development after 93rd Report of the Public Accounts Committee (1972-73). The Ministry, in reply, stated as under:

> *New Model Charkhas Programmes*: (i) In January, 1971, following measures for improving the performance in khadi development.
>
> *New Model Charkhas Programmes* (i) In January, 1971, the Government of India accorded approval for NMC

programme. This helped considerably to bridge the technological gap which existed during the period 1965-66 to 1970-71 and which to some extent was responsible for fall in production. Three types of NMCS (all steel) i.e. 2 spindle, 6 spindle and 12 spindle were distributed in the field. Till 1978-79, 42840 two spindle, 66405 six spindle and 625 twelve spindle charkhas aggregating to 1,09,870 N. M. Charkhas were distributed. In 1978-79, 10,04,757 persons were engaged in New Model Charkha. The percentage share of NMC in the total year production in 1978-79 was 32 per cent. The NMC yarn is qualitatively superior. Due to NMC, the spinners and other workers are able to get full time employment whereas on the traditional charkhas the spinners were mostly part time. Due to improvement in productivity, the earnings of the artisans have improved. In other words, the NMC programme not only arrested the decline in cotton khadi production but also helped it to register progress. The problem of sub-standard khadi was also solved because of improvement in yarn. The New Model Charkha has also become acceptable to the spinners as they can learn spinning with little training. The overall quality of yarn has improved mainly because of powerisation of pre-spinning processes. Due to adoption of workshed pattern for 600 twelve spindle NMC, there is better supervision and quality control. The production of NMC would have increased faster but for the difficulties faced in manufacture of NMC on a large scale. Khadi and Village Industries Commission is looking into all these aspects and hopes to solve them early. On 6-spindle NMC the average spinner can earn Rs. 4/- to Rs. 5/- for 8 hours work round the year.

(2) *Muslin Development*:

Khadi & Village Industries Commission has evolved a charkha for spinning cotton yarn of higher counts i.e. muslin. This charkha adopted the ring frame spinning technology and had earlier 5 spindles. This has been further improved and fitted with 7 spindles. Yarn even upto 250 count can be spun on this charkha by using certain varieties of cotton, viz., sea-islands and suen. It was found that muslin spinning activity has great potential for development in areas having humid climate i.e. in the coastal regions of the country. Upto 1978-79, 1,825 charkhas were in the field and the percentage share of muslin yarn was one per cent.

The craft of muslin spinning which was on the verge disappearance could again be revived. There is consumer preference for muslin cloth. An important feature if muslin khadi is its capacity to provide higher per capita earnings and ensuring full time work. Khadi and Village Industries Commission intends to pursue this programme vigorously in the entire coastal region of the country. At present, it is concentrated in Kerala, Tamil Nadu, Andhra Pradesh and West Bengal.

(3) *Switch-over to Sales Rebate*

The Khadi & Village Industries Commission by experience found that subsidisation at sales point is beneficial to the programme than subsidisation at the weaving stage. Therefore, with effect from 1-4-1976 it reverte to sales rebate. However, the extent of subsidisation has been reduced from 20 per cent to 10 per cent. Khadi and Village Industries Commission has also evolved the system of-breaking the spells for special sales rebate which has also helped in sales promotion. The period of special sales rebate is also linked with the local requirements.

(4) *Cotton Purchase*:

To enable the institutions to have cotton of desired quality at reasonable prices, Khadi and Village Industries Commission strengthen all its cotton purchase arrangements. It ascertains the annual requirements of cotton of different institutions. KVIC has made arrangements with the banks by obtaining cash credit facility. In 1978-79 under the system of .cotton purchase arrangements KVIC procured cotton of Rs. 8 crores and supplied to different institutions. Similarly, KVIC imported merino wool for its woollen khadi activity of Rs. 75 lakhs for which also institutional finance was available of. This has helped in creation of employment oportunities in hilly areas of the country.

(5) *Institutional Finance*:

For procurement of raw materials viz., cotton and wool, Khadi & Village Industries Commission has entered into cash credit arrangements with three banks (State Bank of India, Punjab National Bank and Allahabad Bank) for an aggregate amount of Rs. 9.30 crores. With effect from 1-4-1977 the comprehensive interest subsidy scheme has been introduced. Under the scheme, khadi institutions are provided working capital and capital expenditure resources. In 1978-79 khadi institutions and State Boards were sanctioned eligibility of Rs. 5.40 crores by Khadi and Village Industries Commission (for khadi). Around Rs. 3.00 crores have been availed of. To some extent, the institutional finance has been able to bridge the resource gap.

(6) *Accepted Tender Supplies*:

In 1978-79 sales under Accepted Tender Supplies constituted 5 per cent in the tital sales of khadi. In A. T. sales the share of woollen khadi was Rs. 1.76 crores and cotton khadi Rs. 2.38 crores. In the past, there were difficulties in the absence of firm orders from Director General, Supply and Disposal. KVIC has now been able to get firm orders from the Government. There are certain problems regarding specifications, price preference etc. which are being examined at higher level. KVIC is also pursuading the State Governments and other public sector undertakings for according purchase preference to khadi.

(7) *Improvements in Marketing*:

In the field of marketing khadi, KVIC has taken a number of steps as:

(i) improvement in manufacture of readymade garments in khadi for which demand is on the increase;

(ii) improvement in dyeing and printing. The demand for printed varieties is on the increase;

(iii) renovation of bhandars and bhavans and opening of new sales outlets;

(iv) obtaining facility of cash assistance for exports of khadi and KVIC has been recognised as a registering authority for exporters;

(v) popularising the emblem and standardising the name plates of khadi bhandars/bhavans;

(vi) participation in various exhibitions with live demonstration on manufacture of khadi;

(vii) popularising the designs for printed varieties amongst institutions;

(viii) KVIC has also requested the Government phased reservation for some khadi products like Nivar, towels, kerchiefs, dusters, barrack blankets etc. is also being examined.

(8) *Servicing facilities for institutions engaged in manufacture of Khadi:*

KVIC has strengthened its servicing facilities especially repairs, supply of spare parts, supervision etc. The waiting period of the institutions in getting the spare parts has considerably been reduced due to the establishment of godowns at State offices.

(9) In the field of technical support, KVIC has posted its technical staff in various State Offices to personally attend to the problems faced by these institutions. KVIC has introduced improved card scutcher and not spinning wherein the open end principle is followed. Recently KVIC has developed a charkha for weaving woollen yarn.

(10) The training inputs for the institutions especially on financial management, organisation etc., is provided by the KVIC's training institutions.

(11) *Studies Undertaken:*

After 1972, KVIC undertook the following important studies for khadi:—

(i) Socio-economic study of spinners engaged in New Model Charkhas;

(ii) Working capital study of khadi;

(iii) Panel appointed by National Council of Science and Technology to study technological problems of khadi and formulate Science and Technology proposals;

(iv) Committee to study application of labour laws to KVI;

(v) Khadi marketing by Indian Institute of Management;

(vi) Study on improvements in quality of khadi;

(vii) Committee to examine problems being faced in connection with Khadi Development Programme;

(viii) Cotton purchases by a consultancy firm of Bombay;

(ix) Khadi Marketing by Industrial Development Services, New Delhi. In addition, the various problems are studied by the KVIC from time to time;

(x) Study of the Peoples Education Programme which *inter-alia* examined training of spinners, weavers and managerial staff of khadi institutions.

(12) *Science and Technology Proposals*:

In the light of the recommendations made by the Panel on Khadi appointed by the National Council of Science and Technology a number of Science and Technology schemes were launched for which a special provision was made in the Annual Plan for KVIC."

66. When asked to indicate the reasons for sharp decline in production of khadi and employment of persons in 1973-74, the Ministry stated as below:

"The following table furnishes a comparative position in respect of production and employment in 1972-73 and 1973-74:—

Production (Quantity: Lakh sq. metres
Value: Rs. in lakhs)

Sl. No.	Variety of Khadi	1972-73		1973-74	
		Qty.	Value	Qty.	Value
1	Cotton	493·25	2098·46	478·19	2169·99
2	Woollen	69·36	729·33	57·27	724·78
3	Silk	19·61	330·45	81·73	377·63
	TOTAL	582·22	3158·24	557·19	3272·40

Employment (Lakh persons)

Sl. No.	Variety of khadi	1972-73			1973-74		
		Full time	Part time	Total	Fill time	Part time	Total
1	Cotton	0·99	7·31	8·30	0·86	6·56	7·42
2	Woollen	0·16	1·23	1·39	0·12	0·98	1·10
3	Silk	0·11	0·19	0·30	0·09	0·23	0·32

It will be seen that although there was decline in quantity in terms of value the production reflected an increase. The decrease in quantity was in cotton and woollen sectors. It may be stated that broadly the fluctuating trend in khadi production during 1971-72 to 1975-76 was by and large in conformity with the overall textile trend because of problems of raw materials and overall price rise.

Since 1975-76 the trend in khadi is one of continuous increase. It may be pointed out that the decline in cloth output in cotton in 1973-74 was visible both in mill and the decentralised sectors. Cloth production in the mill sector went down by 1.79 per cent to from 4,245 million metres to 4,196 million metres. But the decline was more in the decentralised sector viz. 4.63 per cent, its output having declined from 3,777 million metres in 1972 to 3,602 million metres in 1973. In cotton khadi the decline was around 3 per cent. (Source page 1 of Indian Textile Bulletin Annual 1978). The woollen industry (both organised and decentralised sector) passed through a critical period during 1973 because of rapid fluctuations and increase in the price of yarn in the international market. In woollen fabrics, the wearable, non-wearable and hosiery production in 1973 was 17,952 (thousand metres) 4386 (thousand kgs.) and 1502 (thousand kgs.) as against 25,404 (thousand metres) 7305 (thousand kgs.) and 2132 (thousand kgs.) in 1972 (Source page 47 of Indian Textile Bulletin Annual 1978). The decline ranged from 29 to 40 per cent."

67. As to the measures adopted to correct the imbalances in the development of khadi among different States and the programmes that were sponsored in the uncovered areas, the Ministry informed the Committee thus:

"In 1978-79, in cotton khadi the following States had important share:—

(i) Uttar Pradesh 24 per cent, (ii) Tamil Nadu 23 per cent, (iii) Gujarat 9 per cent, (iv) Bihar 9 per cent, (v) Karnataka 8 per cent, (vi) Andhra Pradesh 7 per cent, (vii) Punjab 6 per cent, (viii) Rajasthan 5 per cent, (ix) Kerala 3 per cent and (x) Haryana 2 per cent. In woollen khadi the following States had predominant role:—

(i) Rajasthan 45 per cent, (ii) Uttar Pradesh 19 per cent, (iii) Punjab 6 per cent, (iv) Haryana 5 per cent, (v) Jammu and Kashmir 4 per cent. In Silk Khadi (i) West Bengal 56 per cent, (ii) U.P. 10 per cent, (iii) Tamil Nadu 9 per cent, (iv) Bihar 8 per cent, (v) Karnataka 2 per cent and (vi) Assam 6 per cent had their respective shares. It may be clarified that khadi activity is extremely dispersed and requires the support of the institutional infrastructure. The rate of expansion is obviously faster in States where such institutional infrastructure exists. Another factor which plays an important role is the suitability of region for initiating an activity. Accepting the above position, it has been the endeavour of the KVIC to spread its khadi activity to all the parts of the country. For the purpose, it has formulated a pattern of assistance under which the newly formed institutions are entitled to get management grant in the initial years. KVIC also provides capital formation loan to widen the equity base of such agencies. Under its integrated development programme, KVIC encourages the local people to form an institution which could take up khadi activity. It also encourages the existing institutions to spread their activity either by decentralisation or by opening up units in virgin areas. For extending KVI activities in hill, border and tribal areas, KVIC has formulated a liberalised pattern of assistance under which the assistance for tools, equipment and implements is provided at 100 per cent grant to institutions and at 75 per cent grant to individuals. There is also grant element in expenditure on construction. For normal programme of khadi, there is no grant element either for distribution of tools and equipment, implements or construction i.e. the capital investment."

68. The Committee note from the foregoing that the production of khadi went up to a peak level of 848. 54 lakh square metre of cloth in 1965-66, but there was a sharp decline in production to 557.19 lakh square metres in 1973-74. The production of khadi rose to 715.05 lakh square metres in 1978-79, but this was still lower than the production level achieved in 1965-66. To arrest the decline in production, the Commission introduced new model charkhas (NMCs) of which 3 lakh units were to be introduced by 1973-74; but only 1.15 lakhs NMCs were actually introduced upto 1978-79. In addition, the khadi industry already had 0.87 lakh traditional and 3.78 lakhs Amber charkhas distributed by the Commission during 1953-54 to 1962-63.

69. The Committee see from Audit para that information about the extent of utilisation of these charkhas was not available with the Commission. However, according to a study conducted by the Indian Institute of Management, Ahmedabad in April, 1976, "the charkhas and looms in the khadi sector were utilised at levels not higher than 30 per cent." The Commission had stated in December 1979 that due to steep rise in cost, it became necessary to contain production in "less sufficient and less traditional charkhas" and to switch over to the improved models of charkhas and that the switch over had, necessarily, to be gradual.

70. Considering the level of production of khadi achieved during the course of implementation of various Plans, particularly during the Fourth Plan (1973-74), the Committee feel extremely

dissatisfied about the performance of the Commission in this area which is of great importance in improving the economic level of the weaker sections of society in rural India by providing them employment and harnessing the working capacity of people lying idle. It is most unfortunate that inspite of enormous funds and manpower at the disposal of the Commission the production of khadi was on sharp decline from 1965-66 to 1973-74 and even thereafter there has been no substantial improvement. The Committee are not convinced with the explanation of the Ministry that technological gap which existed during the period 1965-66 to 1970-71 was to some extent responsible for fall in production. The Committee feel that if the production of khadi with the traditional charkhas could be as high as 848 lakh square metres in 1965-66, there was no reason for its reduced production continuously for more than 13 years in spite of the fact of introduction of improved charkhas (NMCs) at a cost of Rs. 8.01 crores. This clearly indicates that the Commission has neither been able to mobilise necessary organisational infrastructure and manpower nor create necessary interest in the people to take to khadi production and development.

