

JANATA CLOTH SCHEME

MINISTRY OF TEXTILES

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PUBLIC ACCOUNTS  
COMMITTEE  
1993-1994

TENTH LOK SABHA



LOK SABHA SECRETARIAT  
NEW DELHI

SEVENTY-SECOND REPORT  
PUBLIC ACCOUNTS COMMITTEE  
(1993-94)

(TENTH LOK SABHA)

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MINISTRY OF TEXTILES



*Presented to Lok Sabha on 29.4.1994*  
*Laid in Rajya Sabha on 29.4.1994*

LOK SABHA SECRETARIAT  
NEW DELHI

*April, 1994/Vaisakha, 1916 (Saka)*

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CORRIGENDA TO 72ND REPORT OF PUBLIC  
ACCOUNTS COMMITTEE (TENTH LOK SABHA)

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### PART II\*

Minutes of the sitting of the Public Accounts  
Committee held on 13 October, 1993 and 25  
April, 1994.

PUBLIC ACCOUNTS COMMITTEE

(1993-94)

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\*Ceased to be a Member of the Committee on completion of her tenure in Rajya Sabha  
w.e.f. 2 April, 1994.

## INTRODUCTION

I, the Chairman of the Public Accounts Committee do present on their behalf this 72nd Report of the Committee on Paragraph 7.1 of the Report of the C&AG of India for the year ended 31 March, 1992, No. 6 of 1993, Union Government (Civil) relating to Janata Cloth Scheme.

2. The Report of the C&AG of India for the year ended 31 March, 1992, No. 6 of 1993, Union Government, Civil was laid on the Table of the House on 7 May, 1993.

3. In this Report the Committee have found several shortcomings in the implementation of Janata Cloth Scheme. These are shortfall in production against the annual targets fixed, failure to make available the raw materials at reasonable prices to the producers, decline in employment opportunities in some States instead of generation of additional employment, unsatisfactory distribution system resulting in Janata Cloth not reaching the targetted population, inadequate quality control, absence of proper system of scrutinising subsidy payment, payment of excess/irregular/inadmissible subsidy, under payment of wages, sale through unapproved agencies, and above all, absence of proper monitoring mechanism both at the Centre and the States and also absence of proper system for periodic evaluation of the scheme. The Committee have regretably concluded that the Janata Cloth Scheme did not succeed fully in achieving its twin objectives of providing employment to unemployed and under-employed handloom weavers and making available cloth at affordable prices to the economically weaker sections of the population. Considering the fact that an amount of Rs. 1127 crores have been spent on the Scheme in the form of payment of subsidies, the Committee have taken a serious view of the failure in fully achieving the objectives. The Committee have desired that the Government should take necessary remedial/corrective action with a view to ensuring that the Scheme is properly implemented atleast in the remaining period, of its operation.

4. The Janata Cloth Scheme is fully financed by the Union Government and an amount of Rs. 1127 crores was released by the Ministry of Textiles since inception of the Scheme. The Committee have been surprised to note that there was no satisfactory system of monitoring the Scheme at Central level to ensure that the subsidy released to State Governments was actually passed on to the implementing agencies within a reasonable time and that the fixation of annual targets by the Development Commissioner for Handlooms under the Ministry of Textiles were based on the realistic assessment of the production capabilities of the implementing agencies. There has also been no mechanism to ensure the timely release of subsidy by the State Governments to the concerned implementing agencies while

the Central Government presumed that the monitoring of the implementation of the scheme will be done by the State Governments, in fact, there was no satisfactory system of monitoring at State levels as well. Considering the facts that the Janata Cloth Scheme was meant to benefit the poorer section of the population and that it was fully financed by the Central Government, the Committee have considered it unfortunate that no mechanism was evolved by the Ministry with a view to ensuring that the Scheme was actually implemented in consonance with the guidelines issued by the Ministry from time to time.

5. The Committee have noted that pursuant to the recommendations of the High Powered Committee constituted in August, 1991, a decision has been taken to phase out the Janata Cloth Scheme during the Eighth Five Year Plan primarily because of Government's policy decision to do away with the subsidy oriented schemes in all the Sectors. As per the assessment of the Ministry, about 1.23 lakh looms would be affected at the end of 8th plan following phasing out of Janata Cloth Scheme unless they are given alternate employment within the handloom sector. The Committee have been deeply concerned over the extent of unemployment that the scrapping out of the Janata Cloth Scheme would eventually result in. They, therefore, have urged that Government should take urgent steps to expedite implementation of the alternate programmes in a time bound manner so as to mitigate this unfortunate situation and ensure that all those affected are provided alternative employment before phasing out completely the Janata Cloth Scheme.

6. The Committee considered and finalised the Report at their sitting held on 25 April, 1994. Minutes of the sitting form Part II\* of the Report.

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

8. The Committee express their thanks to the officers of the Ministry of Textiles for the cooperation extended by them in furnishing information and tendering evidence before the Committee.

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

NEW DELHI;  
April 27, 1994

Vaisakha 7, 1916 (S)

BHAGWAN SHANKAR RAWAT,  
Chairman,  
Public Accounts Committee.

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\* Not printed (one cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).

## REPORT

### Introductory

The Janata Cloth Scheme in the handloom sector was launched in October, 1976 as a centrally sponsored scheme by Government of India with the twin objectives of providing sustained employment to the unemployed and under-employed handloom weavers and making available cloth at affordable prices to the poorer section of the population. The scheme covers production of dhotis, sarees, lungis, shirtings and long cloth and their distribution in rural and urban areas through outlets owned by implementing agencies, Cooperative societies, fair price shops etc. Further, under the new Woollen Janata Cloth Scheme brought into effect from April, 1989 production and distribution of five woollen items viz. shoddy blankets, plain shoddy shawl, plain pure wool shawl, gents shawl and woollen cloth in running length have also been covered. Initially, the scheme was implemented through the Mill Sector, principally National Textiles Corporation (NTC) Mills. According to the Textile Policy of 1981, production of subsidised cloth was to be shifted from the Mill sector to the handloom sector progressively. The New Textile Policy of 1985 envisaged entire production of subsidised cloth in the handloom sector by the time the Seventh Five Year Plan culminates. The rationale for the complete transfer to the handloom sector is drawn from the experience that the Mill Sector's production costs are higher than the handloom sector's resulting in a higher payout of subsidy. Further, the production of subsidised cloth in the handloom sector under Janata Cloth Scheme since 1981 has also shown, in the overall, a gradual increase year after year.

2. The scheme which was implemented by the few States in the beginning gained momentum and during the period 1985-92 twenty States including one Union Territory were implementing this Scheme.

#### *Audit Para*

3. The findings of the Comptroller and Auditor-General of India on the implementation of this Janata Cloth Scheme as contained in paragraph 7.1 of the Report of C & AG for the year 1991-92 are reproduced in Appendix-I.

#### *Financial outlay*

4. The scheme has been receiving financial support in the form of a subsidy paid out from the consolidated fund of India. The Government of

India enacted a legislation in the year 1978 for collection of additional excise duties on the produce of the rest of the textile industry employing non-manual techniques of production for the purpose of using the proceeds for implementing the scheme of handloom Janata Cloth and controlled cloth in the Mills of the National Textiles Corporation (NTC).

5. Funds for the disbursement of subsidy are provided in the Budget of the Ministry of Textiles. The year-wise Budget provision and the disbursement of subsidy under Janata Cloth Scheme since inception were as follows:

(Rs. in lakhs)		
Year	Budget Provision	Amount Released
1976-77	150.00	157.00
1977-78	470.00	465.89
1978-79	1000.00	981.14
1979-80	2000.00	2000.00
1980-81	3000.00	3000.00
1981-82	4675.00	4486.91
1982-83	5100.00	4470.67
1983-84	5247.00	4723.18
1984-85	6265.00	5827.85
1985-86	7135.00	7133.75
1986-87	11000.00	9634.80
1987-88	10900.00	9136.08
1988-89	10000.00	10006.55
1989-90	13464.40	12913.93
1990-91	13005.00	13000.31
1991-92	12582.00	12582.00
1992-93	13000.00	12165.45
<b>TOTAL</b>	<b>118992.40</b>	<b>112685.51</b>

#### Subsidy Rates

6. According to the Audit paragraph, consumer prices of varieties of Janata Cloth are fixed by Development Commissioner for Handlooms (DCH) for each State based on the cost of production after reducing the subsidy element. The subsidy is paid to the implementing agencies on Janata Cloth at the rates fixed by the Government. The rates of subsidy fixed from time to time were as follows:—

Period	Subsidy per square metre
02/10/76 to 30/06/79	Rs. 1.00
01/07/79 to 30/06/81	Rs. 1.25
01/07/81 to 30/09/84	Rs. 1.50
01/10/84 to 29/02/88	Rs. 2.00
01/03/88 to 30/06/90	Rs. 2.75
01/07/90 and onwards	Rs.3.40

(For the purpose of payment of subsidy on woollen Janata Cloth, one square metre of woollen Janata Cloth is equal to four metres of cotton Janata Cloth.)

7. The Committee desired to know the rationale for fixing the rates of subsidy to Janata Cloth. In a note furnished to the Committee, the Ministry of Textiles have *inter-alia* stated:—

“At the commencement of the Scheme in 1976 the rate of subsidy which was applicable on mill-made controlled cloth which was at the rate of Rs. 1.00 per square metre was made applicable to the handloom janata cloth also. The rate of subsidy payable on Janata cloth was revised upwards thereafter keeping in view the increase in cost of production of such cloth. Government of India had been fully neutralising the increase in cost of production with a view to successfully achieve the twin objectives of providing incremental support to the producing agency without passing the incremental burden on the consumer. However, while revising the subsidy rates in 1988 and 1990, the annual budget provision earmarked for release under this Scheme did not provide for 100% neutralisation and, therefore, it was decided in consultation with the Ministry of Finance that the rate of subsidy be increased to partly meet the increase in cost of production in janata cloth. The remainder of the increase in the production cost was neutralised through increase in consumer prices. The apportionment of the increase in the cost of production between subsidy and consumer prices has been in the proportion of 3:1 in 1988 and 1:1 in 1990. The rate of subsidy has not been revised thereafter.”

8. Replying to a related query during evidence regarding non-revision of subsidy rates after 1990, the Secretary, Ministry of Textiles explained:—

“.....At this point of time a decision has been taken that the State level Implementation Committee should index the consumer prices to the cost of production and no further subsidy should be given. The rate of subsidy now is Rs. 3.40 for cotton cloth and Rs. 13.60 for woollen cloth. After that we have not given any subsequent rise in subsidy....”

#### *Delay in release of Subsidy*

9. According to the audit para, the subsidy is payable at the rates fixed by Government of India from time to time on quarterly basis on receipt of claims preferred by the implementing agencies through the Nodal Agency alongwith the certificate by a Chartered Accountant in the case of State Handloom Development Corporation (SHDC) and by the Statutory Cooperative Auditor or Chartered Accountant in the case of the State Apex or Regional Apex Societies regarding the correctness of the claim. With effect from July 1990, the claim is also to be approved by the State

Level Implementation Committee. The Audit have pointed out that there was considerable delay in the release of subsidy in Bihar, Kerala, Maharashtra and Tamil Nadu which resulted in paucity of working capital and ultimately reduction in production and employment.

10. The broad nature of delays as pointed out by Audit in these cases are as follows:

- (i) In case of Bihar delays ranged from 4 to 11 months. This was caused due to the delays on the part of the Nodal Agencies in disbursing subsidy to different implementing agencies.
- (ii) With regard to Kerala the claims for 1990-91 amounting to Rs. 6.44 lakhs preferred in January 1991 and June 1991 and for 1991-92 preferred in May 1992 and July 1992 could not be paid till September 1992 by Development Commissioner for Handlooms.
- (iii) In case of Maharashtra the subsidy claims amounting to Rs. 557.32 lakhs of the three implementing agencies for the quarter ending March, 1992 were not finalised even after the lapse of six months (September 1992). Similarly from April 1991, the advance subsidy at the rate of 75 per cent of projected production, for providing working capital, has also not been released by DCH till September 1992.
- (iv) In Tamil Nadu out of Rs. 352.30 lakhs claimed for the last quarter of 1991-92, Rs. 100 lakhs only was released by DCH till August 1992. Advance subsidy was released only in respect of first two quarters of 1990-91 and the last quarter of 1991-92. The total advance subsidy released worked out to 50 per cent and 4 per cent of the total subsidy due during the years 1990-91 and 1991-92 respectively. There were also delays ranging from 2 to 9 months in disbursement of subsidy including advance subsidies due to delayed sanction and release of subsidy by DCH and State Government.

11. On being asked the reasons for delay in releasing of subsidy by Central/State Governments, in a note furnished to the Committee, the Ministry have stated as follows:—

“Every effort is taken both by Government of India and the State Governments to release the subsidy to the implementing agencies on time.

In the case of Bihar it normally takes 4 to 6 months time for eventual release of subsidy to the implementing agency after the amount is released by Government of India. Government of Bihar have also assured that efforts are being made to cut short the delay in the release of subsidy amount to the extent possible.

The subsidy claims received from Government of Kerala for the year 1991 was not complete in all respects and needed to be revised. The claims for 1991-92 submitted in July, 1992 did not



meet the approval of the State Level Implementation Committee. The claims have since been got revised and necessary approval of SLIC obtained. Government of India released a sum of Rs. 6.44 lakhs on 30th November, 1992 against the claim for the year 1991 and Rs.1.18 lakh against the claim for the year 1991-92.

The procedure involved in transferring the funds from Government of India to the implementing agencies normally takes 3 to 4 months. It is for this reason the guidelines provide for release of advance subsidy to the extent of 75% of the projected production programme of each agency."

12. The Secretary of the Ministry has, however, conceded during evidence that "there was a delay in some of the States."

#### *Consumer Prices of Janata Cloth*

13. It is seen from the Audit Para that the consumer prices of Janata Cloth varieties are fixed by Development Commissioner for Handlooms on the basis of cost particulars furnished by the implementing agencies through the State Governments. The price of yarn, wages and overheads constitute the three major elements of cost of production of janata cloth stuff. The price of janata cloth varieties, however, differ from State to State due to differences in the cost elements and the specifications prescribed for various sorts and also due to the fact that revision of prices is not done simultaneously in all the States. The consumer prices are stated to be revised keeping in view the market conditions and the budgetary provision made for the payment of subsidy.

14. According to the revised guidelines effective from July, 1990, the State Level Implementation Committees (SLICs) have been authorised to regulate the selling prices of Janata cloth indexing it to the increase in production costs. In this connection the Committee enquired to know whether the Central Government had devised any concrete formula for the guidance of the State Governments to regulate the selling prices under some uniform pattern or they have been given blanket powers. In response, the Ministry have stated that the State Governments have been advised to fix selling price keeping in view the cost of inputs, wages and overheads of implementing agency minus the subsidy. The maximum overhead had been fixed at 25% of the total cost before subsidy. However, when a new sort is approved, its price on the basis of cost norms is also approved by the Central Government.

15. The Audit Paragraph has revealed that consumer prices of janata cloth fixed during seven years from 1985 to 1992 registered an increase ranging between 48 to 124 per cent in the case of the sarees and 73 to 111 per cent in the case of the dhotis in Assam, Bihar, Kerala, Maharashtra, Tamil Nadu, Tripura and Uttar Pradesh. However, the increase in the Index number of wholesale prices of Textiles items and all commodities in 1991-92 over that of 1985-86 was 56.66 and 65.70 per cent respectively.

16. On being enquired about the contributory reasons for such an increase in the consumer prices of janata cloth compared to that of wholesale price index of Textiles items, in a note, furnished to the Committee, the Ministry have *inter-alia* stated as follows:—

“The wholesale price index of textile commodities or all commodities are not comparable with the consumer prices of janata cloth because of:

- (a) Price variation of selling price of janata cloth also depends on incidence of subsidy.
- (b) The variation in cost of production would depend on the major input, namely, cotton hank yarn.

During March, 1986 to March, 1992, the weighted average price of cotton hank yarn went up from Rs. 24.75 per kg. to Rs. 60.49 *i.e.* an increase of 144.10%.”

17. Further, according to the Ministry, the cotton hank yarn used in the low priced janata cloth constitutes over 60% of the cost of production. The items considered for arriving at the index number of wholesale prices of Textiles have rather limited comparability because the incidence of increase in yarn prices would be lower on the entire basket of textile items as compared with that on janata cloth. The variation in consumer price is stated to be higher than the cost of production of janata cloth (during 1985-92) because of reduction in percentage of subsidy.

18. Commenting on the incidence of yarn prices on the consumer prices of janata cloth, the Secretary, Textiles, during evidence, deposed:—

“The prices of janata cloth rose more sharply than other goods because of the increase in the yarn prices. It is because yarn price constitutes a much greater proportion of the total cost of janata cloth than any other cloth...Therefore, the rise in yarn prices has affected the janata cloth to a much larger extent than other cloth. Generally, whenever there is a rise in yarn prices, the handloom sector is affected the most because in the handloom cloth the yarn is a very important component.”