71. The Committee regret to note that in reply to a pointed question directed to elicit reasons for sharp decline in production of khadi and employment of persons in 1973-74 vis-a-vis 1972-73, the Ministry instead of stating the causes has endeavoured to narrate comparative facts about production and employment by comparing khadi production with mill made cloth and also appear to draw comfort from the fact that although there was decline in term of value, the production reflected an increase.

The Committee consider it regrettable that there was "utilisation of charkhas and looms in khadi sector at levels not higher than 30 per cent" when it is of public knowledge that unemployment in economically weaker sections of society, both rural and urban had been increasing. This shows that there have been some deficiencies in the distribution and utilisation of charkhas and looms. Otherwise, the level of utilisation of charkhas and looms could not be as low as 30 per cent. The Committee therefore recommend that the causes of such low utilisation should be enquired into in depth and effective organisational and motivational steps taken to see that khadi production is commensurate with the huge amounts of money being spent by the Commission.

72. In this context, the Committee note that the Commission had decided to contain production in "less efficient and less remunerative traditional charkhas" even when it could not provide projected number of improved models of charkhas. The Committee

has also been told that the Commission did not even possess any information about the percentage utilisation of charkhas and looms in khadi industry. The Committee do not know at what level and in what background the decision to contain production on traditional charkhas was taken. The Committee are not averse to the utilization of the improved varieties of charkhas, but the real causes for the limping development of khadi industry should be gone into and identified.

73. So far as the promotion of employment is concerned the Committee note that the level of employment of 18.95 lakh persons in 1965-66 was the highest but there was a steep fall in employment to 8.04 lakh persons in 1973-74. According to target fixed for the Fifth Plan, it was proposed to increase employment to 10.23 lakh persons by 1977-78. However, the number of persons actually employed in 1977-78 was 9.22 lakhs only. Again, in 1977-78 the actual employment was 10.34 lakhs only as against the target of 11.28 lakhs. Since the employment opportunities on khadi are directly related to actual production of khadi, the Committee would once again stress the need for going into the reasons for shortfall in production and taking appropriate measures to remove whatever hurdles are in the way.

D. Development of Village Industries

74. As pointed out by Audit during 1953-54 to 1978-79 the Commission disbursed Rs. 153.60 crores (Rs. 42.33 crores as against grants and Rs 111.27 crores as loans) to the State Boards, registered institutions, co-operative societies and inrdividuals for assisting 21 industries in the various States. The following table shows the performance under village industries in regard to production and employment during various Plan periods.

Annual level attained at the end of	Production	Employment		Total
	(In crores of rupees)	Full Part Time	Part Time	
		(in lakhs of persons)		
First Plan (1955-56)	10.93	0.08	2.98	3.06
Second Plan (1960-61)	33.10	0.73	6.08	6.81
Third Plan (1965-66)	55.87	0.81	7.96	8.77
Annual Plan (1968-69)	75.12	0.79	6.93	7.72
Fourth Plan (1973-74)	122.40	1.31	7.96	9.27
Fifth Plan (Upto 1977-78)	192.54	4.15	11.79	14.94
(Upto 1978-79)	242.97	5.04	9.92	14.96

As against the total investment of Rs. 153.60 crores, the level of production in 1978-79 was Rs. 242.97 crores.

The level of production and employment of persons in respect of two major village industries, namely,

Ghani Oil and Hand-made Paper at the end of various Plan periods are indicated below:

Village industry	First Plan (1955-56)	Second Plan (1960-61)	Third Plan (1965-66)	Annual Plan (1968-69)	Fourth Plan (1973-74)	Fifth (Upto (1977-78)	Plan (Upto (1978-(79)
1	2	3	4	5	6	7	8
Ghani Oil							
(a) Assistance paid during the plan period (in lakhs of rupees)							
Loan	19.47	374.99	650.16	380.35	594.29	517.47	186.07
Grant	11.53	157.51	165.65	39.56	31.90	28.77	11.54
(b) Production (In lakhs of quintals at the end of plan period)							
(i) Oil	N.A.	5.87	5.01	3.84	3.23	3.35	5.06
(ii) Oilcakes	N.A.	8.44	7.30	5.34	5.31	4.86	5.99
		14.31	12.31	9.18	8.54	8.21	11.05
(c) Employment (In lakhs of persons at the end of plan period)							
(i) Full time	N.A.	0.34	0.22	0.23	0.23	0.19	0.22
(ii) Part time	N.A.	0.17	0.12	0.11	0.10	0.15	0.19
		0.51	0.34	0.34	0.33	0.34	0.41
II. Hand made paper							
(a) Assistance paid during the plan period (In lakhs of rupees)							
Loan	6.52	55.00	71.35	31.46	30.49	94.79	23.44
Grant	5.82	46.00	40.91	9.28	9.82	13.07	2.37

1	2	3	4	5	6	7	8
(b) Production in lakhs of quintals at the end of Plan period) .	0·07	0.13	0·20	0·28	0·33	0·43	0.56
(c) Employment (in persons at the end of plan period)							
(i) Full time	2,347	4,127	3,773	3,901	3,382	3,770	4,191
(ii) Part time	..	1,840	981	610	740	766	850
	2,047	5,967	4,754	4,511	4,122	4,536	5,041

N.A. Not available.

75. Audit has pointed out that 90 per cent of the total production was accounted for by 11 States alone *viz*., Uttar Pradesh (18 per cent), Tamil Nadu (17 per cent), Karnataka (7 per cent), Bihar (6 per cent), Rajasthan (5 per cent), Haryana (4 per cent), Punjab (4 per cent), Kerala (5 per cent), Maharashtra (14 per cent) Andhra Pradesh (5 per cent) and Gujarat (5 per cent).

76. As to the steps taken to correct the imbalance among different States and to promote village industries in the uncovered areas and to generate employment, the Ministry stated:

"It is correct that the activities of Khadi and Village Industries Commission, particularly village Industries have not spread in a uniform manner in all parts of the country. Some of the States like Gujarat, Tamil Nadu, Kerala, Maharashtra and Rajasthan are doing quite well in this sphere. On the other hand, there are States like Bihar, Uttar Pradesh, West Bengal, Punjab and Andhra Pradesh where the performance of the State Khadi and Village Industries Boards is not upto the desired standard. There are a number of reasons for this *e.g.* availability of raw-material and skill (local), availability of the infrastructural support etc. Certain historical factors are also responsible for the development of the Khadi and Village Industries programmes in States like Maharashtra, Gujarat and Tamil Nadu more as compared to other States.

The Khadi and Village Industries programmes, however, possess a great potential for generating employment in the rural and backward areas of the country. The activities are particularly suited to the weaker sections of the society. Taking these factors into account, it has now been decided that 50 families in each of the 5011 blocks in the country every year will be covered under the Khadi and Village Industries programmes. The Khadi and Village Industries Commission has also been advised to set up departmental units in backward regions of the country, where private individuals/institutions may not be forthcoming to take up these activities."

(i) *Ghani Oil Industry*

77. During 1953-54 to 1978-79, the Commission disbursed Rs. 31.69 crores (Rs. 4.46 crores as grants and Rs. 27.23 crores as loans) to the State Boards, cooperative societies and registered institutions for development of ghani oil industry unsing bullock driven, manually operated or power ghanis; this accounted for 21 per cent of the total assistance given by the Commission for development of 21 industries within its purview. Upto 1978-79, the Commission had assisted operation of 23,094 improved and 7,144 power ghanis in various States. It would be seen that the production of oil and oil-cakes had decreased from 5.87 lakh quintals and 8.44 lakh quintals in 1960-61 to 5.06 lakh quintals and 5.99 lakh quintals in 1978-79 respectively even though 7,144 power ghanis (involving a loan of Rs. 3.35 crores approximately to the implementing agencies) were introduced during 1971-72 to 1978-79. The decline in production was attributed (December 1979) by the Commission mainly to non-utilisation of the ghanis to full capacity, under-utilisation being 25 to 30 per cent. As against 4,498 co-operative societies and 783 registered institutions assisted, only 1489 cooperative societies and 212 registered institutions reported about their functioning at the end of 1978-79,

78. As on 31st March 1977, the Commission's funds amounting to Rs. 176.32 lakhs were locked up with the defunct units. Legal action was, however, stated to have been initiated for recovery of Rs. 80.99 lakhs up to February 1978. The level of employment decreased from 0.51 lakh persons (1960-61) to 0.41 lakh persons (1978-79). While reviewing the working of this industry, the Commission in its 253rd meeting held on 27th February 1978, observed that "this progromme had to face innumerable difficulties due to paucity of working funds and risks involved because of the highly monopolised character of the trade in oil seeds........"

79. The Committee note that realising the importance of khadi and village industries programmes in its great potential for generating employment in the rural and backward areas of the country and particularly for improving economic life of weaker sections of the society, the Government has deciled that 50 families in each of the 5,011 blocks in the country will be covered every year under the khadi and village industries programmes. The Commission has also been advised to set up departmental units in the backward regions of the country, where private individuals/institutions may not be forthcoming to take up these activities. Under the Sixth Five Year Plan the production target for village industry has been fixed at Rs. 1,000 crores against Rs. 200 crores for khadi. The total employment target for khadi and village industries sector has been fixed at 50.50 lakh persons; of this 35.1 lakh persons will be employed in village industries which, according to Government reckoning, would provide jobs to about 20 lakh more persons in the final year of the Sixth Plan and that 50 per cent of the total additional employment opportunities are liktly to go to the weaker sections of the society e.g. Scheduled Castes, Scheduled Tribes and women.

80. The Committee would like to caution the Government that it is quite an ambitious programme and unless the Commission end the State Governments mobilise people, provide necessary field organisation and take concrete measures, it may be difficult to achieve/desired results. The Committee would therefore like that the progress of its implementation should be monitored by the Commission every quarter.

81. The Committee note from the Audit para that during the period from 1953-54 to 1978-79, the Commission disbursed Rs. 31.69 crores (4.46 crores as grants and Rs. 27.23 crores as loans) to State Boards, cooperative societies and registered institutions for development of ghani oil industry. This amount constituted more than one fifth of the total assistance given by the Commission for development of 21 industries within its purview. The Commission had assisted operation of 23,094 improved and 7,144 power ghanis in various States. However, the Committee find that production of oil had decreased from 5.87 lakh quintals in 1960-61 to 5.06 lakh quintals in 1978-79 and during the same period the production of oilcakes decreased from 8.44 lakh quintals to 5.99 lakh quintals. This decrease in production occurred inspite of the fact that 7,144 power ghanis involving a loan of Rs. 3.35 crores approximately to the implementing agencies, were introduced during 1971-72 to 1978-79.

82. The decline in production of oil and oilcakes was attributed in December 1979 by the Commission mainly to non-utilisation of the ghanis to full capacity, the under-utilisation being to the extent of 25 to 30 per cent. The Government proposes to remove the handicap faced by unorganised ghani sector regarding difficulty in getting regular, uninterrupted oil seeds supply at reasenable prices by providing the required organisational and financial assistance for stocking of oil seeds during the season. The Committee hope that the Government and the Commission will look after well this village industry which is vital for the life of rural people, by removing the hurlles coming in the way of its development, particularly, the monopolised character of the trade in oil seeds. The Committe recommend that if necessary Government should not hesitate in taking legislative measures as well to protect and promote the ghani oil industry.

(ii) *Gobar* (*Methane*) *Gas*

83. During the period from 1961-62 to 1978-79, the Commission had disbursed Rs. 6.89 crores for installing Gobar Gas Plants. The loans advanced by the banks during the period from 1974-75 and 1976-77 for installing Gobar Gas Plants amounted to Rs. 5.01 crores. During the period of 12 years from 1961-62 to 1973-74 only 0.07 lakh plants were installed in the country. In view of the oil crisis and relatively slow rate of growth of rural electrification Government approved in 1975 a comprehensive programme envisaging installation of one lakh plants in the country during 1974-75 to 1978-79. However as against the target 0.69 lakh plants were installed upto 1978-79.

84. Explaining the role played by the Commission, the banks and other agencies in installation of Gobar Gas Plants and providing technical and other facilities therefor, the Ministry stated:

> "Khadi and Village Industries Commission is the apex body at the National level to look after the promotion, development and implementation of Gobar Gas Scheme. Khadi and Village Industries Commission provides free technical assistance to the beneficieries in installing the gas plants (survey and deciding the size of gas plant selecting of site, construction of digester fabrication of gas holder, commissioning and initial operation of the plant). This is done through the technical staff posted in various states and also the trained self employed workers. Khadi and Village Industries Commission also does the coordination work with banks and other Government departments in

expanding the Gobar gas work and provides training to educated unemployed persons who in turn give technical guidance to the farmers. Some publicity work is also undertaken by Khadi and Village Industries Commission. The Research and development work to improve efficiency and bring down the cost of gas plants and stocking and supply of source materials like iron and steel and cement is also attended to by the Commission.

The Bank's main function in relation to Gobar Gas scheme is to sanction loan to the beneficiaries for installation of gas plants. In some of the states the Banks are playing a promotive role also. The other agencies having a role in this programme are:—

(i) Research Institutions which are working on improved designs and alternate construction materials, feed stock and micro-biological studies;

(ii) State Khadi and Village Industries Board some of which render similar services as the Commission within the concerned state;

(iii) State Government organisation like State Agro Industries Corporation who actively help in setting up Gobar Gas plants; and

(iv) Khadi and Village Industries Institutions and other institutions which are operating demonstration plants of the community type and other large plants for trying out various uses of the plants *e.g.* generation of electricity, operation of pump-sets and other machines."

85. Detailing the steps taken to solve the problems raised in the Reserved Bank of India's Report (1979) and to accelerate the progress of setting up Gobar Gas Plants and also the number of such plants set up so far, the Ministry stated as under:

"Number of gas plants installed in the country as on 31-3-1980 is 80,113. Some of the important problems raised in the Reserve Bank of India's report (1976) and the action taken by the Khadi and Village Industries Board are as follows:

I. *Operational Problems*:

(i) Rusting of gas holders.

In order to prevent, rusting, the owners are advised to apply paint periodically. Under Research and Development project, alternate materials like ferrocement, HDP and fibre glass are being tried in place of M.S. sheets, and the performance, cost etc. are under evaluation.

(ii) The Indian desing (KVIC) of the Bobar gas Plant is simple to instal and easy to operate. Still some items such as removal of condensed water in gas pipe line, etc. are to be attended to by the owner. This is being attended to, by the gas plant owners without much difficulty. Some guide lines regarding operation of the gas plants, are printed on the back side of the completion certificate of the plant, a copy of which is given to the owner.