19. Since the hank yarn price was rising thereby affecting the prices of janata cloth, the Committee enquired to know whether Government have ever considered subsidising the prices of hank yarn also. During evidence, the Secretary of the Ministry explained:—

“We have a scheme of supply of yarn at mill grade price. This is the aim of the National Handloom Development Corporation and the Government of India. Five per cent subsidy was given but now it has been reduced to two per cent. They have been procuring yarn from the spinning mills and providing it at a reasonable price. But the difficulty is that the coverage of these implementation agencies is not total. They cover only a part of the handloom weavers population. Majority of the weavers do not get the benefit of those schemes. But

we do have a scheme. The Handloom Corporation procures and store yarn and make it available to the weavers."

20. Elaborating further on this point, Development Commissioner, Handlooms stated:—

"As a part of the policy formulation, making available yarn to the handloom sector is one of the major programmes. It is in the form of hank yarn obligation which was brought in 1986 and revised in 1990. Hank yarn obligation order provides that 50 per cent of the total production and civil deliveries by every spinning mill shall be in hank yarn form. It must be made very clear that the handloom sector by and large exclusively use yarn in the hank form. Fifty per cent of the total production excluding what is taken up for captive consumption and fifty per cent has to be in hank form. A scheme was launched to make sure the availability of yarn to the handloom sector and that scheme is still continuing."

21. Asked to what extent has this statutory hank yarn obligation scheme been able to safeguard the interests of handloom weavers, in a post-evidence note, the Ministry have stated as follows:—

"The Scheme ensures that adequate quantity of yarn is made available to the handloom weavers. This ensures not only sustained availability and thereby sustained production but also ensures price stability by balancing supply and demand."

22. The Committee further desired to know whether the Government has set up any yarn bank to distribute yarn to the weavers. In response DC, Handlooms added:—

"We tried it out six years ago. This is a trade where the private sector is so strong that any fluctuation in price range is taken advantage of by the private sector and the Government burns its fingers. In fact, a large number of yarn banks have suffered losses. They pick up yarn from the surplus States and bring it where it is deficit. That scheme is working better. At least, it is being implemented in much more effective manner."

### *Production Performance*

23. According to the Audit Paragraph Production targets for States were to be fixed on the basis of production capacity and entitlement of the State worked out as per norms and past performance. The entitlement of each State was to be worked out on the basis of composite criteria of giving weightage to the total population and the population living below the poverty line in the ratio of 2:1. Targets of production of janata cloth for the various States were fixed by Development Commissioner for Handlooms and communicated to the respective Nodal Agencies to work out a production programme to achieve the targets. Normally while allocating the State-wise targets, the States which produced janata cloth in

excess of their entitlement for consumption of controlled cloth (both mill made and handloom) were directed to distribute surplus production to other deficit States, after taking into account the deliveries of the mill made cloth in these States. The implementing agencies were to produce only such sorts as approved by DCH on the basis of technical particulars furnished by them duly recommended by the Nodal Agencies. These sorts were to be selected on the basis of local consumers' preferences and also on the basis of demand in the deficit States to whom the surplus production of the surplus States was to be sold.

24. The annual production targets fixed by DCH for all the States and achievement there against during 1985-92 were as follows:—

(in lakh sq. metres)

Year	Target	Achievement	Shortfall in percentage
1985-86	4200	3981	5
1986-87	5000	4821	4
1987-88	5350	4890	9
1988-89	5600	4196	25
1989-90	6000	5038	16
1990-91	6000	4771	20
1991-92	4500	4027	11

(The targets for production of woollen janata cloth were fixed separately during 1989-90 i.e., 14 lakh square metres against which the achievement was 9.40 lakh sq. metres.)

25. The above table indicates that while the shortfall in production of janata cloth ranged from 4 to 9 per cent during 1985-86 to 1987-88, it was as high as 25 per cent and 20 per cent during 1988-89 and 1990-91 respectively. In 1991-92 the targets were fixed at 4500 lakh sq. metres as compared to 6000 lakh sq. metres in 1990-91. However, even on the reduced targets, the shortfall was to the extent of 11 per cent.

26. The Committee enquired to know the reasons for relative shortfall in achieving production targets, as brought out in the Audit paragraph, during the period 1985-92. In a note furnished to the Committee, the Ministry of Textiles have stated that the major policy decision announced by the Government in 1988 which envisaged a drastic change in the distribution system led to poor lifting of janata cloth by the Public Distribution Agencies at the initial stages and the resultant stock piling with production agencies adversely affected the production during 1988-89. Again in the year 1990-91, the guidelines have been revised further streamlining the production and distribution aspects which affected the production schedule. The reason for shortfall in the achievement of production during the year 1991-92 may be attributed to the unrelenting increase in the prices of yarn during the year, which rendered production of janata cloth uneconomical. The weighted average of hank yarn prices

are stated to have increased by 31.2% in April, 1992 over the prices prevailing in March, 1991. The yarn prices have, however, stabilised thereafter.

27. In this connection, the Committee specifically desired to know the salient features of the Policy decision, 1988, which adversely affected both production and distribution of janata cloth during the period 1988—91. The Committee have been informed that, in the guidelines of 1985 issued earlier by the Central Government, it was prescribed that janata cloth may be sold through the outlets owned by the implementing agencies as well as Fair Price Shops and other public distribution system agencies. However, no specific limit was prescribed for sale through own outlets. In the guidelines of 1988, it was specifically prescribed that at least 85% of janata cloth should be distributed through PDS. The reason for shortfall during 1988-89 was because the States were required to identify PDS agencies, who would take over the distribution of janata cloth upto 85% and this took some time. During 1989-90, however, these processes were completed and therefore production increased. The modifications effected in the guidelines of 1988 are stated to have been introduced on the basis of interim study report of the janata cloth scheme conducted through ATIRA and IRMA.

28. As regards remedial steps taken to fully achieve the envisaged annual production targets the Committee have been informed that Government of India had extended the time limit for switch over to the new distribution system till September 1988, in order to enable the implementing agencies to evolve necessary organisational arrangements to distribute cloth through Public Distribution System and to improve liquidity problems of the production agencies resulting out of stock piling of janata cloth in 1988-89. Relaxation was also given in certain cases subsequently due to the stringent guidelines issued in the year 1990-91 so as to enable the agencies to achieve the targeted production.

29. The Committee pointed out that the remedial steps stated, to have been taken from time to time could not check the decline in achievement of targets of production. While admitting this the Ministry have stated that the decline in production of janata cloth has been in line with the Policy of Government of India to phase out the scheme.

#### *Deficiencies in fixation of targets*

30. The audit para has brought out that the targets for the production of Janata cloth were not being fixed on any scientific or realistic assessment of the requirements of target population but on *ad-hoc* basis and on the availability of funds. The targets were also not fixed sort-wise by Development Commissioner for Handlooms.

31. On being asked the reasons for fixing production targets on *ad-hoc* instead of fixing such targets on realistic basis and as per the parametres laid down for the purposes, the Ministry in a note have explained as under:

“Targets are fixed on the basis of demand in Janata cloth which is reflected in the past performance in production by the implementing agencies. When targets are fixed this parameter is a major consideration. Ultimately, the Scheme has to operate within the budgetary provisions because if a target is fixed beyond what the budget permits, then the subsidy claims would not be reimbursed and the objective of the Scheme would be defeated.”

32. Explaining further the reasons for not fixing targets sort-wise, the Ministry have pleaded that it is not possible for Government of India to anticipate demands of various sorts throughout the country. It is also stated to be against the principle of delegation which was kept in mind in formulating the guidelines under which these State Level Implementation Committees (SLICs) have been authorised to fix agency-wise targets. The SLIC has better representation from implementing agencies, consumer agencies and are in a better position to assess sort-wise demand.

#### *Employment Generation*

33. One of the main objectives of janata cloth scheme was to provide sustained employment to unemployed and under-employed weavers in the handloom sector. This was to be done by producing janata cloth by activating dormant looms and not be diversion of looms which were producing value-added varieties or exclusive varieties requiring high skill in weaving. According to the National Handloom Census (1987-88) the number of looms was 38.90 lakhs and among that 36.10 lakh looms were in working order while 2.80 lakh looms were lying idle. The Audit Paragraph has brought out that the Office of Development Commissioner for handlooms were not maintaining any statistics on number of weavers engaged in the production of janata cloth and number of idle looms at a given period of time.

34. Asked any was no statistics of the number of weavers engaged in the production of janata cloth and number of looms maintained by the Department, the Ministry have stated that producing agencies maintain statistics of number of weavers engaged in the production of janata cloth and quantity produced from time to time. It is further stated that since thousands of primary societies are engaged in this production, it is not possible to maintain this data at Government of India level. However, the data on the number of looms engaged in production of janata cloth is consolidated and reported alongwith subsidy claims.

35. since the basic objective of the scheme was to provide sustained employment to unemployed and underemployed weavers, the Committee

specifically desired to know as to whether any data indicating year-wise break-up of the unemployed and under-employed weavers was maintained by the Department. During evidence, the Secretary, Textiles stated:

“We have State-wise figures of number of days worked by weavers household. It differs from State to State. The average number of days comes to 190.04 for the whole country. This is the latest data which is available with us and this only gives break-up of workers State-wise and also break-up rural and urban-wise. It does not give this kind of break-up as to how many number of days they worked. This kind of data is not available.”