II. *Organisational problems*:

(i) One of the findings of the group of Reserve Bank of India was that there was inadequacy of technical staff under Khadi and Village Industries Commission. The KVIC has been gradually increasing the staff by recruiting additional technical personnel. If the size of the programme as included in the 6th plan demands extra staff, recruitments would be made accordingly. At present the construction of digesters in brick masonary takes 8 to 10 days. The same digester for the plants of smaller capacities can be completed in one day if the digester rings are prefabricated using ferrocement. By this process a large number of plants can be established in clusters over a short period, without much addition to the staff.

III. *Trainings*:

The Khadi & Village Industries Commission is providing on the job training to the educated unemployed persons under "supervision charge" scheme. These persons are issued certificates authorising them to work as Trained Workers. They are paid Rs. 180/- for each plant supervised by them. About 1,600 persons are so far trained under the scheme.

IV. *Raw materials*:

Cement and Steel are the 2 main raw materials needed for installation of gas plants which are scarce commodities. The Government of India is allotting the required quantity of cement on priority basis to Khadi & Village Industries Commission for gobar gas work. The KVIC has made necessary arrangements for procurement, storing and distribution of cement. About Steel, satisfactory arrangements for procurement of steel in the required quantity is still to be made.

V. *Research and development*:

The Khadi & Village Industries Commission has initiated research work to bring down the cost of gas plants. Alternate materials and techniques are being tried for digesters and gas holders. It is found that ferrocement digester would bring down the cost to some extent. Though it has been possible to manufacture ferrocement gas holders, in large scale manufacture small leakages are noticed. Steps are being taken to perfect the technique.

Research work is affect to devise different digestion periods for different regions of the country depending on the climatic conditions. Thus in hotter regions of Commission may be able to have smaller digesters which would bring down the cost. Alternate materials like HDP, Fibre glass are being tried for gas holders.

VI. *Other points*:

Regarding lack of awareness Khadi & Village Industries Commission puts up plants for demonstration purposes and in exhibitions, Films have also been produced. It is felt that the best means of popularising are creating awareness about the programme would be to set up plants which work satisfactorily in as many villages as possible. Regarding follow up service, Commission's "supervision charge" scheme provides free follow up service by the trained agent for one year."

86. As regards the programme for installation of gober gas plants sponsored by the Commission, the Committee note that the Commission had disbursed by way of subsidies and loans a total amount of Rs. 689.31 lakhs during the period from 1961-62 to 1978-79. The bank loans advanced for this programme during 1974-75 and 1975-76 amounted to Rs. 501.86 lakhs. During the period of 12 years from 1961-62 to 1973-74 only 0.07 lakh plants were installed in the country. Although Government had approved in 1975 a comprehensive programme envisaging installation of one lakh gober gas plants in the country during 1974-75 to 1978-79, only 0.69 lakh plants were installed upto 1978-79. Thus against a total of Rs. 689.31 lakhs disbursed as loan during 1961-62 to 1978-79 only 69 thousand gas plants had been installed. As on 31-3-1980, however, the figure stated to be is 80,113 gas plants. In March 1979, the Commission stated that there were 5,70,000 villages in India. Even assuming that, on an average 5 gas plants can be constructed in each village, there is possibility of constructing 28.5 lakh gas plants.

87. Considering the immense importance of gober gas plants in the development of rural economy of the country which has been made more difficult due to oil crisis and retarded growth of rural electrification, the Committee consider that the objective of setting up 28.5 lakh gas plants is not at all high. The past performance of the Commission in this field has however been very poor. (In 19 years time the number of gas plants installed was only 80,113). This shows that the Commission had not taken adequate steps in the past to enable people to instal gobar gas plants. The Reserve Bank of India has drawn attention to some of the handicaps in achieving substantial progress. The Committee consider it imperative that proper organizational abilities and infrastructural facilities be immediately provided so that the aforesaid modest objective of installing 28.5 lakh gas plants is achieved. The Committee recognise the problems faced in the implementation of schemes for installation of gobar gas plants as pointed out by the Reserve Bank of India in its Report. The Committee trust that the Commission would take up this programme in right earnest and get over the handicaps pointed out in the Reserve Bank Report soon.

E. Exhibitions

88. During 1957-58 to 1978-79, the Commission paid grants totalling Rs. 274.34 lakhs for organising exhibitions, but it had no consolidated record to indicate the number of exhibitions actually held from time to time, accounts and reports received in respect of the exhibitions and the unspent balances, if any, refunded or to be refunded to the Commission. During the course of a test audit check made in September 1979 of individual files dealing with about 100 exhibitions the following revelations were made:

(a) Although one of the conditions of grants was that the reports of the exhibitions should be sent within one month of the holding of the exhibition, followed by audited statements of accounts within six months, no reports and accounts had been received in respect of 45 exhibitions (total grant paid: Rs. 29.13 lakhs). Of these, grants of Rs. 15.75 lakhs for organising 25 exhibitions were released prior to 1968-69.

(b) During 1971-72 to 1973-74, grants totalling Rs. 8.69 lakhs were released by the Commission to five State Boards, despite the fact that these State Boards had not rendered any accounts for grants amounting to Rs. 15.14 lakhs released to them during 1956-57 to 1969-70.

(c) In 4 cases, the State Boards had neither rendered the accounts nor refunded the unspent balances to the Commission so far (December 1979) in respect of the grants amounting to Rs. 1.69 lakhs paid to them during 1958-59 to 1972-73. Of this, Rs. 1.43 lakhs related to exhibitions held prior to 1969-70.

(d) An institution, which participated in one of the exhibitions organised by the Commission itself (on a site belonging to the Ministry of Education) during July 1969 to October 1970, was paid a loan of Rs. 6.86 lakhs. It incurred a trading loss of Rs. 1.65 lakhs. It had constructed, at a cost of Rs. 2.82 lakhs, a sale pavilion, residential quarters, canteen, etc. at the exhibition site. On the conclusion of the exhibition, the institution transferred these assets to the Ministry of Education without the prior permission of the Commission. At the request of the institution, the Commission converted into grant of loan to the extent of Rs. 2.23 lakhs (Rs. 0.82 lakh in January 1976 and Rs. 1.41 lakhs in November 1977) representing 50 per cent of the trading loss of Rs. 1.65 lakhs and construction cost of Rs. 2.82 lakhs. After adjusting this grant of Rs. 2.23 lakhs and part repayment of the loan of Rs. 2.34 lakhs by the institution, the amount still recoverable from the institution was Rs. 2.29 lakhs. This amount had not been recovered so far (September 1979).

89. The Committee desired to know as to why no consolidated record of evaluation, accounts, reports, etc. relatable to various exhibitions sponsored out of the funds of the Commission were kept. The Ministry stated:

"All disbursements made for holding of exhibitions are recorded in a separate register. In this very register, information about the receipt of reports and accounts in respect of each exhibition is recorded. The recovery of unspent balances, if any, out of grants paid for holding of exhibitions is also watched through these registers. In view of this position these registers can be considered to serve the purpose of a consolidated record of accounts, reports, etc., in respect of exhibitions for which funds are disbursed by the Commission.

The annual reports of the Commission review and provide a total picture about the funds sanctioned for the exhibitions during a year, types of exhibitions (All India big, state-level, medium and small exhibitions) for which funds are sanctioned during the year as also the impact particularly of direct participation of the Commission in big exhibitions such as Asia 1972 exhibition, Silver Jubilee Celeberation Exhibition, Agri-Expo 1977, etc...."

90. The delay in preparation of accounts was commented upon by the Public Accounts Committee in its very first report on Khadi and Village Industries Commission *vis* in the 49th Report (1965-66) in the following words:

"The Committee are distressed to note the abnormal delay (in some cases of about 10 years) in preparing the accounts relating to the exhibitions held long long ago. They suggest that the Commission should take serious notice of such lapses in preparation of accounts. The Committee also note from reply to Question No. 25 (ii) (Appendix XXV) that a manual of procedure for the conduct of exhibitions financially assisted by the Commission is under preparation. They would like this work to be expedited and steps taken to ensure that the authorities concerned follow the procedure laid down in the mannual."

91. Government while intimating action on the recommendation had stated as follows (*vide* 8th Report):

"Noted. The Commission has since taken a decision that no exhibition will be conducted save in exceptional circumstances, such as promotion of sales. The Commission has been advised to expedite the completion of this manual with a view to the strict observance of its provisions.

Against 435 exhibition accounts due, 300 have been settled. Efforts are being made to expedite the remaining 135 and it is hoped that a substantial number out of these will also be cleared within the next few months."

92. The Committee find that the Commission spent Rs. 2.74 crores for organisation of exhibitions during 1957-58 to 1978-79. The Audit found that consolidated records of exhibition, accounts, reports, unspent balance and amounts refunded or to be refunded were not kept by the Commission. As pointed out by Audit, accounts for Rs. 20.13 lakhs in respect of 45 exhibitions were not received by the Commission; a grant of Rs. 8.69 lakhs was given to 5 State Boards during 1971-72 to 1973-74 despite their failure to render any accounts for grants amounting to Rs. 15.14 lakhs given to them earlier; in 4 cases

State Boards did not render any account nor refunded unspent balance amount against a grant of Rs. 1.69 lakhs paid to them; another institution was paid a loan of Rs. 6.86 lakhs during July 1969 to October 1970 and then part of this loan amounting to Rs. 2.23 lakhs was converted into grant of loan, still an amount of Rs. 2.29 lakhs remained recoverable from the institution till September 1979. To a pointed question by the Committee asking the reasons for not maintaining proper records by the Commission about the moneys spent on exhibitions, the Ministry have given an evasive reply saying that separate registers are maintained about all the disbursements made for holding exhibitions. Information about the receipt of the report and accounts in respect of each exhibition is recorded there and "the recovery of unspent balance......is also watched through these registers......these registers can be considered to serve the purpose of a consolidated record of accounts, reports, etc. in respect of exhibitions for which funds are disbursed by the Commission".

93. The inadequacies in maintenance of accounts of exhibitions was commented upon by the PAC as early as in 1965-66. Government had, while accepting the Committee's recommendation on the subject, assured the Committee that steps would be taken to lay down proper procedure through manual. The Committee are therefore surprised that Government have treated disbursement registers adequate and no consolidated records of evaluation, accounts, reports and refunds etc. have been maintained. The Committee recommend that Commission should take immediate steps in consultation with C&AG to put its account records in proper shape. The Committee also desire the Commission to get the pending recoveries effected from the State Boards/Institutions in respect of moneys given for holding exhibitions.

F. Trading activities

(i) *Non-finalization of accounts*

94. Audit has pointed out that as on 31st March, 1979. there were about 30 trading units with a total capital investment of Rs. 47 lakhs, which had either been closed down or transferred to various private institutions. The accounts of these institutions had not been finalised by the Commission. According to Audit substantial

capital investment by the Commission outstanding against some of these trading units as on 31st March 1979 is shown below:

Name of the units	Date of closure/transfer	Capital investment (In lakhs of rupees)
Director of Trading Activities, Calcutta	October 1962	12·62
Trading operations, Kakinada	March [illegible]	14·00
Cannanore scheme	*March* [illegible]	1·60
Khadi Gramodyog Bhawan, Bangalore	October 1969	2·33
Handmade paper, Dehradun	January 1974	1·23
Khadi Production Centre, Rampur (Assam)	May 1974	5·01
Processing of Cereals & Pulses Industry, Sonepur	N. A.	5·81

95. The Public Accounts Committee in their 93rd Report (5th Lok Sabha) had expressed their dissatisfaction over non-finalisation of accounts of trading units closed or transferred for a considerable long period of time in the following words:

> "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."

96. In the Action Taken notes furnished by the Ministry concerned on 7th Feb., 1974, the Committee were informed (*vide* 132 Report of PAC, 5th Lok Sabha) thus:

> "The matter regarding the finalisation of accounts of closed/transferred departmental units is receiving special attention. The concerned Industry/Programme Directors have already been advised to take immediate action for finalisation of these accounts. A separate Cell has also been created in the Internal Audit Wing to coordinate this

work. The recommendations of Public Accounts Committee have been communicated to the concerned heads of departmental units for compliance under letter No. IA/Genl./II/PAC, dated 20th June, 1973 (copy enclosed).

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

(ii) *Balance Sheet:*

97. A summary of balance sheets as on 31st March, 1969, 1974 and 1979 is given below:

Balance Sheet as at 31st March

	Khadi			Village Industries		
	1969	1974	1979	1969	1974	1979
1	2	3	4	5	6	7
						(In Lakhs of rupees)
Assets:						
Fixed assets . .	10·76	16·59	47·08	5·99	9·68	17·32
Sundry debters .	267·39	381·33	896·23	13·49	69·82	68·70
Stock deficits . .	4·07	12·43	13·64	0·11	0·09	1·17
Thefts & losses .	0·35	1·27	1·53	..	0·18	0·21
Closing stock . .	234·71	234·13	686·76	14·94	37·02	110·68
Cash balance . .	72·68	156·08	314·27	24·12	46·18	87·30
Other assets . .	183·68	155·20	443·34	25·04	24·03	142·68
	773·64	957·03	2402·84	83·69	187·88	428·06

1	2	3	4	5	6	7
Liabilities:						
Capital . . .	591·29	696·33	1356·24	58·99	137·55	261·94
Cumulative profit (+)/ loss (—) . .	—42·84	—57·37	—26·08	—0·33	0·63	21·21
Net capital	548·45	638·96	1330·16	58·66	138·18	283·15
Sundry creditors	90·66	172·96	676·26	20·06	27·84	51·35
Other liabilities and provisions . .	134·53	145·11	396·42	4·97	21·86	93·56
	773·64	957·08	2402·84	83·69	187·88	428·06
Net profit (+)/ losss(—)	1968-69 —7·70	1973-74 —15·77	1978-79 +10·31	1968-69 —0·32	1973-74 +1·39	1978-79 +8·22

98. The Committee find that as on 31st March, 1979, 30 trading units with a total capital investment of Rs. 47 lakhs had been either closed down or transferred to various private institutions without finalising their accounts. Some of these units closed/transferred also figured in the 93rd Report of Public Accounts Committee referred to above. The Committee regret to note that although the Ministry concerned had informed the Committee in Action Taken Notes as early as February 1974 that a separate Cell had been created in the Internal Audit Wing to coordinate the work of finalisation of accounts of closed|transferred units and that the work was in progress, the accounts have not been finalised as yet. The Committee consider it a serious lapse on the part of the Commission in not finalising the accounts of such units particularly relating to those which were transferred to private institutions. The Committee desire that the Commission would now finalise all the outstanding accounts of these units without any loss of time and report to the Committee about the progress made in that direction within 3 months after the presentation of this report to the House.