36. The Committee pointed out that average figure is not the real indicator and the approach should have been to find out and pin-point the deserving segment of population which remains unemployed or very very underemployed.

37. In response, during evidence, the Secretary *inter-alia* stated:

“Our approach is to provide additional employment to those who are unemployed. That is our basic approach. These data also indicate that they do not get employment on all the days of the year. Even the average figures indicate this.....”

38. In this connection, the representative of the Ministry further stated:

“.....In terms of policy, one should have gone to the extent of finding out what is the number of unemployed and switch over to them. But that exercise has not been done.....”

39. When asked whether the availability of these information and further exercise over it by the Ministry would have effected substantial improvement in the implementation of Janata Cloth Scheme, the Secretary, Textiles, deposed:

“.....Had we got this information, the distribution would have been more rational. I concede. But we do not have the information.....”

40. In view of non-maintenance of these supportive data at Government of India level, the Committee enquired to know the basis of assessing/analysing the impact of the scheme with regard to employment generation, one of the major objectives of janata cloth scheme. According to the Ministry, the impact of the scheme on employment generation was assessed only on the basis of sample study conducted through Ahmedabad Textile Industry's Research Association (ATIRA) which submitted its report in December, 1989.

41. As regards existing mechanism at the Central level to keep a watch on the trend of employment generation, to identify bottlenecks and suggest effective steps to remove them the Committee have been informed that the employment generated under the scheme is directly linked to the

production. Accordingly, Government of India continued to give higher targets upto 1991 to increase the employment, even in cases where the performance in previous years was low.

42. According to the Audit Para, the shortfall in production and the test check of records in the States revealed decline in employment opportunities and no analysis was made by the Central Government in this regard.

43. On being asked as to why was no analysis made to identify the bottlenecks so that some effective steps could be taken for increase in employment generation, the Ministry have stated as follows:

“While it is a fact that the production of janata cloth is a continuing programme, it is not necessary that the weaver engaged in the production of janata cloth produces only janata cloth throughout the year. Depending on the seasonal demands for other non-janata products a weaver engages himself in the production of such value added items which benefits him financially and the weaver opts for production of janata cloth during the lean period for his sustenance. These activities are apart from other activities like agriculture that the weaver may be engaged during different parts of the year. The full time employment generated due to the production of janata cloth alone cannot therefore, be quantified in absolute terms. The overall achievement or production of cloth in the handloom sector, and the resultant employment generation during the period of review increased substantially and this is indicative of the fact that there is an increasing employment opportunity to the handloom weavers.”

44. The Audit Paragraph further points out that the records maintained by different States revealed non-operation of looms and low level of employment generation. In this connection, the Committee enquired to know the steps taken by the Ministry from time to time to remedy the situation. In response, the Ministry have stated:

“The number of looms engaged in janata cloth production vary from State to State. In Bihar, the problem arose out of management difficulties within the implementing agencies. In Kerala, Janata Cloth Production was not remunerative because of incidence of higher wage rates available in other economic activities. In Maharashtra, the weavers were engaged in production of both Janata and non-janata varieties. Therefore, even if a weaver gets 10 to 12 days work in Janata Cloth Production, this is not an unsatisfactory arrangement as long as he gets an alternate employment under non-janata production or other economic opportunities. In Tamil Nadu, the Janata Cloth Production has declined primarily because it is more remunerative to produce non-janata cloth and the sale of such non-janata cloth is further assisted



by the rebate Scheme of State Government. Further, according to the Ministry apart from assistance for production of Janata Cloth, Government of India also provides assistance in various forms for production of non-janata cloth. A major scheme in non-plan for non-janata cloth production and marketing is Market Development Scheme. During VIII Plan several new plan schemes are in operation to assist production on non-janata cloth like Project Package Scheme and Margin Money for Destitute Weavers Scheme. A National Silk Yarn Bank Scheme has also been operationalised for 1993-94 on pilot basis."

### *Distribution*

45. According to the guidelines issued by DCH in July, 1985 the Nodal Agency in each State was required to work out time bound programme to ensure that not less than 75 per cent of the janata cloth was sold to the target group in rural areas and the balance in urban areas by the end of Seventh Plan. The target group was to be determined as per land holding in rural areas and on income basis in urban areas. The guidelines also prescribed that at a time not more than two pieces of dhotis or sarees and ten metres of dress material was to be sold per head. Bulk sales of janata cloth in wholesale outlet was not to be allowed. At least one retail sale outlet was to be opened in every gram panchayat. In May 1988, it was further specified that 85 per cent of the distribution was to be done through the Public Distribution System (PDS) and the balance through the outlets owned by the implementing agencies.

46. The Audit Para reveals that though the janata cloth scheme had been in operation since 1976, there were serious complaints about highly unsatisfactory arrangements through the public distribution system, due to which the janata cloth did not reach the targeted population. To a specific query from the Committee as to what mechanism had been evolved in the Department to monitor the distribution of janata cloth to the targeted groups, the Ministry, in a note have stated as follows:

"It is not possible for the Office of the Development Commissioner for Handlooms to make regular inspections for monitoring the distribution of janata cloth by all distribution agencies spread throughout the country. By and large the distribution agencies in the States, being a part of the Public Distribution System, are directly monitored by the State Authorities. However, the Office of the Development Commissioner for Handlooms conducted field verifications on sample basis in Tripura, West Bengal, Maharashtra, Tamil Nadu and Karnataka and action on these reports have been taken and the State Governments directed to take further necessary action on the basis of findings of the sample check. Since it is not possible for Government of India to have large scale field verifications,

such responsibility must necessarily vest with the State Government."

47. It is further stated that a full-fledged monitoring mechanism at the central level to over-see the performance of the scheme implemented under the Nodal authority of the State Governments is not warranted. Responding to a related query from the Committee as to why was the distribution of Janata cloth in various states not made in accordance with the guidelines issued by the Department from time to time, it is stated that as far as possible the distribution of Janata cloth had been in accordance with the guidelines. However, the guidelines relating to distribution of stipulated percentage of total distribution through the Public Distribution System and the stipulation which required every distribution agencies to distribute at least 75% of the Janata Cloth in rural areas, were stringent and a number of agencies faced difficulties in fully fulfilling these conditions and in some cases relaxation was to be given as a special dispensation.

48. To a specific query as to whether 75% of Janata cloth produced is sold in rural areas, Secretary Textiles mentioned during evidence that "we knew it is not practicable to implement this."

49. The position has been further supplemented by the Ministry in a note, as follows:—

"The guidelines issued in 1985 stipulated that the objective to achieve 75% sale to rural areas should be attained by the end of VII Plan. In accordance with this, the guidelines issued in July, 1990 required that at least 75% sales should be to rural areas mandatorily. After these guidelines were issued, representations were received stating that it is difficult to monitor such data. Since the revised guidelines effective from October 1, 1993 do not have the consumer objective, the stipulation for 75% sale to rural areas has become inconsistent. Accordingly, this condition has been done away with."

50. The Audit Para further reveals that details were not available with the Nodal/Implementing agencies for the actual quantity of Janata cloth distribution in rural areas during 1985-86 to 1991-92. According to the Ministry with the meagre revenue earned on account of distribution of the low-priced Janata cloth, it is not always possible for all these agencies to maintain and submit returns to the Nodal agency regarding the rural-urban distribution since the cost of maintenance of relevant data and furnishing of returns to the effect would far exceed the revenue earned.

51. In this connection, the Committee desired to know as to how was it ensured that the benefit of subsidy has reached the intended beneficiary while supportive records were not maintained by the Nodal/Implementing agencies. In response, it is stated that the Ministry has not been able to verify retail sales of rural and urban areas. The Central Government has

ensured that the benefit of subsidy reaches the intended consumers by approving the types of cloth sorts which are required by the people belonging to such income group. Further the nature of Public Distribution System as it operates in the State is that goods are handed over in bulk quantities to the apex distribution agencies like consumers federations and Civil Supplies Corporation and State Governments under their special Schemes. These apex agencies are expected to take the responsibility and maintain the data.

52. As regards rectificatory steps taken in this regard, the Ministry of Textiles have stated that since it is not possible to monitor the criteria of rural/urban distribution and secondly since the consumer objective of the scheme has been dispensed with under the new guidelines effective from October, 1993 the condition of rural/urban distribution has also been done away with.

#### *Under-Payment of wages*

53. The rate of subsidy was enhanced from Rs. 2.75 to Rs. 3.40 per square metre from July, 1990 with a view to providing higher wages to the weavers. While announcing the enhancement in the rate of subsidy on 17 July, 1990, the Central Government instructed the State Governments to ensure that the increase in Janata subsidy is passed on to the handloom weavers by way of increased wages. The Audit have pointed out under-payment of wages in Tamil Nadu and Uttar Pradesh as brought out in the succeeding paragraphs.