99. The Committee find that the balance sheets of the Commission relating to the years ending on 31st March, 1969, 1974 and 1979 do not give any encouraging picture about the affairs of the Commission. The Committee note that under khadi. on capital of Rs. 591.29 lakhs invested in 1968-69 and Rs. 696.33 lakhs in 1973-74, there were losses of Rs. 7.70 lakhs i.e. 1.30 per cent and Rs. 1577 lakhs i.e. 226

per cent respectively. Again, on capital of Rs. 1,356.24 lakhs invested in 1978-79 there was a profit of Rs. 10.31 lakhs i.e. 0.76 per cent only. Under village industry also, on capital of Rs. 58.99 lakhs invested in 1968-69, there was loss of Rs. 0.32 lakhs i.e. 0.54 per cent and on capital of Rs. 137.55 lakhs and Rs. 261.94 lakhs invested in 1973-74 and 1978-79, there was a profit of Rs. 1.39 lakhs i.e. 1.01 per cent and Rs. 8.22 lakhs i.e. 3.14 per cent respectively. Thus, cumulatively as on 31st March 1979, the Commission incurred a net loss of Rs. 26.08 lakhs on khadi and a net profit of Rs. 21.21 lakhs on village industries. The Committee do not consider it as a satisfactory financial position of the Commission while taking into account the tremendous patronage and goodwill enjoyed by the Commission both from the private and official agencies, besides the support of general public which it receives. The Committee recommend that the Commission should givea a fresh look to its financial affairs particularly in the maintenance of proper accounts and disbursements, utilisation, refunds and recovery of loans|grants and its efficiency.

NEW DELHI;
April 25, 1981.
Vaisakha 5, 1903 (S).

CHANDRAJIT YADAV,
Chairman,
Public Accounts Committee.

APPENDIX-I

Statement of Conclusions/Recommendation

S. No.	Para of Report	Ministry/Deptt Concerned;	Recommendation
1	2	3	4
1	14	Ministry of Rural Reconstruction	The Ministry of Rural Reconstruction have admitted that the relationship between the Khadi and Village Industries Commission and the State Khadi Boards continues to pose some problems. Whole all the development funds for running of Khadi and Village Industries Boards which are implementing agencies of the Commission, are provided by the latter, the continuance of State Boards under the administrative control of the State Governments has been a major bottleneck in the implementation of the Khadi and Village Industries programmes in States. Government have themselves stated that they have received a number of complaints about the poor performances of the Khadi and Village Industries Boards in some of the States. A recommendation had been made by the conference of State Ministers of Industry and Rural Development to draft a model Bill to regulate and streamline the functioning of the

			State Khadi and Village Industries Boards which will be circulated to all the State Governments for their views. In the Bill, the provisions are to be made for closer association of Khadi and Village Industries Commission with the functioning of the State Boards with a view particularly to developing professional competence making optimum use of resources mainly financial, taking the village industries to all the nooks and corners in the country-side and monitoring regularly and effectively the progress of the programmes in the Khadi and Village Industries Sector. The Committee also note that some schemes are under consideration of the Government whereby better linkages can be developed between the Khadi and Village Industries Commission organisation and other decentralised agencies working at the block, district and State level.
2	15	Do	The Khadi and Village Industries Commission came into being about 24 years back. It was clearly known to all concerned that the implementing agencies of the programmes of the Commission would mainly be the State Boards/Institutions. It was reasonable to expect that the relationship between the Commission and the implementing agencies would be defined and clearly laid down in order to facilitate proper execution of the programmes of the Commission. As early as April 1966 the Public Accounts Committee in their 49th Report (Third Lok Sabha) had expressed their surprise that the relationship between the Commission and the State Boards had neither been defined nor put on proper footing, while large amounts of funds were being advanced to the State Boards and through them to the

1	2	3	4
			institutions both by way of grants and loans without adequate control or scrutiny. The Committee had then desired that this state of affairs should be remedied forthwith and adequate safeguards and controls should be provided in the scheme of financial assistance given to them. Again, in 1967, the Committee expressed their unhappiness over the fact that Government had not taken any definite action to define the relationship between the State Boards and the Commission (PAC 8th Report—Fourth Lok Sabha).
3	16	Ministry of Rural Reconstruction	The Committee would like to emphasise that the proposed model Bill on the subject should be finalised expeditiously and circulated to all concerned and further action to put the provision of the Bill on statute book be taken without any loss of time. The Committee feel that unless the relationship between the Commission and implementing agencies is clearly defined and put on proper footing, the effectiveness of the Commission which has to dole out crores of rupees in the fond hope of improving the economic conditions of the much neglected village artisans and unemployed people will be considerably weakened. The Committee would like the Government to give top priority to this aspect of the matter.
4	17	Do.	The Committee is distressed to note that inspite of the assurance given by the K.V.I. Commission only 5 out of 25 State K.V.I. Boards had been inspected by them upto December, 1979. The Committee

			note that a monitoring board in each State under the Chairmanship of the respective State Director of Khadi and Village Industries Commission is proposed to be set up for monitoring and concurrent evaluation of programmes in Khadi and Village Industries sector. The Committee also note that the Commission had intimated that a system of quarterly reporting by the State Boards had been introduced. The Committee desire that this quarterly reporting be made more effective so as to enable the Commission to evaluate properly the progress of implementation of its programmes.
5	18	Do.	The Committee welcome these steps and hope that they will help keeping a better watch on the progress of implementation of the Commission's programmes by the State Boards.
6	36	Do.	The Commission disbursed by way of loans and grants Rs. 341.67 crores for the development of khadi and Rs. 149.20 crores for the development of village industries during the period from 1957-58 to 1978-79. Out of Rs. 436.39 crores of loans and grants disbursed upto 1977-78 to the State Boards and institutions, utilisation certificates for Rs. 50.68 crores were awaited till September 1979 and out of grants and loans of Rs. 157.77 crores disbursed to State Boards upto 1977-78, utilisation certificates for Rs. 20.71 crores were awaited till December 1979. The Committee are told that out of Rs. 50.68 crores, outstanding utilisation certificates as on 30th November 1980 for the payments made upto 31st March 1978 stood at Rs. 16.81 crores, the major part of which was from the State Boards.

1	2	3	4
7	37	Ministry of Rural Reconstruction	Giving the reasons for heavy outstandings in respect of utilisation certificates from the State Boards, the Ministry have stated that the major part of the amount for which utilisation certificates were due was involved in defunct cooperative societies and institutions. Secondly, the State Boards were not adequately staffed to attend to utilisation certificates' work, and thirdly, since the State Boards have disbursed large amounts to individual artisan and small entrepreneurs who are mostly illiterate and that such individuals are unable to maintain any accounts let alone proper accounts about the utilisation of financial assistance. The Committee note that the Commission, having regard to the non-availability of requisite accounts/records with individual artisans for preparation of utilisation certificates, has under consideration a proposal for acceptance of utilisation certificates prepared on the basis of collateral evidence about the utilisation of funds by the grantees for the intended purpose. The Committee would like to sound a note of caution that before this proposal of "collateral evidence" is given effect to, the system should not, as a matter of course, be made applicable to every grantee. It should be confined only to exceptional cases or illiterate grantees living in backward rural areas. Otherwise, the Committee apprehend, the procedure is likely to be misused.
8	38	Do.	As regards giving of financial assistance to the State Boards for strengthening their staff, the Committee would like to reiterate

			their earlier recommendation made in para 2.21 of their 49th Report (Third Lok Sabha) in which it had been stated that such charges should be met by the State concerned and not by the Commission.
9	39	Do.	Regarding the information about the failure of State Boards/ Institutions to submit utilisation certificates in respect of earlier assistance before asking for a fresh assistance, the Ministry have stated that in respect of directly aided institutions such information cannot be furnished without going into and analysing the position about "thousands of payments made over by the years to institutions and ascertaining the position at the time of each such payment whether or not verification of expenditure statements by way of recoupment claim furnished by them had not been made in respect of earlier disbursements made to each of such institutions." The Committee would like the Commission to examine the feasibility of introducing a card system with a permanent loan/subsidy number allotted to each grantee so that it is able to keep a track of all outstanding loans and their proper utilisation before subsequent loans and subsidies to such grantee are to be dealt with. The Committee feel that this system would help the Commission in monitoring the information about utilisation of assistance given to the various institutions and individuals.
10	40	Do.	The importance of furnishing the utilisation certificates by the institutions and State Boards has been stressed by the Committee in the past (*vide* 93rd Report. Fifth Lok Sabha). The Committee would

1	2	3	4
			like the Commission to take serious view in regard to grant of further assistance to the State Boards and institutions which are not in a position to account reasonably for the moneys given to them and to produce certificates for their proper utilisation. If a particular State Board or an institution persistently defaults in rendering proper account of furnishing utilisation certificates, further assistance to such Board or Institution should be discontinued The Committee do not agree that such discontinuance will deny financial assistance to those institutions whose performance in respect of submission of utilisation certificates has been good. Suitable assistance can be provided to such deserving institutions. The Committee desire the Commission to make vigorous efforts to obtain utilisation certificates and to get the backing cleared at an early date. The Commission should see to it that no arrears relating to utilisation certificates are allowed to accumulate.
11	41	Ministry of Rural Reconstruction	The Committee also note that the Commission had taken or initiated legal action against institutions/societies which have stopped functioning without submitting utilisation certificates for recovery of Commission's dues including the amounts of unutilised grants. The Committee desire the Commission to pursue this matter vigorously. The Committee would also like the Commission to publish the names of such institutions and the names and addresses of their

			Chief Executives, including the treasurers, by whatever name called, in the Annual Reports of the Commission. Through this method, at least the public would know the names of defunct institutions and their promoters.
12	42	Do.	While scrutinising the utilisation certificates submitted by the assisted institutions, the Commission had disallowed an amount of Rs. 4.67 crores consisting of Rs. 1.51 crores given as grants and Rs. 3.16 crores as loan. On being asked to indicate the action taken to recover or regularise these amounts, the Ministry have merely stated "......the expenditure incurred by the institutions which could be regularised on receipt of further information from them has, by and large, been already regularised. In some cases, where the expenditure could not be regularised the disallowance of expenditure is being objected to and disputed by the assisted institutions and some such cases are subject matter of arbitration or adjudication... so far as component of loan (Rs. 3.16 crores) in this amount is concerned, its repayment/refund has already been insisted upon in normal course. As such, major part of the amount of Rs. 4.67 crores is recoverable...". The Committee regret to say that the information furnished by the Ministry is vague. The Committee desire the Ministry to furnish specific details about the action taken to recover this amount of Rs. 4.67 crores.

1	2	3	4
13	47	Ministry of Rural Reconstruction	The Committee regret to note that an amount of Rs. 15.32 crores (loans) and Rs. 3.51 crores (grants) stated to have been refunded by the State Boards remained to be reconciled with the figures as per Commission's books of accounts. The Committee are surprised to find that the Commission has requested the State Boards to "furnish details about the amounts stated to have been refunded by them for facilitating their cross checking with the accounts/records of the Commission." The Committee consider this as another proof of the weakness in the maintenance of accounts and records of the Commission. The information about the progressive position of refunds/recovery of grants and loans ought to be available with the Commission and it should not be necessary for the Commission to seek such information from the loanees to reconcile its accounts.
14	4[illegible]	Do	As regards confirmation of loans by the borrowing bodies, Commission is stated to have "prescribed submission of confirmation of loan balances outstanding at the end of preceding year as a condition precedent for the release of imprest for the current year" and in cases 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 Committee have been informed that the major portion of the balance outstanding, particularly in respect of village industries loan to be confirmed is accounted for

			by the State Boards. The Committee do not consider this a justifiable reason for non-receipt of confirmation. This state of affair has created an impression on the Committee's mind that financial procedures are not being followed by the state Boards. The Commission is stated to be facing difficulty in getting confirmation from defunct institutions or institution under legal action or such institution which do not approach the Commission for further financial assistance. The Committee desire that, besides taking action permissible under the law against the defaulting institutions, the details of loan together with the names of such institutions and those of their Chief Executives|promoters should be published in the Annual Reports of the Commission. This will, at least, invite public attention to such institutions|individuals and possibly deter other institutions to fall in line with defaulting institutions.
15	52	Do.	The Committee note that as in September 1979, an amount of Rs. 9.14 crores was overdue for recovery from the State Boards and Rs. 4.70 crores from institutions. As regards recovery of overdue loans from State Boards, the Ministry have stated that their ability to repay loans to the Commission is dependent on the timely repayment of loans to the State Boards by the institutions assisted by them. The Committee do not agree that the repayment of loan can be made completely contingent on the institutions' repayment. The State Boards have a definite responsibility in the matter. Only when they are made to realise this, concrete efforts for recovery can be expected of them.

1	2	3	4
16	33	Ministry of Rural Reconstruction	The Commission has also been asking the State Boards to ascertain the irrecoverable amount in each case of defunct institution of society and to sanction write-off of such amount and to send to the Commission the required State Board's/State Government's share of this loss so that the Commission could, in its turn, take up the matter for the write-off of such irrecoverable loan amounts and sharing of consequential loss. The Committee do not agree with this approach of the Commission as would like such losses to be entirely borne by the State Boards.
17	54	Do.	The Committee also note that as early as in 1962, the Commission had taken up the matter of building up reserves by the State Boards with the assistance of State Government to meet the irrecoverable losses, both with the State Boards and the State Government. The Committee are informed that most of the State Boards have not created such reserves particularly to want of required assistance from their State Governments. At this stage, the Committee would like to emphasise that it should not be the concern of only Central Government and Khadi and Village Industries Commission to develop khadi and village industries for improving the economic life of the people in villages, but equally of the State Governments|Union Territories and State K.V.I.C. Boards also.

			The Committee therefore desire that both the Central Government and the Commission should pursue the matter of building up reserves by the State Boards for absorbing irrecoverable losses with the respective State Governments. The Committee feel that financial discipline has to be imposed on the State Boards. Irrecoverable loans/losses should be met only from Special Reserves created by the State Boards and in no case the Commission should share such losses.
18	55	Do.	For implementing the programmes of development of khadi and village industries, it requires investment of enormous amount of funds which the States, with their revenue resources, may not have financial capacity to invest. Therefore the Central Government places annually funds in the hands of the Commission which in turn are disbursed to the State Boards for implementing khadi and village industries development programmes. The Committee feel that it is mainly in the interest of the States to see that these funds are properly utilised. The Committee do not find any reason to make a distinction between *de facto* and *de jure* liability of the State Boards to repay loans according to prescribed terms and conditions.
19	57	Do.	The Committee find that in spite of the pressing requests made by the Commission to the State Governments to give requisite guarantees for loans paid by it to the respective State Boards there was still an amount of Rs. 20.79 crores remaining uncovered by such guarantees as on 31-3-1979. The Aandhra Pradesh State Board

1	2	3	4
			has to provide the requisite guarantee for Rs. 4.95 crores, Tamil Nadu State Board for Rs. 13.23 crores, West Bengal State Board for Rs. 1.85 crores and Gujarat State Board for Rs. 0.76 crores. The Committee consider it imperative that the entire loan advanced to State Boards should invariably remain covered at all times by the guarantees given by the respective State Governments and no deviation should be made in this regard. The Committee would also like the Central Government to exert its pressure on behalf of the KVIC on the State Governments to settle the matters relating to giving of guarantees by the State Governments. The Committee would like to be informed of the action taken in the matter within three months after the presentation of this Report.
20	59	Ministry of Rural Reconstruction	The Committee find that 1,132 institutions had not created equitable mortgages to secure loans paid to them by the Commission. The uncovered loans amounted to Rs. 33.57 crores as in March 1978. According to the Commission most of such institutions are small and do not have seizeable immovable assets for mortgage in favour of the Commission. The Committee are informed that the loans paid to the institutions, which had not created equitable mortgages, were covered by security in the form of hypothecation of their movable assets. As stated by the Ministry, two institutions owing Rs. 11.46 crores to the Commission have deposited title deeds of their properties to the Commission with the intention of creating equitable

			mortgage to secure the loans. Another such institution owing Rs. 1.16 crores to the Commission by way of loans as on 31st March, 1978 is stated to have pleaded that the security provided to the Commission for its loan by the institution in the form of hypothecation of its movable was much more than the loan amount owed to the Commission. The Commission has, however, decided to ask the institution to execute equitable mortgage of its immovable property "which it is likely to do soon". Nearly Rs. 2 crores are due from institutions which are already under legal action for recovery of Commission's dues. Creation of equitable mortgages by 45 institutions owing Rs. 7.74 crores as on 31st March, 1978 to the Commission by way of loan are in course of completion. These institutions have deposited the title deeds of their immovable property with the Commission. The Ministry has also informed the Committee that the principal and primary security in respect of loans paid by the Commission to the institutions and societies was provided by them in the form of hypothecation of their movable assets and the mortgage of immovables in most cases serves the purpose of collateral or additional security.
21	60	Do.	The Committee would like the Commission to obtain equitable mortgage against all loans advanced to various institutions. It is for the institutions borrowing funds from the Commission to expedite creation of mortgages in addition to hypothecating their movable properties. The Committee recommend that the Commission should exert its power of the purse over such institutions and keep its loans secured fully.

1	2	3	4
22	68	Ministry of Rural Reconstruction	The Committee note from the foregoing that the production of khadi went up to a peak level of 848.54 lakh square metre of cloth in 1965-66, but there was a sharp decline in production to 55.19 lakh square metres in 1973-74. The production of khadi rose to 715.05 lakh square metres in 1978-79, but this was still lower than the production level achieved in 1965-66. To arrest the decline in production, the Commission introduced new model charkhas (NMCs) of which 3 lakh units were to be introduced by 1973-74; but only 1.15 lakhs NMCs were actually introduced upto 1978-79. In addition, the khadi industry already had 0.87 lakh traditional and 3.78 lakhs amber charkhas distributed by the Commission during 1953-54 to 1962.
23	69	Do.	The Committee see from Auidt para that information about the extent of utilisation of these charkhas was not available with the Commission. However, according to a study conducted by the Indian Institute of Management, Ahmedabad in April, 1976, "the charkhas and looms in the khadi sector were utilised at levels not higher than 30 per cent." The Commission had stated in December 1979 that due to steep rise in cost, it become necessary to contain production in "less sufficient and less traditional charkhas" and to switch over to the improved models of charkhas and that the switch-over had. necessarily, to be gradual.
24	70	Do.	Considering the level of production of khadi achieved during the course of implementation of various Plans, particularly during the

Fourth Plan (1973-74), the Committee feel extremely dissatisfied about the performance of the Commission in this area which is of great importance in improving the economic level of the weaker sections of society in rural India by providing them employment and harnessing the working capacity of people lying idle. It is most unfortunante that in spite of enormous funds and manpower at the disposal of the Commission the production of khadi was on sharp decline from 1965-66 to 1973-74 and even thereafter there has been no substantial improvement. The Committee are not convinced with the explanation of the Ministry that technological gap which existed during the period 1965-66 to 1970-71 was to some extent responsible for fall in production. The Committee feel that if the production of khadi with the traditional charkhas could be as higher as 848 lakh square metres in 1965-66, there was no reason for its reduced production continuously for more than 13 years inspite of the fact of introduction of improved charkhas (NMCs) at a cost of Rs. 8.01 crores. This clearly indicates that the Commission has neither been able to mobilise necessary organisational infrastructure and manpower nor create necessary interest in the people to take to khadi production and development.

25 71 Do. The Committee regret to note that in reply to a pointed question directed to elicit reasons for sharp decline in production of khadi and employment of persons in 1973-74 vis-a-vis 1972-73, the Ministry, instead of stating the causes has endeavoured to narrate comparative facts about production and employment by comparing khadi production with mill made cloth and also appear to draw

1	2	3	4
			comfort from the fact that although there was decline in term of value, the production reflected an increase.
26	72	Ministry of Rural Reconstruction	The Committee consider it regrettable that there was "utilisation of charkhas and looms in khadi sector at levels not higher than 30 per cent" when it is of public knowledge that unemployment in economically weaker sections of society, both rural and urban had been increasing. This shows that there have been some deficiencies in the distribution and utilisation of Charkhas and looms. Otherwise, the level of utilisation of charkhas and looms could not be as low as 30 per cent. The Committee therefore recommend that the causes of such low utilisation should be enquired into in depth and effective organisational and motivational steps taken to see that khadi production is commensurate with the huge amounts of money being spent by the Commission. In this context, the Committee note that the Commission had decided to contain production in "less efficient and less remunerative traditional charkhas" even when it could not provide projected number of improved models of charkhas. The Committee has also been told that the Commission did not even possess any information about the percentage utilisation of charkhas and looms in khadi industry. The Committee do no tknow at what level and in what background the decision to contain production on traditional charkhas was taken. The Committee are not averse to the utilisation of

			the improved varieties of charkhas, but the ral causes for the limping development of khadi industry should be gone into and idetified. provide projectcd number of improved models of charkhas. The Committee has also been told that the Commission did not even possess any information about the percentage utilisation of charkhas and looms in khadi industry. The Committee do not know at what level and in what background the decision to contain production on traditional charkhas was taken. The Committee are not averse to the utilization of the improved varieties of charkhas, but the real causes for the limping development of khadi industry should be gone into and identified.
27	73	Do.	So far as the promotion of employment is concerned the Committee note that the level of employment of 18.95 lakh persons in 1965-66 was the highest but there was a steep fall in employment to 8.04 lakh persons in 1973-74. According to target fixed for the Fifth Plan, it was proposed to increase employment to 10.23 lakh persons by 1977-78. However the number of persons actually employed in 1977-78 was 9.22 lakhs only. Again, in 1977-78 the actual employment was 10.34 lakhs only as against the target of 11.28 lakhs. Since the employment opportunities on khadi are directly related to actual production of khadi, the Committee would once again stress the need for going into the reasons for shortfall in production and taking appropriate measures to remove whatever hurdles are in the way.
28	79	Do.	The Committee note that realising the importance of khadi and village industries programmes in its great potential for generating

1	2	3	4
			employment in the rural and backward areas of the country and particularly for improving economic life of weaker sections of the society, the Government has decided that 50 families in each of the 5.011 blocks in the country will be covered every year under the khadi and village industries programmes. The Commission has also been advised to set up departmental units in the backward regions of the country, where private individuals/institutions may not be forthcoming to take up these activities. Under the Sixth Five Year Plan the production target for village industry has been fixed at Rs. 1,000 crores against Rs. 200 crores for khadi. The total employment target for khadi and village industries sector has been fixed at 50.50 lakh persons; of this 35.1 lakh persons will be employed in village industries which, according to Government reckoing, would provide jobs to about 20 lakh more persons in the final year of the Sixth Plan and that 50 per cent of the total additional employment opportunities are likely to go to the weaker sections of the society *e.g.* Scheduled Castes, Scheduled Tribes and women.
29	80	Ministry of Rural Reconstruction	The Committee would like to caution the Government that it is quite an ambitious programme and unless the Commission and the State Governments mobilise people, provide necessary field organization and take concerted measures, it may be difficult to achieve/

			desired results. The Committee would therefore like that the progress of its implementation should be monitored by the Commission every quarter.
30	81	Do.	The Committee note from the Audit para that during the period from 1953-54 to 1978-79 the Commission disbursed Rs. 31.69 crores (4.46 crores as grants and Rs. 27.23 crores as loans) to State Boards cooperative societies and registered institutions for development of ghani oil industry. This amount constituted more than one fifth of the total assistance given by the Commission for development of 21 industries within its purview. The Commission had assisted operation of 23,094 improved and 7,144 power ghanis in various States. However, the Committee find that production of oil had decreased from 5.87 lakh quintals in 1960-61 to 5.06 lakh quintals in 1978-79 and during the same period the production of oilcakes decreased from 8.44 lakh quintals to 5.99 lakh quintals. This decrease in production occurred inspite of the fact that 7,144 power ghanis, involving a loan of Rs. 3.35 crores approximately to the implementing agencies, were introduced during 1971-72 to 1978-79.
31	82	Do.	The decline in production of oil and oilcakes was attributed in December 1979 by the Commission mainly to non-utilisation of the ghanis to full capacity, the under-utilisation being to the extent of 25 to 30 per cent. The Government proposes to remove the handicap faced by unorganised ghani sector regarding difficulty in getting regular, uninterrupted oil seeds supply at reasonable prices by

1	2	3	4
			providing the required organisational and financial assistance for stocking of oil seeds during the season. The Committee hope that the Government and the Commission will look after well this village industry which is vital for the life of rural people, by removing the hurdles coming in the way of its development, particularly, the monopolised character of the trade in oil seeds. The Committee recommend that if necessary Government should not hesitate in taking legislative measures as well to protect and promote the ghani oil industry.
32	86	Ministry of Rural Reconstruction	As regards the programme for installation of gober gas plants sponsored by the Commission, the Committee note that the Commission had disbursed by way of subsidies and loans a total amount of Rs. 689.31 lakhs during the period from 1961-62 to 1978-79. The bank loans advanced for this programme during 1974-75 and 1975-76 amounted to Rs. 501.86 lakhs. During the period of 12 years from 1961-62 to 1973-74 only 0.07 lakh plants were installed in the country. Although Government had approved in 1975 a comprehensive programme envisaging installation of one lakh gober gas plants in the country during 1974-75 to 1978-79, only 0.69 lakh plants were installed upto 1978-79. Thus against a total of Rs. 689.31 lakhs disbursed as loan during 1961-62 to 1978-79 only 69 thousand gas plants had been installed. As on 31-3-1980, however, the figure stated to be is 80,113 gas plants. In March 1979, the Commission stated that

			there were 5,70,000 villages in India. Even assuming that, on an average 5 gas plants can be constructed in each village, there is possibility of constructing 28.5 lakh gas plants.
33	87	Do.	Considering the immense importnce of gobar gas plants in the development of rural economy of the country which has been made more difficult due to oil crisis and retarded growth of rural electrification, the Committee consider that the objective of setting up 28.5 lakh gas plants is not at all high. The past performance of the Commission in this field has however been very poor. (In 19 years time the number of gas plants installed was only 80,113). This shows that the Commission had not taken adequate steps in the past to enable people to instal gobar gas plants. The Reserve Bank of India has drawn attention to some of the handicaps in achieving substantial progress. The Committee consider it imperative that proper organisational abilities and infrastructural facilities be immediately provided so that the aforesaid modest objective of installing 28.5 lakh gas plants is achieved. The Committee recognise the problems faced in the implementation of schemes for installation of gobar gas plants as pointed out by the Reserve Bank of India in its Report. The Committee trust that the Commission would take up this programme in right earnest and get over the handicaps pointed out in the Reserve Bank Report soon.
34	92	Do.	The Committee find that the Commission spent Rs. 2.74 crores for organisation of exhibitions during 1957-58 to 1978-79. The Audit

1	2	3	4
			found that consolidated records of exhibition, accounts, reports, unspent balance and amounts refunded or to be refunded were not kept by the Commission. As pointed out by Audit, accounts for Rs. 29.13 lakhs in respect of 45 exhibitions were not received by the Commission; a grant of Rs. 8.69 lakhs was given to 5 State Boards during 1971-72 to 1973-74 despite their failure to render any accounts for grants amounting to Rs. 15.14 lakhs given to them earlier; in 4 cases State Boards did not render any account nor refunded unspent balance amount against a grant of Rs. 1.69 lakhs paid to them; another institution was paid a loan of Rs. 6.86 lakhs during July 1969 to October 1970 and then part of this loan amounting to Rs. 2.23 lakhs was converted into grant of loan, still an amount of Rs. 2.29 lakhs remained recoverable from the institution till September, 1979. To a pointed question by the Committee asking the reasons for not maintaining proper records by the Commission about the moneys spent on exhibitions, the Ministry have given an evasive reply saying that separate registers are maintained about all the disbursements made for holding exhibitions. Information about the receipt of the report and accounts in respect of each exhibition is recorded there and "the recovery of unspent balance ......is also watched through these registers......these registers can be considered to serve the purpose of a consolidated record of accounts, reports, etc. in respect of exhibitions for which funds are disbursed by the Commission".