#### *Tamil Nadu*

54. The subsidy was claimed by Co-optex at enhanced rate from July, 1990 but the increase was not passed on to the weavers as wages till July, 1991. The short-payment of wages on this account amounted to Rs. 105.62 lakhs. In case of 45 primary co-operative Societies in Vellore and Salem Regions, the Under-payment of wages during the period from March, 1988 to March, 1990 and from July, 1991 to March, 1992 worked out to be Rs. 29.69 lakhs.

55. Replying to a query from the Committee about non-payment of increased wages in Tamil Nadu, the Ministry in a note have stated as follows:—

“In Tamil Nadu, the consumer prices have not been revised from July, 1988 onwards and since they have been meeting the entire cost of production by reducing their own margins, there was no adverse impact on the earnings of weavers due to increased cost of production. As long as the implementing agency has been paying the wages as approved in the costing for each cloth sort to the weavers, it cannot be said that the weavers have been deprived of their wages on account of benefits accruing out of enhancement in the rate of subsidy. The benefits of the increase in the rate of subsidy

was adequate only to meeting about 50% of the increase in the cost of production mostly arising out of increase in prices of raw materials. There is, therefore, no irregularity committed by Co-optex on this account."

56. As regards under-payment of wages amounting to Rs. 29.69 lakhs in case of 45 primary co-operative societies, the Ministry could not furnish any clarification.

#### *Uttar Pradesh*

57. The Audit have pointed out that the benefits of increase in the rate of subsidy amounting to Rs. 1343.71 lakhs were not passed on to the weavers during the year 1990-91 and 1991-92 and was lying with the implementing agencies.

58. Giving clarification for the delay in passing on the benefit of increased wages to the weavers, the Ministry have stated as follows:

"Regarding passing on the benefit of increase in the rate of subsidy to the weavers in UP, Govt. of UP have informed that the wages have been increased in July, 1989 by Rs. 3.00 per pair. This increase in the rate of wages was met partially as subsidy by State Government at the rate of Rs. 1.50 per pair and through increases in the consumer prices by Rs. 1.50 per pair. Consequent to the enhancement in the rate of subsidy payable by Government of India in July, 1990, the burden of increased wages which was hitherto met through State subsidy was met by Central subsidy. It is not, therefore, correct to assume that the benefits of increase in the rate of subsidy were not passed on to the weavers."

#### *Quality Control and Physical Verification*

59. According to the Audit Para, the implementing agencies are required to take all possible steps to ensure that the Janata Cloth produced/procured by them is of good quality and is in keeping with consumer's preferences and tastes. It is the sole responsibility of SLIC and the Nodal Agency to ensure that the cloth produced by the implementing agencies under the scheme is in conformity with the standards prescribed by Development Commissioner for Handlooms (DCH). They are to make necessary arrangements including providing a vigilance machinery for the purpose or by strengthening the existing inspection machinery for periodical check to ensure strict observance of quality standards and take stringent action wherever non-observance of quality and any other malpractices are detected. The Nodal Agencies are to devise a system of physical inspection of production, distribution and payment of wages to ensure that the production and distribution made in accordance with the norms laid down under the guidelines issued from time to time. A test check of records of the implementing agencies/Nodal agencies of Assam, Bihar, Maharashtra, Tamil Nadu, Tripura and Uttar Pradesh by Audit has

revealed that no action has been taken to create the infrastructure for ensuring quality control as prescribed by the Department.

60. When asked to comment on the absence of quality control infrastructure in most of the States which is in contravention to the prescribed guidelines by the Department, the Ministry have stated that normally when cloth is received back from the weaver by the producing agencies i.e. either a primary cooperative society or a Corporation, the cloth is test-checked. It is not possible for primary societies to make investments for setting up of testing facilities for checking up yarn specifications.

61. Responding to a pointed query from the Committee as to how is it ensured that quality of janata cloth conforms to the specifications laid down by Development Commissioner for Handlooms, the Ministry have added that the cloth is inspected at the time of receipt the besides, sample checks are conducted by the Nodal agency from time to time

62. According to the Ministry, while in some States the specification of yarn and cloth is test-checked by the technically qualified supervisors of the Implementing agency, in other cases they have been availing of the facilities from allied sources.

63. However, no regular system of quality control infrastructure in most of the States was set up for cross-checking cloth specifications.

#### Deficiencies/Irregularities

64. The Audit have pointed out several individual instances of irregularities in some of the States regarding implementation of the scheme resulting in shortfall in production targets, decline in employment generation, inequitable distribution, excess/irregular/inadmissible subsidy at the cost of the exchequer, under-payment of wages, delay in regularisation of "On account" payment to the tune of Rs. 369.44 lakhs, inadequate quality control infrastructure and unsatisfactory monitoring mechanism. Some of the major irregularities noticed in Maharashtra and Uttar Pradesh, the largest recipients of subsidy in the implementation of the scheme are discussed in detail in succeeding paragraphs.

#### *Maharashtra*

65. (i) The Audit have pointed out that Maharashtra state Handloom Corporation (MSHC) suspended the system of issuing cash memos for sale of janata cloth between July, 1986 to October, 1988. When asked to comment on such an arbitrary action by the MSHC, the Ministry giving justification have stated that issuance of cash memos to the selling agents by MSHC was suspended in view of financial burden of printing cash memos.

In this connection, the Committee further enquired to know as to how the Central Government ensured that subsidised janata cloth had reached the intended beneficiary. The Ministry stated that, if the Central

Government insist on making sample checks about distribution before release of subsidy, then given the staff structure and the dispersed nature of consumers all over the country, the subsidy cannot be released at all. Therefore, it has been considered adequate check if the certificates submitted alongwith subsidy claim indicated that the cloth has been sold as per the norms prescribed for distribution.

(ii) The Audit Para has further brought out that janata cloth was sold in bulk to private traders by three implementing agencies viz. Maharashtra State Handloom Corporation (MSHC), Vidharbha Weavers Central Cooperative Society (WVCCS) and Western Maharashtra Weavers Central Cooperative Association Limited (WMWCCA) and subsidy was claimed thereon. Thus irregular subsidy amounting to Rs. 440.90 lakhs was paid at the cost of exchequer.

(iii) The rate of subsidy was enhanced from Rs. 2.00 to Rs. 2.75 per square metre from March 1988. As per Orders issued by the Government in May 1988, only such States which arranged for distribution of janata cloth through the Public Distribution System by September 1988 were entitled to subsidy at enhanced rate. The States which did not switch over to PDS by September 1988 became eligible to enhanced subsidy only from the date from which distribution was undertaken through PDS i.e. from November 1988. The Government of Maharashtra switched over to distribution through PDS only in October 1988. The States was, therefore, entitled to enhanced subsidy from November, 1988 only. However, according to Audit, subsidy was claimed and paid from March 1988 resulting in excess payment of subsidy to the tune of Rs. 208.04 lakhs.

The Committee enquired to know the reasons for such an irregular payment of subsidy to the State of Maharashtra as well as follow-up steps taken by the Central Government to regularise it. Explaining the position in this regard, the Ministry have *inter-alia* stated that due to administrative reasons the State Government issued final orders prescribing the procedure of distribution through PDS only in October, 1988. On a request from the Government of Maharashtra to waive the delay on their part in issuing necessary instructions, the Development Commissioner for Handlooms exonerated the action of the State Government keeping in view the overall interests of handloom weavers.

(iv) The implementing agencies were required to produce only such sorts of janata cloth as were approved by DCH. The cloth sorts were subsequently revised by DCH from April, 1988 and June, 1986. However, the MSHC and WVCCS continued to produce old sorts under new numbers till March, 1988 and March, 1990 respectively and claimed subsidy. According to Audit this resulted in excess claims of subsidy by the MSHC to the extent of Rs. 14.88 lakhs and by the WVCCS to the extent of Rs. 21 lakhs.

Asked why did the Department fail to ensure that subsidy was not paid for the cloth sorts whose standard did not qualify for such subsidy, the Ministry have pleaded that the factual position did not come to the notice of the office of DC, Handlooms at the time of setting subsidy claims. The inadmissible subsidy amount in respect of both the agencies are stated to have been recovered. However, no penalty or interest has been charged on the amount recovered.

As regards rectificatory steps taken by the Central Government to obviate recurrence of such events, it is stated that necessary orders have already been issued and the implementing agencies have been warned that they would be debarred from implementing this scheme if any irregularity is detected in future.