35.	97.	Ministry of Rural Reconstruction	The inadequacies in maintenance of accounts of exhibitions was commented upon by the PAC as early as in 1965-66. Government had, while accepting the Committee's recommendation on the subject, assured the Committee that steps would be taken to lay down proper procedure through manual. The Committee are therefore surprised that Government have treated disbursement registers adequate and no consolidated records of evaluation; accounts, reports and refunds etc. have been maintained. The Committee recommend that Commission should take immediate steps in consultation with C&AG to put its account records in proper shape The Committee also desire the Commission to get the pending recoveries effected from the State/Institutions in respect of moneys given for holding exhibitions.
36.	98.	Do.	The Committee find that as on 31st March, 1979, 30 trading units with a total capital investment of Rs. 47 lakhs had been either closed down or transferred to various private institutions without finalising their accounts. Some of these units closed/transferred also figured in the 93rd Report of Public Accounts Committee referred to above. The Committee regret to note that although the Ministry concerned had informed the Committee in Action Taken Notes as early as February 1974 that a separate Cell had been created in the Internal Audit Wing to coordinate the work of finalisation of accounts of closed/transferred units and that the work was in progress, the accounts have not been finalised as yet. The Committee consider it a serious lapse on the part of the Commission in not finalising the accounts of such units particularly relating to

1	2	3	4
			those which were transferred to private institutions. The Committee desire that the Commission would now finalise all the outstanding accounts of these units without any loss of time and report to the Committee about the progress made in that direction within 3 months after the presentation of this report to the House.
	99	Ministry of Rural Reconstruction	The Committee find that the balance sheets of the Commission relating to the years ending on 31st March, 1969, 1974 and 1979 do not give any encouraging picture about the affairs of the Commission. The Committee note that under khadi, on capital of Rs. 591.29 lakhs invested in 1968-69 and Rs. 696.33 lakhs in 1973-74, there were loss of Rs. 7.70 lakhs i.e. 1.30 per cent and Rs. 15.77 lakhs i.e. 2.26 per cent respectively. Again, on capital of Rs. 1,356.24 lakhs invested in 1978-79 there was a profit of Rs. 10.31 lakhs i.e. 0.76 per cent only. Under village industry also, on capital of Rs. 53.99 lakhs invested in 1968-69, there was loss of Rs. 0.32 lakhs i.e. 0.54 per cent and on capital of Rs 137.55 lakhs and Rs. 261.9 lakhs invested in 1973-74 and 1978-79, there was a profit of Rs. 1.39 lakhs i.e. 1.01 per cent and Rs. 8.22 lakhs i.e. 3.14 per cent respectively. Thus, cumulatively as on 31st March 1979, the Commission incurred a net loss of Rs. 26.08 lakhs on khadi and a net profit of Rs. 21.21 lakhs on village industries. The Committee do not consider it as a satisfactory financial position of the Commission while taking into account the tremendous patronage and goodwill enjoyed by the

Commission both from the private and official agencies, besides the support of general public which it receives. The Committee recommend that the Commission should give a fresh look to its financial affairs particularly in the maintenance of proper accounts and disbursements, utilisation, refunds and recovery of loans/grants and its efficiency.

APPENDIX II

(*See* para 7 of Introduction)

MINISTRY OF RURAL RECONSTRUCTION

34. Khadi and Village Industries Commission

1. *Introductory*:

1.1. The Khadi and Village Industries Commission (hereafter Commission) is a body corporate established under the Khadi and Village Industries Act, 1956. It replaced the All India Khadi and Village Industries Board which was earlier set up by Government by a resolution in 1953. The Commission implements its programmes of development of khadi and village industries through departmental activities directly and by assisting State Khadi and Village Industries Boards and directly-aided institutions/co-operative societies.

1.2. There are 24 State Boards (20 Statutory and 4 Advisory) one in each State or Union Territory. The actual implementation of the development work in respect of khadi and village industries was mainly carried out by registered institutions, co-operative societies and individuals in various States; the institutions, which are mostly engaged in production of khadi, are generally directly financed by the Commission and the co-operative societies, which are mostly engaged in village industries, are financed by the State Boards out of funds received by them from the Commission. The State Boards are accountable to the State Governments and State Legislatures.

1.3. In paragraph 4.64 of 49th Report, the Public Accounts Committee (P.A.C.) (Third Lok Sabha: 1965-66) recommended that besides exercising financial control, the Commission should also have an efficient machinery at its disposal to watch the progress made by the State Boards in their spheres. The Commission had informed the P.A.C. (Fourth Lok Sabha: 1967-68; 8th Report) that system of inspection of the State Boards by its officers had been introduced.

1.4. The Administrative Staff College of India, Hyderabad, in its report on "Village Industry Profile and Organisation Study", submitted (1974-75) to the Commission and Government, commented, *inter alia*, on inadequate data base base for formulation of development programmes and faulty loan appraisal methods in the set-up of the State Boards. In its 252nd meeting held in January 1978, the Commission observed that very little was known about the functioning of the various State Boards not only with regard to the pace of expenditure from out of the funds released to them by the Commission, but also with regard to actual implementation of the programmes and that this called for strengthening of the Commission's machinery for periodical inspection of the State Boards. In December 1979, the Commission stated that inspection parties were deputed from time to time to the State Boards for conducting study of the procedures for processing applications for financial assistance, releasing funds, working of some of the aided institutions and general functioning of the Boards and added that a system of quarterly reporting by the State Boards had also been introduced. It was seen (January 1980) in audit that only 5 out of 24 boards had so far (December 1979) been inspected in detail.

2. *Finance and Accounts*:

2.1. From 1957-58 to 1978-79, Government gave financial assistance to the Commission in the form of loans (Rs. 369.22 crores) and grants (Rs. 323.23 crores) out of which loans (Rs. 297.92 crores) and grants (Rs. 192.95 crores) were paid to the State Boards and institutions. As on 31st March 1979, Government loans outstanding against the Commission amounted to Rs. 183.14 crores.

The accounts of the Commission are audited and certified by the Comptroller and Auditor General of India under section 23 of the Khadi and Village Industries Act, 1956 read with section 19(2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, and the certified accounts together with the Audit Report thereon are forwarded annually to Government for being laid before the Parliament.

A summary of the receipts and payments of the Commission (excluding those pertaining to loans raised from banks) during

1957-58 to 1978-79 is given below:—

	1957-58 to 1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
				(In crores of rupees)		
Receipts:						
Opening balance . .	0·57	6·69	5·05	4·37	3·99	5·26
Loans from Government	171·62	47·94	34·22	29·95	36·94	48·55
Grants and interest subsidy from Government . . .	211·90	15·09	16·53	20·37	26·14	39·20
R epayment of loans and refund of unutilised grants by State Boards and institutions .	135·12	2·40	5·13	4·16	5·21	4·10
Miscellaneous receipts	6·05	2·36	1·24	0·74	1·12	1·94
Total	525·26	74·48	62·17	59·59	73·40	92·45
ayments:						
epayment of loans to Government . .	82·54	42·73	19·22	17·35	13·16	8·45
ans to State Boards and institutions .	193·32	8·04	18·36	15·05	24·69	38·46
G rants to State Boards and institutions .	137·38	7·59	9·40	9·53	13·03	16·02
Interest on Government loans . .	48·26	5·31	5·99	7·44	9·88	11·65
Administrative expenses	30·78	4·33	4·62	4·56	4·70	4·91
Miscellaneous payments . . .	26·29	1·43	0·21	1·67	2·68	3·94
Closing balance. .	6·69	5·05	4·37	3·99	5·26	9·02
Total	525·26	74·48	62·17	59·59	73·40	92·45

2.2. The break-up of the assistance (Rs. 490.87 crores) paid by the Commission during 1957-58 to 1978-79 to the State Boards and institutions for development of khadi and village industries programme is given below:

	Khadi	Village industries	Total
	(In crores of rupees)		
Loans . .	188·96	108·96	297·92
Grants . .	152·71	40·24	192·95
	341·67	149·20	409.87

Out of Rs. 436.39 crores of loans and grants disbursed up to 1977-78 to the State Boards and institutions, utilisation certificates for Rs. 50.68 crores were awaited (September 1979) (refer to sub-paragraph 2.7 and annexure I). Out of the grants and loans of Rs. 157.77 crores disbursed to the State Boards up to 1977-78, utilisation certificates for Rs. 2071 crores were awaited (December 1979).

2.3. Loans paid for khadi programme were interest-free, while those paid for village industries carried interest at the rate of 4 per cent per annum. Periods of repayment of loans generally ranged from six months to ten years. Out of loans totalling Rs. 297.92 crores paid by the Commission to the State Boards and institutions for implementation of khadi and village industries' programmes, recoveries totalling Rs. 127.09 crores only were effected leaving a balance of Rs. 170.83 crores as on 31st March 1979; out of this, confirmation of balances of Rs. 66.88 crores only had been received from the Boards and the institutions till September 1979.

The Commission had no system of its own to ascertain details of loans which had become overdue for recovery from the State Boards; according to the default statements submitted by the State Board themselves to the Commission, Rs. 9.14 crores were overdue for recovery from them in September 1979. As regards the institutions to which loans were given by the Commission, the overdue loans as worked out by the Commission in September 1979, were Rs. 4.70 crores. Information regarding interest recoverable on the overdue loans could not be ascertained from the Commission's records.

2.4. The Commission had been pressing the State Governments to give guarantees for loans paid by it to the State Boards. Against loans of Rs. 89.14 crores outstanding against 23 State Boards as on 31st March 1979, guarantees to the extent of Rs. 68.35 crores only had been received, leaving the balance of Rs. 20.79 crores uncovered.

In September 1972, the Commission had decided to obtain equitable mortgages to secure loans paid to the institutions. No mortgage deeds had, however, been obtained till September 1979 from 1,132 institutions against which loans totalling Rs. 33.57 crores were outstanding (March 1978). The Commission stated (December 1979) that loans paid to the institutions, which had not created equitable mortgages, were covered by security in the form of hypothecation of their movable assets and that "besides most of the institutions being small and not having sizable immovable assets for mortgage in favour of the Commission,......the process of obtaining the title deeds from them was complicated and slow".

Further, 468 institutions, which owed Rs. 2.02 crores, were reported to be defunct or under liquidation and according to the Commission (August 1979), it might not be possible to recover these loans in full. Out of 468 defunct institutions, 113 (owing Rs. 1.37 crores) were engaged in khadi and 355 (owing Rs. 0.65 crore) in villages industries. The Commission stated (December 1979) that these institutions were small and that priority was given for obtaining equitable mortgages from larger institutions. However, legal action to recover the amounts was stated to have been initiated.

2.5. Out of the loans received from the Commission, the State Boards, in turn, had been granting loans to the institutions recognised by them. According to the information supplied by 19 State Boards to the Commission, 13,458 institutions, from which Rs. 8.42 crores were due, were no longer functioning in August 1979.

2.6. The interest paid by the Commission on loans received from Government was reimbursed by the latter in the form of interest subsidy. Such subsidy to the Commission during 1957-58 to 1978-79 amounted to Rs. 86.06 crores. In addition to this, Government gave subsidy since 1977 on interest on loans raised by the Commission from banks and financial institutions or loans raised by the State Boards and institutions themselves with the approval of the Commission for meeting their working capital requirements. Till 1978-79, the loans so raised by the Commission amounted to Rs. 8.78 crores at rates of interest varying from 12 to 15 per cent per annum and those raised by the Boards and institutions were Rs. 6.43 crores at rates of interest varying from 12 to 16.5 per cent per annum. The amount of subsidy was restricted to the difference between the actual rate of interest charged by the financing institutions and 4 per cent per annum to be borne by the borrowers themselves. Total amount of subsidy so paid up to 1978-79 was Rs. 42.86 lakhs.

2.7. *Utilisation Certificates.*—In respect of grants and loans disbursed to the State Boards and institutions up to 1977-78, utilisation certificates for Rs. 50.68 crores were awaited (September 1979). Year-wise details are given in Annexure 'I'. According to the Commission (January 1980), the position of outstanding utilisation certificates was reviewed every month and cases were pursued with the State Boards and institutions. The fact, however, remains that there were outstanding utilisation certificates for Rs. 17 lakhs for the period even up to 1960-61 and Rs. 13.74 crores for 1961-62 to 1976-77

Rupees 4.67 crores disallowed by the Commission, while scrutinising the utilisation certificates for grants and loans paid to the institutions, were yet to be recovered or regularised (September

1979); of this amount, Rs. 1.34 crores pertained to the period up to 1961-62, Rs. 0.88 crore to 1962-63 to 1966-67, Rs. 1.61 crores to 1967-68 to 1971-72 and Rs. 0.84 crore to 1972-73 to 1975-76. Similar information with regard to grants and loans paid to State Boards was awaited from the Commission (November 1979).

As per utilisation certificates furnished by the State Boards to the Commission, Rs. 15.32 crores (loans) and Rs. 3.51 crores (grants) were stated (from time to time) to have been refunded to the Commission. The Commission had not reconciled these amounts with the amounts actually received back by it from the State Boards from time to time.

2.8. *Pending recoveries.*—As on 31st March 1979, proceedings for recovery of Commission's dues amounting to Rs. 433.18 lakhs were pending against 532 institutions|co-operative societies, as detailed below:—

	Number of cases	Amount (In lakhs of rupees)
Co-operative Societies under liquidation	159	22·36
Suits decreed	12	1·32
Suits pending	2	0·12
Decrees obtained on arbitration awards	14	25·11
Awards pending with courts	15	11·71
Cases referred to revenue authorities for recovery of Commission's dues as arrears of land revenue	272	157·79
Cases in the process of being referred to revenue authorities.	54	214·34
Dispute applications pending with the Registrar of Co-operative Societies in Madhya Pradesh	4	0·43
Total	532	433·18

A few instances, where adequate action had not been taken by the Commission to effect recoveries, are mentioned below:—

(i) In respect of Rs. 15.77 lakhs due for recovery on account of loans and unspent grants from institution 'A' in Uttar Pradesh (U.P.), the Commission issued a notice in September 1974 for recovery. The institution failed to pay the amount. However, it executed an equitable mortgage

(August 1975) of its property in favour of the Commission to the extent of Rs. 7.08 lakhs. In December 1976, as per the prescribed procedure the Commission referred the case to the Collector, Bombay for recovery of the amount as arrears of land revenue by issue of recovery notice through the concerned Collector in U.P. In June 1977, on the request of the institution, the Commission decided to stay the revenue proceedings, pending a review of the institution's performance *vis-a-vis* its financial position in April 1978. The Commission stated (January 1980) that out of Rs. 15.77 lakhs due from the institution, a sum of Rs. 0.52 lakh had since been recovered and that the institution had agreed to transfer its land and buildings to the Commission.

(ii) An amount of Rs. 11.21 lakhs towards repayment of loans and refund of unspent amounts of grants paid by the Commission from time to time was outstanding (April 1973) against institution 'B' in U.P. A notice was issued in April 1973 to the institution to pay the amount within a period of 30 days, failing which proceedings to recover the amount as arrears of land revenue would be initiated. In 1977-78, the Commission decided to allow the institution to revive its activities and also gave further assistance of Rs. 0.75 lakh. After adjusting (in July 1973 and April 1976) certain dues of the institution, the net amount recoverable from it in December 1979 was Rs. 10.81 lakhs. The Commission's dues were secured by a mortgage deed (executed by the institution in June 1975) to the extent of Rs. 8.50 lakhs only.

(iii) Rupees 4.94 lakhs were outstanding (February 1977) with institution 'C' in U.P. on account of non-repayment of loans and non-refund of unspent balances of grants paid by the Commission from time to time. A notice was issued in February 1977 to the institution for payment of the dues within a period of 30 days, failing which action to recover them as arrears of land revenue would be initiated. The institution paid Rs. 0.10 lakh and also deposited with the Commission in July 1979 the title deeds of its immovable property valued at Rs. 1.91 lakhs with a view to creating an equitable mortgage to secure the Commission's dues. The recovery of Rs. 4.84 lakhs was still outstanding against the institution (December 1979).

(iv) Institution 'D' in West Bengal, which had failed to pay the Commission's dues amounting to Rs. 6.11 lakhs (paid to it prior to 1960), came under liquidation in October 1962. The Commission recovered Rs. 2.40 lakhs during 1967-68 to 1972-73, leaving a balance of Rs. 3.71 lakhs which was still outstanding (December 1979).

(v) Rupees 3.13 lakhs were outstanding (December 1970) with institution 'E' in Rajasthan on account of non-repayment of loans and non-refund of unspent balance of grants paid by the Commission from time to time. The institution created an equitable mortgage of its property (valued: Rs. 2 lakhs) in favour of the Commission in August 1966. A reference was made to the revenue authorities in December 1970 for recovery of Commission's dues. The revenue authorities could, however, recover only Rs. 0.13 lakh leaving a balance of Rs. 3.00 lakhs which was still outstanding against the institution (December 1979).

3. Over-payments aggregating Rs. 32.10 lakhs, pointed out in internal audit of the claims of rebates and subsidies of the institutions from time to time, remained to be recovered as on 31st March 1979; out of this amount, Rs. 9.79 lakhs pertained to the period up to 1966-67, Rs. 14.47 lakhs to 1967-68 to 1971-72, Rs. 7.60 lakhs to 1972-73 to 1976-77 and Rs. 0.24 lakh to 1977-78 to 1978-79.

The Commission stated (January 1980) that the State Directors of the Commission had already been instructed to recover the amounts which were finally found to be due from the institutions.

4. *Development of khadi*—In its 93rd Report, the Public Accounts Committee (Fifth Lok Sabha: 1972-73) had expressed disappointment and dissatisfaction on the performance of the Commission. The Commission's performance as seen in a further review in audit conducted in September 1979 is given in the succeeding paragraphs.

4.1 The Commission had given (1953-54 to 1978-79) financial assistance totalling Rs. 356.25 crores (Rs. 158.96 crores as grants and Rs. 197.29 crores as loans to various State Boards, institutions, etc. for implementing the khadi programmes. Nearly Rs. 308.91 crores (about 87 *per cent* of the total assistance) were paid to the implementing agencies in 9 States alone, *viz.* Uttar Pradesh (20 *per cent*), Bihar (13 *per cent*), Tamil Nadu (13 *per cent*), Rajasthan (9 *per cent*), Punjab (9 *per cent*), *Gujarat* (7 *per cent*), Andhra Pradesh (6 *per* *cent*), Maharashtra (6 *per cent*) and Karnataka (4 *per cent*). The disbursements in the remaining 12 States and Union Territories amounted to Rs. 47.34 crores only.

The annual level of production of khadi attained in 1978-79 was 715.05 lakh square metres of cloth. About 637.65 lakh square metres (89 *per cent* of the total production) were accounted for by the 9 States mentioned above and the balance 77.40 lakh square metres by the remaining 12 States and Union Territories. This imbalance in the development of khadi among different States had also been brought out earlier in the reports of Khadi Evaluation Committee (1960), Estimates Committee (1961-62) and Ashoka Mehta Committee (1966). However, not much progress seemed to have been made in this behalf inasmuch as out of 1,227 implementing agencies functioning in the country in 1978-79, 924 were operating in the aforesaid 9 States. The remaining 12 States and Union Territories together had only 303 agencies. In Nagaland, no implementing agency had been set up till 1978-79. The Commission stated (December 1979) that noticing this lopsided development some special programmes had been sponsored in recent years in some uncovered areas.

4.2 *Progress.*—The following table indicates the progress of khadi development in terms of production and employment, during the successive Plan periods under the All India Khadi and Village Industries Board up to March 1957 and thereafter the Commission.

Annual level attained at the end of	Production		Employment (In lakhs of persons)		
	Quantity (in lakh square metres)	Value (In crores of rupees)	Full time	Part time	Total
First Plan (1955-56) .	239·90	5·54	0·61	5·96	6·57
Second Plan (1960-61)	537·65	14·23	2·06	15·08	17·14
Third Plan (1965-66)	848·54	26·81	1·82	17·13	18·95
Annual Plan (1968-69)	600·19	23·38	1·32	12·03	13·35
Fourth Plan (1973-74)	557·19	32·72	1·07	7·77	8·84
Fifth Plan (Up to 1977-78)	684·12	64·89	2·39	6·83	9·22
(Up to 1978-79)	715·05	76·54	2·43	7·91	10·34

(i) It would be seen from the above table that the production of khadi went up to a peak level of 848.54 lakh square metres of cloth in 1965-66, but there was a sharp decline in production to 557.19 lakh square metres in 1973-74, In 1978-79, however, it rose to 715.05 lakh square metres, but was still lower than that achieved in 1965-66. To arrest the decline in production, the Commission introduced new model charkhas of which 3 lakh units were to be introduced by 1973-74. However, only 1.15 lakh new model charkhas were actually introduced up to 1978-79 at a cost of Rs. 8.01 crores. In addition, the industry was already having 0.87 lakh traditional and 3.78 lakh amber charkhas distributed by the Commission during 1953-54 to 1962-63. Information about the extent of utilisation of these charkhas was not available with the Commission, but according to a study by the Indian Institute of Management, Ahmedabad (April 1976), "..........charkhas and looms in the khadi sector were utilised at levels not higher than 30 *per cent*". The Commission stated (December 1979) that due to steep rise in cost, it became necessary to contain production in "less efficient and less remunerative traditional charkhas" and to switch over to the improved models of charkhas and that the switch-over had, necessarily to be gradual.

(ii) After having reached the highest level of employment of 18.95 lakh persons in 1965-66, there was a steep fall to 8.84 lakh persons in 1973-74. According to the targets fixed for the Fifth Plan, it was proposed to increase employment to 10.23 lakh persons by 1977-78, against which persons actually employed in 1977-78 were 9.22 lakhs only. In 1978-79, against the target of 11.28 lakhs, the actual employment was 10.34 lakhs only.

5. *Village Industries.*—During 1953-54 to 1978-79, the Commission disbursed Rs. 153.60 crores (Rs. 42.33 crores as grants and Rs. 111.27 crores as loans) to the State Boards, registered institutions, cooperative societies and individuals for assisting 21 industries in the various States. The following table shows the performance under

village industries in regard to production and employment during various Plan periods.

Annual level attained at the end of	Production (In crores of rupees)	Employment (In lakhs of persons)		
		Full time	Part time	Total
First Plan (1955-56)	10·93	0·08	2·98	3·06
Second Plan (1960-61)	33·16	0·73	6·08	6·81
Third Plan (1965-66)	55·87	0·81	7·96	8·77
Annual Plan (1968-69)	75·12	0·79	6·93	7·72
Fourth Plan (1973-74)	122·40	1·31	7·96	9·27
Fifth Plan (Up to 1977-78)	192·54	3·15	11·79	14·94
(Up to 1978-79)	242·97	5·04	9·92	14·96

As against the total investment of Rs. 153.60 crores, the level of production in 1978-79 was Rs. 242.97 crores. Like khadi, about 90 *per cent* of the total production was accounted for by 11 States alone, viz. Uttar Pradesh (18 *per cent*), Tamil Nadu (17 *per cent*), Maharashtra (14 *per cent*), Karnataka (7 *per cent*), Bihar (6 *per cent*), Rajasthan (5 *per cent*), Haryana (4 *per cent*); Punjab (4 *per cent*), Kerala (5 *per cent*), Andhra Pradesh (5 *per cent*) and Gujarat (5 *per cent*). The production in the remaining States ranged from less than 1 *per cent* to 3 *per cent.*

5.1 Level of production and employment of persons in respect of two major village industries, *viz. Ghani* oil and hand made paper are indicated in Annexure II. Some of the main points noticed in test-check in audit are given below:—

(i) *Ghani oil*: During 1953-54 to 1978-79, the Commission disbursed Rs. 31.69 crores (Rs. 4.46 crores as grants and Rs. 27.23 crores as loans) to the State Boards, co-operative societies and registered institutions for development of *ghani* oil industry using bullock driven, manually operated or power *ghanis;* this accounted for 21 *per cent* of the total assistance given by the Commission for development of 21 industries within its purview. Up to 1978-79 the Commission had assisted operation of 23,094 improved and 7,144 power *ghanis* in various States.

It would be seen from Annexure II that the production of oil and oilcakes had decreased from 5.87 lakh quintals and 8.44 lakh quintals in 1960-61 to 5.06 lakh quintals and 5.99 lakh quintals in 1978-79 respectively even though 7,144 power *ghanis* (involving a loan of Rs. 3.35 crores approximately to the implementing agencies) were introduced during 1971-72 to 1978-79. The decline in production was attributed (December 1979) by the Commission mainly to non-utilisation of the *ghanis* to full capacity, under-utilisation being 25 to 30 *per cent*.

As against 4,498 co-operative societies and 783 registered institutions assisted, only 1,489 co-operative societies and 212 registered institutions reported about their functioning at the end of 1978-79. As on 31st March 1977, the Commission's funds amounting to Rs. 176.32 lakhs were locked up with the defunct unit. Legal action was, however, stated to have been initiated for recovery of Rs. 80.99 lakhs up to February 1978. The level of employment decreased from 0.51 lakh persons (1960-61) to 0.41 lakh persons (1978-79).

While reviewing the working of this industry, the Commission in its 253rd meeting held on 27th February, 1978, observed that "this programme had to face innumerable difficulties due to paucity of working funds and risks involved because of the highly monopolised character of the trade in oilseeds........".

(ii) *Hand made paper*: During 1953-54 to 1978-79, the Commission disbursed Rs. 4.41 crores (Rs. 1.28 crores as grants and Rs. 3.13 crores as loans) to the State Boards for the manufacture of hand made paper by utilising locally available raw material like rags, tailors' cuttings, grass, etc. The total installed capacity in 1977-78 was 10,000 tonnes per annum on two shift basis. Against this the maximum production was 4,370 tonnes in 1977-78 The reasons for under-utilisation of the capacity were stated (April 1978) to be (a) defective machines and equipment and their improper handling, (b) general power shortage and frequent power break-downs, (c) price rise of raw material and chemicals, (d) lack of technical personnel, trained and efficient managers and (e) inadequate financial resources with the units in some cases. These reasons are not convincing as even in earlier years the production ranged from 3071 tonnes (1970-71) to 4195 tonnes (1976-77).

Further, out of 348 units assisted by the Commission during five Plans, only 230 were reported to be functioning at the end of 1978-79, 23 units being under erection and the remaining 95 units having become defunct.

The quantum of investment upto and the level of production in 1978-79 in various States showed that there was no correlation between the quantum of assistance provided by the Commission and the performance in terms of production and employment. A few instances are given in the table below:—

State	Investment upto 1978-79	Level of production in 1978-79	Productivity per rupee of investment	Number of person employed in 1978-79
	(In lakhs of rupees)			
Maharashtra	72.34	66.34	0.91	1,007
Gujarat	52.77	19.04	0.36	323
Uttar Pradesh	46.04	30.66	0.67	656
Tamil Nadu	34.60	30.72	0.89	901

6. *Gobar (methane) gas*—For installing *gobar* gas plants, subsidies and loans disbursed by the Commission during 1961-62 to 1978-79 amounted to Rs. 490.03 lakhs and Rs. 199.28 lakhs respectively (total Rs. 689.31 lakhs). Loans by the banks during 1974-75 and 1975-76 amounted to Rs. 501.86 lakhs.

During the period of 12 years from 1961-62 to 1973-74, only 0.07 lakh plants were installed in the country. In view of the oil crisis and relatively show rate of growth of rural electrification, Government approved in 1975 a comprehensive programme envisaging installation of one lakh plants in the country during 1974-75 to 1978-79. However, as against this target, 0.69 lakh plants were installed up to 1978-79.

According to the Commission (March 1979), "there are 5,70,000 villages in India. Even assuming that, on an average, 5 gas plants can be constructed in each village, there is possibility of constructing 28.5 lakh gas plants. As against this, 0.60 lakh gas plants have been installed, which represents 2.14 *per cent* of the total potentiality". Considering the immense prospects of this industry, the progress so far made in setting up the gas plants was very slow.

Apart from problems of high cost of installation of *gobar* gas plants and availability of sufficient dung, the slow progress was stated by the Reserve Bank of India (1976) to be due to:

— lack of awareness about the programme by certain agencies in some State Boards, financing banks and State Governments and deficiency in follow-up services;

— non-availability of technical help and guidance at different stages of construction and operation of the plants;

— occasional short supply of material and components needed for construction of the plants, delay in sanction and disbursement of loans; and

— above all, lack of co-ordination among the concerned agencies.