(v) According to the guidelines issued by DCH in July, 1985, subsidy was payable on the basis of actual deliveries of janata cloth from the central godown/regional depots of the State implementing agencies to retail sales outlets. According to the Audit Para, MSHC opened a wholesale depot in December, 1986 in the premises of its godown at Kalameshwar and all quarterly transfer of janta cloth from the godown to the depot were treated as deliveries for retail sales outlets for claiming subsidy. Thus subsidy amounting to Rs. 176.07 lakhs drawn for the period December, 1986 to March, 1988 on these transfers was inadmissible. The Committee desired to know as to how was the subsidy paid to the MSHC on the transfer of janata cloth when this did not qualify for such subsidy and also the action taken to recover the inadmissible subsidy. In a note furnished to the Committee, the Ministry have stated as follows:—

“The transfer of janata cloth by MSHC from its godown at Kalameshwar to their wholesale depot in the same premises did not qualify for claim of subsidy in accordance with the guidelines. However, Govt. of Maharashtra informed that they have not been claiming subsidy on such goods again when they were delivered to retail outlets for retail sale. In other words MSHC claimed subsidy at the first stage of transfer of the goods from godown to its depot instead of claiming subsidy after the goods are delivered from the depot to the sales outlets. The procedure adopted by MSHC has enabled the corporation to realise the subsidy in advance. Government of Maharashtra have also informed that necessary corrective action has been taken in December, 1990 by taking the stock of cloth transferred to other depots and remaining unsold cloth in the Kalameshwar depot into account while setting the subsidy claims for the quarter October-December, 1990. Since Govt. of Maharashtra have already taken requisite corrective measures, MSHC has been exonerated for having deviated from the guidelines for a brief period in interpreting the term “actual delivery” of janata cloth.”

(vi) The Audit have pointed out that incorrect reporting of deliveries resulted in receipt of excess subsidy of Rs. 286.16 lakhs by MSHC.

Responding to a pointed query from the Committee as to why was the variation between actual/false figures not checked by the Department at the time of releasing subsidy, it is stated that the agency adopted the faulty procedure in determining the point at which the subsidy is to be claimed. The figures have since been reconciled and tallied on aggregate basis.

As regards steps taken to recover the excess payment of subsidy, the Ministry, have stated:

"Since the agency has been exonerated, there is no case of receipt of inadmissible subsidy by MSHC resulting from incorrect reporting of deliveries. The State Government had taken necessary corrective measures in December, 1990 to rectify the incorrect procedure adopted."

#### *Uttar Pradesh*

66. (i) The Audit have pointed out that janata dhoties valuing Rs. 5.26 lakhs made available to the District Cooperative Federation, Kanpur in 1985-86 by the Uttar Pradesh Industrial Cooperative Association (UPICA) have not been accounted for by the former organisation. In another case there was non-accountal of 58,500 pairs of dhoties between UPICA and National Consumers Cooperative Federation (NCCF), Kanpur during 1986-87 to 1988-89.

On being asked the reasons for the above discrepancies and the steps taken for reconciliation, the Ministry have stated that the reconciliation work done by Government of Uttar Pradesh was in progress.

(ii) According to the Audit Para, in Uttar Pradesh subsidy amounting to Rs. 7.79 lakhs was paid on 2.83 lakhs sq. metres of janata cloth were returned unsold to the implementing agencies. This aspect was neither examined by the Nodal agency nor by the Government. The excess subsidy had not been refunded/adjusted so far. Similarly 4.30 lakhs and 0.84 lakh square metres of janata cloth damaged in transit were returned by the sale outlets to these implementing agencies during 1985-86 to 1989-90, on which subsidy of Rs. 13.76 lakhs already paid could not be recovered.

In this regard, the Ministry could not furnish the exact details.

(iii) The rates of subsidy were increased from Rs. 2.00 to Rs. 2.75 with effect from March, 1988. The Audit have pointed out that Uttar Pradesh Handloom Corporation made deliveries of 13.98 lakhs square metre of janata cloth between November, 1987 and February, 1988 but the same were shown in March, 1988 and subsidy claimed at the higher rate, which resulted in payment of excess subsidy amounting to Rs. 10.49 lakhs. The final clarification in this regard from the Ministry is awaited.

(iv) According to the Audit Para, the anticipated production figures furnished by Uttar Pradesh Handloom Corporation were unrealistic which



resulted in drawal of advance subsidy in excess amounting to Rs. 2056.44 lakhs during the period from April, 1987 to December, 1988 which was irregular.

The Committee enquired to know as why could not the anticipated production figures furnished by UP Handloom Corporation be examined by the Department while releasing the advance subsidy. In reply, the Ministry have stated that under the guidelines, advance subsidy is released to any implementing agency on the basis of projected production programme duly recommended by the State Government. The advance subsidy released for any quarter is adjusted against the final claims received subsequently. However, there have been instances, when the advance subsidy so released could not be adjusted in full against the final claim for that particular quarter. In case of UP Handloom Corporation, advance subsidy could not be adjusted in the quarter immediately following the one, but was adjusted from the calims of subsequent quarters.

To guard against irregularities of such nature, the guidelines effective from 1 July, 1990 prescribed the following conditions:

- (a) Projected production programme for the quarter as approved by SLIC, and
- (b) The highest of actual deliveries made during the last three quarters, whichever is less.

According to the Ministry advance subsidy claims are considered only on the above basis which ensures limited release of advance subsidy.

(v) *"On Account" Payment*

According to the Audit Para, specific complaints were received by Development Commissioner for Handlooms that the finished janata cloth was not reaching retail outlets for sale to the consumers in Uttar Pradesh at subsidised rates and was being diverted to the open market, where it fetched higher price. The State Government was therefore asked to inquire into the details and report upon the extent of irregularities. In the meanwhile subsidy amounting to Rs. 369.44 lakhs pertaining to the period January, 1988 to June, 1988 was released in respect of three implementing agencies in the State in November 1988, to be treated as "On Account" payment i.e. with the condition that the State Government would confirm within one month of the release that the claim did not pertain to janata cloth in respect of which enquiry was being conducted for investigation of alleged irregularities. However, Government of Uttar Pradesh released subsidy to the implementing agencies without furnishing requisite confirmation to DCH. Subsequently, the Government of Uttar Pradesh initiated an enquiry into these irregularities, but the Report was submitted by the Enquiry Committee without touching upon the aspect of irregularities. Thus according to Audit the admissibility of subsidy

amounting to Rs. 369.44 lakhs was not regularised even though more than 4 years had elapsed.

To a query from the Committee regarding action taken against the Government of UP which released subsidy in violation of the prescribed conditions, in a note, the Ministry have *inter-alia* stated that 'while infringement of guidelines by implementing agency does call for action by way of with holding of subsidy, keeping in view the interests of the weavers and the consumers, it does become necessary sometimes to release the subsidy, pending finalization of enquiry. This could be the background for release of subsidy to the implementing agency by the State Government. However, according to the Ministry, the State Government had not specifically replies to this issue when it was raised with them.

When the Enquiry Committee at the State level was specifically constituted to go into details of irregularity committed and the Report did not touch upon the issue, the Committee specifically desired to know the follow up action taken by DCH to ascertain the factual position. The Ministry in a post-evidence note have stated as follows:

"DCH did not accept the report of the Enquiry Committee as valid and therefore did not regularise the 'On Account' release. The State Government was asked to conduct another enquiry. The State Government constituted another Enquiry Committee, but the Report of the Committee, if any, was not received by DCH. Therefore the 'on account' release as also some other releases were decided to be recovered."

Asked further whether any Central level enquiry was conducted in this regard the Ministry have stated that the irregularities which led to the present recovery was based on the initial enquiry by representatives of DCH and it is not possible, given the infrastructure, to have a large number of enquiries.

As regards regularisation of this "On account" payment, the Committee have been informed that since Government of Uttar Pradesh could not comply with the condition, necessary action had been initiated to recover the entire subsidy amounting to Rs. 9,00,04,254 for the quarter January-March and April-June, 1988 in respect of both the implementing agencies in the State. A decision was taken to recover this amount in ten quarterly instalments, each not exceeding Rs. 1,00 crore commencing from the claim for the quarter July-September, 1993.

#### *Monitoring of the Janata Cloth Scheme*

67. The Development Commissioner for Handlooms, under the Ministry of Textiles, has the overall responsibility for implementing the scheme. This includes fixation of subsidy rates, production targets for each State and allocation of surplus production, if any, among the deficit

**APPENDIX II**  
**GOVERNMENT OF INDIA**  
**MINISTRY OF DEFENCE**  
**(FINANCE DIVISION)**  
**(Main Office Section)**

Note for Public Accounts Committee for regularisation of excess expenditure incurred under Capital Section (Charged) of Appropriation No.16 — Ministry of Defence, as disclosed in the Union Government Appropriation Accounts (Civil) for 1991-92.