It was seen in audit that although 0.69 lakh gas plants had been installed up to March 1979, the persons trained by the Commission under the *gobar* gas scheme were only 1130. No information was available (December 1979) as to whether there was any coordination with the rural development and block staff.

7. *Trading activities.*—A summary of the balance sheets as on 31st March 1969, 1974 and 1979 is given below:

BALANCE SHEET AS AT 31ST MARCH

	Khadi			Village Industries		
	1969	1974	1979	1969	1974	1979
Assets:						
Fixed assets	10.76	16.59	47.08	5.99	9.68	17.32
Sundry debtors	267.39	381.33	896.23	13.49	69.82	68.70
Stock deficits .	4.07	12.43	13.63	0.11	0.97	1.17
Thefts and losses	0.35	1.27	1.53		0.18	0.21
Closing stock .	234.71	234.13	686.76	14.94	37.02	110.68
Cash balance .	72.68	156.08	314.27	24.12	46.18	87.30
Other assets .	183.68	155.20	443.34	25.04	24.03	142.68
	773.64	957.03	2402.84	83.69	187.88	428.06
Liabilities:						
Capital	591.29	696.33	1356.24	58.99	137.55	261.94
Cumulative profit (+)/ loss (—) . . .	—42.84	—57.37	—26.08	—0.33	+0.63	+21.21
Net capital .	548.45	638.96	1330.16	58.66	138.18	283.15
Sundry creditors .	90.66	172.96	676.26	20.06	27.84	51.35
Other liabilities and provisions . .	134.53	145.11	396.42	4.97	21.86	93.56
	773.64	957.03	2402.84	83.69	187.88	428.06
Net profit (+)/loss (—)	1968-69 —7.70	1973-74 —15.77	1978-79 +10.31	1968-69 —0.32	1973-74 +1.39	1978-79 +8.22

7.1. Under khadi, on capital of Rs. 591.29 lakhs and Rs. 696.33 lakhs invested in 1968-69 and 1973-74 respectively, there were losses of Rs. 7.70 lakhs (1.30 *per cent*) and Rs. 15.77 lakhs (2.26 *per cent*) respectively; on capital of Rs. 1,356.24 lakhs invested in 1978-79, there was profit of Rs. 10.31 lakhs (0.76 *per cent*) only. Under village industries also, on capital of Rs. 58.99 lakhs invested in 1968-69, there was loss of Rs. 0.32 lakh (0.54 *per cent*); on capital of

Rs. 137.55 lakhs and Rs. 261.94 lakhs invested in 1973-74 and 1978-79, there was profit of Rs. 1.39 lakhs (1.01 *per cent*) and Rs. 8.22 lakhs (3.14 *per cent*) respectively.

Cumulatively, as in March 1979, there was a net loss of Rs. 26.08 lakhs on khadi and a net profit of Rs. 21.21 lakhs on village industries.

7.2. *Capital with closed/transferred trading unit.*—As on 31st March 1979, there were about 30 trading units (total capital investment as on 31st March 1979 : Rs. 47.00 lakhs), which had either been closed down or transferred to various private institutions, but the accounts of which had not been finalised by the Commission. Substantial capital investment by the Commission outstanding against some of these trading units (March 1979) is shown below:—

Name of the units	Date of closure/transfer	Capital investment (In lakhs of rupees)
Director of Trading Activities, Calcutta	October 1962	12.62
Trading Operations, Kakinada	March 1967	14.00
Cannanore Scheme	March 1968	1.60
Khadi Gramodyog Bhawan, Bangalore.	October 1969	2.33
Handmade Paper, Dehradun	January 1974	1.23
Khadi Production Centre, Rampur (Assam)	May 1974	5.01
Processing of Cereals & Pulses Industry, Sonepur	N. A.	5.81

N. A. — Not available.

8. *Exhibitions*:

During 1957-58 to 1978-79, the Commission paid grants totalling Rs. 274.34 lakhs for organising exhibitions, but it had no consolidated record indicating the number of exhibitions actually held from time to time, accounts and reports received in respect of the exhibitions and the unspent balances, if any, refunded or to be refunded to the Commission. A test-check in audit (September 1979) of individual files dealing with about 100 exhibitions disclosed the following points:—

— Although one of the conditions of grants was that the reports of the exhibitions should be sent within one month of the holding of the exhibition, followed by audited statements of accounts within six months, no reports and accounts had been received in respect of 45 exhibitions (total grant paid : Rs. 29.13 lakhs). Of these, grants of Rs. 15.75 lakhs for organising 25 exhibitions were released prior to 1968-69.

— During 1971-72 to 1973-74, grants totalling Rs. 8.69 lakhs were released by the Commission to five State Boards, despite the fact that these State Boards had not rendered any accounts for grants amounting to Rs. 15.14 lakhs released to them during 1956-57 to 1967-70.

— In 4 cases, the State Boards had neither rendered the accounts nor refunded the unspent balance to the Commission so far (December 1979) in respect of the grants amounting to Rs. 1.69 lakhs paid to them during 1958-59 to 1972-73. Of this, Rs. 1.43 lakhs related to exhibitions held prior to 1969-70.

— An institution, which participated in one of the exhibitions organised by the Commission itself (on a site belonging to the Ministry of Education) during July 1969 to October 1970, was paid a loan of Rs. 6.86 lakhs. It incurred a trading loss of Rs. 1.65 lakhs. It had constructed, at a cost of Rs. 2.82 lakhs, a sale pavilion, residential quarters. canteen, etc. at the exhibition site. On the conclusion of the exhibition, the institution transferred these assets to the Ministry of Education without the prior permission of the Commission. At the request of the institution, the Commission converted into *grant of loan* to the extent of Rs. 2.23 lakhs (Rs. 0.82 *lakh in January* 1976 and Rs. 1.41 lakhs in November 1977) representing 50 *per cent* of the trading loss of Rs. 1.65 lakhs and construction cost of Rs. 2.82 lakhs. After adjusting this grant of Rs. 2.23 lakhs and part repayment of the loan of Rs. 2.34 lakhs by the institution, the amount still recoverable from the institution was Rs. 2.29 lakhs. This amount had not been recovered so far (September 1979).

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

— From 1957-58 to 1978-79, Government gave loans of Rs. 369.22 crores and grants of Rs. 323.23 crores to the Commission which, in turn, disbursed loans of Rs. 297.92 crores and grants of Rs. 192.95 crores to the State Boards and institutions; out of Rs. 297.92 crores of loans, Rs. 188.96 crores were given for development of khadi and Rs. 108.96 crores for village industries; similarly, out of Rs. 192.95 crores of grants, Rs. 152.71 crores were for development of khadi and Rs. 40.24 crores for village industries.

— Out of Rs. 170.83 crores of loans outstanding as on 31st March 1979 against the State Boards and institutions, the Commission had received confirmation of Rs. 66.88 crores till September 1979.

— The Commission had no machinery of its own to ascertain details of the loans which had become overdue for recovery from the State Boards; according to statements submitted by the Boards, Rs. 9.14 crores were overdue in September 1979.

— The overdue loans, recoverable from the institution to which loans were given by the Commission, amounted to Rs. 4.70 crores in September 1979.

— Information about interest recoverable on overdue loans could not be ascertained from the Commission's records.

— Against loans of Rs. 89.14 crores outstanding against 23 State Boards as on 31st March 1979, guarantees of the State Governments were received only for Rs. 68.35 crores leaving the balance of Rs. 20.79 crores uncovered.

— No mortgage deeds had been obtained (September 1979) from 1,132 institutions against which loans aggregating Rs. 33.57 crores were outstanding (March 1978).

— 468 institutions, which owed Rs. 2.02 crores of loans, were reported to be defunct or under liquidation and according to the Commission (August 1979), it might not be possible to recover these loans in full.

— According to the information given by the State Boards to the Commission, 13,458 institutions, from which Rs. 8.42 crores were due, were no longer functioning in August 1979.

— Interest subsidy paid by Government to the Commission during 1957-58 to 1978-79 amounted to Rs. 86.06 crores.

— Utilisation certificates for Rs. 50.68 crores in respect of grants and loans disbursed to the State Boards and institutions up to 1977-78 were awaited by the Commission (September 1979); of this, Rs. 17 lakhs pertained to the period up to 1960-61.

— As on 31st March 1979, proceedings for recovery of Commission's dues amounting to Rs. 4.33 crores were pending against 532 institutions.

— Overpayments aggregating Rs. 32.10 lakhs pointed out in internal audit of claims of rebates and subsidies of institutions were outstanding as on 31st March 1979; of this, Rs. 9.79 lakhs pertained to the period up to 1966-67.

— Out of loans and grants aggregating Rs. 356.25 crores paid during 1953-54 to 1978-79 to the State Boards and institutions for development of khadi, Rs. 308.91 crores (87 *per cent*) were paid to the agencies in 9 States.

— The production of khadi declined from 848.54 lakhs square metres of cloth in 1965-66 to 557.19 lakh square metres in 1973-74 and 715.05 lakh square metres in 1978-79. Similarly, the employment in khadi declined from 18.95 lakh persons in 1965-66 to 9.22 lakh persons in 1977-78. In 1978-79, against the target of 11.28 lakhs, the actual employment was 10.34 lakhs only.

— During 1953-54 to 1978-79, the Commission disbursed Rs. 31.69 crores to the State Boards and other institutions for development of *ghani* oil industry. The production of oil and oilcakes had decreased from 5.87 lakh quintals and 8.44 lakh quintals in 1960-61 to 5.06 lakh quintals and 5.99 lakh quintals in 1978-79 respectively even though 7,144 power *ghanis* involving loan of Rs. 3.35 crores approximately were introduced during 1971-72 to 1978-79.

— During 1957-58 to 1978-79, Rs. 2.74 crores were spent for organisation of exhibitions, but no consolidated record of evaluation, accounts, reports, etc. is kept by the Commission.

ANNEXURE I

(Para 2.7, page 184)

Year-wise break-up of utilisation certificates still awaited.

Year	Institutions	State Boards	Total
		(In crores of rupees)	
Upto 1960-61	0.03	0.14	0.17
1961-62	..	0.15	0.15
1962-63	0.02	0.10	0.12
1963-64	0.04	0.23	0.27
1964-65	0.01	0.25	0.26
1965-66	0.01	0.38	0.39
1966-67	0.01	0.41	0.42
1967-68	0.06	0.40	0.46
1968-69	0.04	0.33	0.37
1969-70	0.06	0.36	0.42
1970-71	0.03	0.30	0.33
1971-72	0.08	0.57	0.65
1972-73	0.02	0.70	0.72
1973-74	0.03	0.48	0.51
1974-75	0.03	0.99	1.02
1975-76	0.11	2.28	2.39
1976-77	0.42	4.84	5.26
1977-78		..	36.77*
	1.00	12.91	50.68

*Break-up between institutions and the State Boards was not available.

ANNEXURE II

(Para 5.1, page 191)

Statement showing level of production and employment at the end of various Plan periods.

Village industry	First plan (1955-56)	Second plan (1960-61)	Third plan (1965-66)	Annual plan (1968-69)	Fourth plan (1973-74)	Fifth (upto 1977-78)	Plan (up to 1978-79)
1. *Ghani oil*							
(a) Assistance paid during the plan period (In lakhs of rupees)							
Loan	19.47	374.99	650.16	380.35	594.29	517.47	186.07
Grant	11.53	157.51	165.65	39.56	31.90	28.77	11.54
(b) Production (In lakhs of quintals at end of plan period)							
(i) Oil	N.A.	5.87	5.01	3.84	3.23	3.35	5.06
(ii) Oil cakes	N.A.	8.44	7.30	5.34	5.31	4.86	5.99
		14.31	12.31	9.18	8.54	8.21	11.05
(c) Employment (In lakhs of persons at end of plan period) . . .							
(i) Full time .	N.A.	0.34	0.22	0.23	0.23	0.19	0.22
(ii) Part time .	N.A.	0.17	0.12	0.11	0.10	0.15	0.19
		0.51	0.34	0.34	0.33	0.34	0.41
II. *Handmade paper*							
(a) Assistance paid during the plan period (In lakhs of rupees)							
Loan	6.52	55.00	71.35	31.46	30.49	94.79	23.44
Grant	5.82	46.79	40.91	9.28	9.82	13.07	2.37
(b) Production (in lakhs of quintals at end on of plan period) . . .	0.07	0.13	0.20	0.28	0.33	0.43	0.56
(c) Employment (in persons at end of plan period)							
(i) Full time .	2,347	4,127	3,773	3,091	3,382	3,770	4,191
(ii) Part time .	..	1,840	981	610	740	766	850
	2,347	5,967	4,754	4,511	4,122	4,536	5,041

N.A.—Not available.

PART II.

PART II

MINUTES OF THE SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (1980-81) HELD ON 25 APRIL, 1981 (AN)

The Committee sat from 15.00 hours to 16.00 hours in Committee Room No. 50 Parliament House, New Delhi.

PRESENT

CHAIRMAN

1. Shri Chandrajit Yadav

MEMBERS

2. Shri Satish Prasad Singh
3. Shri Subhash Chandra Bose Alluri
4. Shri K. P. Singh Deo
5. Shri Hari Krishna Shastri
6. Shri Indradeep Sinha
7. Smt. Maimoona Sultan

REPRESENTATIVES OF AUDIT

1. Shri G. B. Singh—*A.D.A.I.*
2. Shri ~~M. S. Sa~~rna—*Director of Audit, CW&M*
3. Shri M. L. Malhotra—*Jt. Director (Reports)*
4. Shri N. Sivasubramaniam—*Joint Director (RA)*

SECRETARIAT

1. Shri H. G. Paranjpe—*Joint Secretary*
2. Shri D. C. Pande—*Chief Financial Committee Officer*
3. Shri K. C. Rastogi—*Senior Financial Committee Officer*
4. Shri Ram Kishore—*Senior Legislative Committee Officer (PAC)*

The Committee considered and adopted the following draft reports of the Public Accounts Committee (Seventh Lok Sabha):—

(i) * * * *

(ii) * * * *

(iii) Draft 52nd Report on para 34 of the Advance Report of the Comptroller and Auditor-General of India for the year 1978-79, Union Government (Civil), on Khadi and Village Industries Commission subject to modifications/amendments of minor nature arising out of factual verification by Audit or otherwise.

The Committee then adjourned.