*Grant No. 16 — Ministry of Defence*

*Capital Section (Charged)*

	(Rupees)
Original Appropriation	13,00,00,000
Supplementary Appropriation	Nil
Total Appropriation	13,00,00,000
Actual Expenditure	13,05,00,000
Excess	5,00,000

2. The original as well as supplementary appropriation for the year 1991-92 under Capital Section (Charged) of Grant No.16 — Ministry of Defence was Rs. 13,00,00,000. As against this, the actual expenditure was Rs. 13,05,00,000 resulting in an excess expenditure of Rs. 5,00,000.

3. The excess expenditure of Rs. 5 lakhs was under Major Head "7601-Loans and Advances to the State Governments in Capital Section (Charged) of the Appropriation. This was due to loans and advances sanctioned to the State Governments of Rajasthan and Uttar Pradesh in 1990-91 for Water Supply Schemes, for which Reserve Bank of India effected the Payments in the year 1991-92 instead of 1990-91. It finally led to an error in estimation on the part of Engineer-in-Chief's Branch. The error in estimation also escaped attention of Ministry of Defence at Revised Estimate/Modified Appropriation for 1991-92 stage. However, the following steps are proposed to prevent similar lapses in Future.

(a) Pay and Accounts Office, Ministry of Defence would be advised of allocation/re-allocation/modified allocation or appropriation of funds.

(b) Pay and Accounts Office, Ministry of Defence would be consulted at the appropriation or surrender stage.

(c) Engineer-in-Chief's Branch and Ministry of Defence will coordinate to take note of bookings made during the year and accordingly make

State Government. Monitoring at Government of India level has been limited to:

- (a) while releasing subsidy to see that the subsidy is claimed as per the guidelines; and
- (b) make sample checks only for the purpose of policy changes and not for physically monitoring the implementation."

72. It has also been stated by the Ministry that due to limited manpower in the office of Development Commissioner, it is not possible to physically monitor the scheme by the Central Government. Also the country-wide spread of this scheme is very exhaustive covering 15 States that for an effective monitoring at the Government of India level, a very large network of personnel is required and hence it was felt best to leave the monitoring of personnel to the concerned States who already possess the requisite manpower. Besides the consistent approach to the scheme by Government has been that monitoring is the responsibility of the State Government no step has been taken to have an elaborate monitoring system at Government of India level.

73. Replying to a related query during evidence, Secretary, Ministry of Textiles deposed:

"It is the case with all the centrally sponsored schemes. The responsibility for implementing these schemes rests fully and squarely with the State Governments. It is not possible for the Central Government to have an administrative structure which can ensure physical monitoring at the district, taluk and village levels. So we have to depend on the State Government."

74. Although the Central Government has delegated the monitoring of the implementation of the scheme to the State Government, the Committee wanted to know the mechanism in existence which ensures its proper implementation and its monitoring at the State Level. Elaborating the position on this point, the Ministry have stated as follows:

"With a view to further strengthening the monitoring mechanism at the State level the guidelines effective from 1st July, 1990 envisage that the nodal agencies should devise a system of physical inspection of production, distribution and payment of wages to ensure that the production and distribution are made in accordance with the norms laid down under the guidelines from time to time. The nodal agencies are required to carry out at least one such physical inspection in each quarter and furnish a certificate to this effect with each quarterly subsidy claims.

The State Level Implementation Committees have also been delegated with the following monitoring functions:

- (i) the review and monitor the position of actual supplies in relation to the requirement of yarn by each implementing agency;

- (ii) to monitor the production of approved cloth sorts;
- (iii) to monitor timely payments of wages to weavers; and
- (iv) to monitor the position of inflow and outflow of funds in relation to the actual quantum of janata cloth produced and distributed by each implementing agency."

### Evaluation of Janata Cloth Schemes

#### *I. Report of Ahmedabad Textile Industry's Research Association (ATIRA)*

75. In April, 1986 the Development Commissioner for Handlooms entrusted the Ahmedabad Textiles Industry's Research Association (ATIRA) to conduct evaluation of janata cloth scheme with wide terms of reference. One of the terms of references for the study was to assess whether the Janata Cloth Scheme was able to achieve its twin objectives, viz. providing sustained employment to the unemployed and under-employed handloom weavers and making available cloth at affordable prices to the poorer sections of the population. ATIRA examined the aspects of production, distribution and consumption. The Report which was submitted in December, 1989 has *inter alia* brought out the following major deficiencies:—

- (i) Though there was increase in the production of janata cloth in handloom sector between 1976 and 1986, yet some systemic deficiencies and organisational bottlenecks like delay in release of subsidy and the rigid cost structure which impeded the smooth operation of the Scheme, were noticed.
- (ii) The consumption objective of the Scheme was not fully achieved, in the sense that the total quantity of cloth made available to the needy sections of the population was inadequate.
- (iii) The quality of the janata cloth was not completely to the satisfaction of the consumers.
- (iv) The retail outlets, were found to be geographically too constricted. A large section of the population in rural areas in need of the janata cloth were found to have no outlets for the janata cloth.

ATIRA suggested that the systemic deficiency in production can be rectified by doing away with the existing system of giving cash subsidy directly to the implementing agencies and instead evolve an alternative system of providing free yarn to the agencies through tie-up arrangements with Cotton Corporation of India/National Handloom Development Corporation under which both will jointly assume the responsibility of providing the yarn free to the implementing agencies according to their requirements and the later will be free from the problem of yarn supply and working capital/cash flow problems. In pursuance of the suggestions made, the guidelines for the implementation of the scheme were revised

with effect from July, 1990 primarily on the basis of the Report submitted by ATIRA in December, 1989.

## *II. Report of the High Level Committee*

76. A High level Committee headed by Secretary, Textiles was constituted in August, 1991 to further review the operation of Janata cloth scheme with the following terms of reference:—

- (a) Whether this Scheme is worth continuing in its present form or in some modified form?
- (b) Whether some alternative method for achieving the stated policy goals and objectives should be considered, and if so, its main features?
- (c) Whether there should be a uniform scheme applicable throughout the country or whether there should be variations and flexibility between different regions?
- (d) What organisational changes are required to give effect to the proposed arrangements?

77. The Committee examined the implementation of the scheme and also considered the issue of its phasing out in the context of reduction of subsidy-oriented scheme in the country. The important observations/recommendations of the Committee are as follows:

- (a) The major disadvantage of the Janata Cloth Scheme has been that in certain cases it has led to temporary or permanent deskilling of weavers. The Committee, however, observed that most of the deskilling was of a temporary nature. An intensive five year plan for training weavers for weaving fabrics of better craftsmanship, higher unit value and superior quality need to be pursued to rectify the aberration.
- (b) It has to be reiterated that in Janata Cloth Scheme, as in any other subsidy scheme, certain amount of mis-utilisation has been inevitable. The mis-utilisation of varied degrees can be tackled by bringing weavers under one organisational roof even as the weaving continues in their respective households and in the fold of weavers cooperatives.
- (c) Investment has to go up in share capital if production is to go up.
- (d) In accordance with the policy of the Government of India to phase out subsidy schemes in all sectors, while Janata Cloth Scheme may be phased out, such dilution should go slow.
- (e) In an acute distress condition, as happened in certain districts of Andhra Pradesh during 1991-92, the main effective instrument of intervention has been the Janata Cloth Scheme.
- (f) There should be two packages. The first package is a set of recommendations that attempt to correct some of the aberration

noticed in the implementation of the Scheme. The second package is an alternate package available to the extent Janata Cloth Scheme is phased out and would be available to the agencies to the extent they surrender their janata allocation.

78. Pursuant to the recommendation of the Committee the Government have issued revised guidelines for implementation of janata cloth scheme with effect from 1 October, 1993 (Appendix II).

#### *Phasing out of Janata Cloth Scheme*

79. Pursuant to the recommendations of the High Powered Committee constituted in August, 1991 to review the operation of Janata Cloth Scheme, a decision has been taken by the Government to phase out the scheme during the Eighth Five Year Plan. The reasons for phasing out of the scheme as recommended by the Committee are as follows:

- (a) The policy measures for promoting and strengthening Small, Tiny and Village Industries announced in August 6, 1991 stated that "Janata Cloth Scheme" which sustains weavers often on a minimum level of livelihood will be phased out by the terminal year of the VIII plan and replaced by the omnibus project package scheme under which substantial funds will be provided for modernisation of looms, training, provision of better designs, provision of better dyes and chemicals and marketing assistance.
- (b) The Scheme has resulted in certain degree of deskilling of weavers.
- (c) As in case of any other subsidy scheme, certain amount of mis-utilisation has been inevitable.
- (d) To maintain the present level of employment and at the same time to do away with the disadvantage of a subsidy oriented scheme, it is necessary to increase the share capital of the implementing agencies so that they can produce non janata cloth.

80. According to the Ministry the scheme is being phased out primarily because of Government's decision to phase out the Subsidy Oriented Schemes. The Committee's recommendations have paved the way for fixing modalities of phase out.

81. Responding to a relevant query in this regard, the Secretary of the Ministry stated as follows:

"Regarding phasing out of the scheme, this is a general policy decision which has been taken by the Government. This is not only in this Sector, but in other sectors also and the decision is that the subsidy should gradually, be phased out."

82. Asked further whether this scheme is proposed to be transferred to the States, the witness further added:

"This is August 6, 1991. In consultation with Ministry of Textiles, the decision is not to transfer the scheme to states. Some of the Centrally Sponsored Schemes are transferred to the States. This is not one of

the Schemes which is being transferred. This is a scheme which is being phased out by the Government itself. It is not proposed for transfer."

#### *Modalities of Phase-Out*

83. The High Level Committee has suggested two packages. The first package is a set of recommendations that attempt to correct some of the aberrations noticed in the implementation of the scheme. The second package is an alternate package available to the extent janata cloth scheme is phased out.

#### *Package-I*

84. Briefly, some of the recommendations of the High Level Committee under this scheme are as follows:

- (i) Fixation of a certain unit value of production by the State Government at least for 80% of the sorts of janata cloth (at present suggested to be Rs. 8.50 per square metre). This is with a view to encouraging production of high value cloth.
- (ii) The present limitation of 15% sales through own outlets of the agencies be done away with and implementing agencies may have the option to widen their catering area by appointing authorised sales depots for promotion of handloom sales.
- (iii) No second subsidy on janata cloth should be permissible.
- (iv) Fixation of minimum floor price for each cloth in order to curb malafide transactions. The Committee have recommended for bridging the gap between procurement price and consumer price by the State Government.
- (v) The State Government should identify year-wise, quantity-wise and area-wise production of sorts and submit to Development Commissioner, Handlooms for approval. Production plan of janata cloth should be based on such approval and subsidy would be released only as per such production.
- (vi) The procurement price should be indexed to the price of yarn so that the burden of increased cost is not passed on to the weaver nor to the primary society.
- (vii) Cloth produced under power-operated looms should not be allowed under janata cloth scheme. The State Government should evolve a mechanism to ensure production of only handloom cloth under this scheme through certification by an independent agency.
- (viii) New weavers to be covered under the scheme should be Integrated Rural Development Project target group weavers.
- (ix) The type of cloth produced should cover the wide range of textile goods needed by a common man and may not be limited to only wearable cloths.



- (x) The Scheme shall also have a role as a mechanism of intervention in times of acute distress. In such emergent conditions, outlays available under the scheme could be given to an agency to be determined by the State Government, who would supply yarn and procure cloth on conversion basis ensuring prompt payment of economic rates of wages to weavers, and such wage shall not, in any case, be lower than the minimum wages.
- (xi) For skill upgradation of weavers, facilities available under Training of Rural Youth for Self Employment (TRYSEM) should be extended by the State Govts.
- (xii) Where off-take of janata cloth by the target group is not sufficient, the next choice should be Government Department/Agencies like Health Department, Para Military/Forces, etc.
- (xiii) Skill upgradation combined with market support for such product would become inevitable as the scheme gets phased out.

#### *Package-II (Project Package)*

85. The Janata Cloth Scheme may be replaced, to the extent phased out, by a Project Package Scheme. This should be available for apex cooperative societies, corporations, regione societies and also primary societies. A major component of the Scheme would be equity participation that would be linked to reduction in target of janata cloth. However, the share of Government of India in the paid up share capital of the beneficiary agencies shall not exceed 49%. In case such a situation arises, the State Government will have to bring in more equity to maintain its minimum share of 51%. In the balance sheet this equity shall be indicated separately as "Janata Cloth Scheme Equity." The equity participation would be linked to (i) Additional Yarn supply operations of the concerned agencies for production/procurement of non-janata cloth under direct production programme; and (ii) production of non-janata cloth.

86. The objective of the Janata equity participation scheme would be to augment production/procurement of non janata cloth and to ensure production of quality and remunerative items. This package would also encompass all other needs of the handloom weavers that would enable the weavers engaged in production of low quality janata cloth to production of more marketable cloth, which will yield higher income. The components would be based on actual needs and would include one or more of the aspects related to training, cost of adaptation to new fibres and new design, design improvement. Supply of appropriate accessories marketing assistance including publicity and exhibition etc.

### Impact of Phase Out

87. In view of the policy announcement of Government of India to reduce the production target of Janata Cloth due to budget constraints as well as phasing out subsidy schemes in all sectors the High Level Committee had *inter-alia* recommended that dilution should go slow, particularly during 1992-93 due to the unprecedented bullish trend in yarn prices which has remained unremitted even with the arrival of new cotton crop. According to them during 1992-93 the target should remain at the same level of 450 million square metres and from the subsequent years, there should be a reduction of target at around 10% to 20% after weighing the various pros and cons.

88. The targets fixed under Janata Cloth Scheme for 8th Five Year Plans period are as follows:

Year	(in million Sq. Metres) Target under JCS
1992-93	450
1993-94	370
1994-95	320
1995-96	250
1996-97	200

89. The Committee specifically desired to know whether any study has been undertaken subsequently to assess the immediate impact of prescribing reduced targets of production of janata cloth on the vital aspect of employment generation. According to the Ministry as per their assessment about 1.23 lakh looms would be affected at the end of 8th Plan following phasing out of janata cloth scheme unless they are given alternate employment within the handloom sector.

90. On being asked about the policy proposed to be followed by the Government to tackle such situation, the Ministry have informed the Committee that the major programmes which would provide alternate employment to the affected weavers are as follows:

- (i) Project package scheme providing assistance for production of non-janata cloth.
- (ii) The Handloom Development Centre Scheme would provide sustained employment to weavers working with 7.5 lakh looms.

91. With the introduction of Project Package Scheme which would lay its emphasis on production of non-janata cloth at the cost of janata cloth. The Committee desired to know the remedy provided for protecting the consumer objective of the scheme i.e. providing cloth at affordable prices

to poorer section of the society. In response, the Ministry have stated as follows:

"The new guidelines have dispensed with the consumer objective of Janata Cloth Scheme. The consumption pattern of textiles by the weaker sections has changed over the years, particularly, following liberalisation of powerloom sector from 1985. Owing to the decentralised nature of powerloom sector, the cost of cloth produced in powerloom is low. The weaker sections of population are to depend on powerloom cloth for their textiles requirement."

92. During evidence the attention of the Secretary was drawn to the fact that in an acute distress condition as happened in certain districts of Andhra Pradesh during 1991-92, the main effective instrument of intervention has been the Janata cloth scheme. In view of the phasing out of this scheme, the Committee desired to know the measures taken to take care of such type of situation. The Secretary Textiles stated:

"There are a number of schemes for the welfare of handloom weavers and one of the scheme is regarding the scheme for setting up Handloom Development Centres. It is the biggest scheme ever conceived for the development of the handloom sector involving a total investment of Rs. 849 crores over a period of four years. This will benefit 30 lakh weavers."

93. The Committee note that the Janata Cloth Scheme was launched in October, 1976 in the handloom sector as a centrally sponsored scheme by Government of India with the twin objectives of providing sustained employment to the unemployed and under-employed handloom weavers and making available cloth at affordable prices to the economically weaker sections of population. The Scheme covered production of dhoties, sarees, lungies, shirtings and long cloth and their distribution in rural and urban areas through outlets owned by the implementing agencies, cooperative societies, fair price shops etc. Under the new Scheme namely, Woollen Janata Cloth Scheme brought into effect from April 1989, production and distribution of five woollen items viz. shoddy blankets, plain shoddy shawl, plain pure wool shawl, gent's shawl and woollen cloth in running length had also been covered. Initially, the scheme was implemented through the handloom sector and partially through Mill Sector, principally National Textiles Corporation Mills. According to the Textile Policy of 1981, production of subsidised cloth was to be shifted gradually from Mill Sector to the handloom sector. The New Textiles policy of 1985 envisaged the entire production of subsidized cloth in the handloom sector by the end of Seventh Five Year Plan. The policy decision of the Government was primarily based on the experience that production of such cloth in the handloom sector has registered gradual and significant increase since 1981. The scheme has been receiving financial support in the form of a subsidy paid out from the Consolidated fund of India. For this purpose, the

Government of India enacted a legislation in the year 1978 for collection of additional excise duties on rest of the textile items for using the proceeds in implementing the scheme of handloom janata cloth and controlled cloth. The Audit review is based on the implementation of the Scheme for the year 1985-92 with reference to seven States i.e. Assam, Bihar, Kerala, Maharashtra, Tamil Nadu, Tripura and Uttar Pradesh (out of 20 States including one Union Territory) where the scheme was under implementation. The facts brought out in the Audit para and further examination by the Committee on this subject have revealed several major deficiencies in the implementation of the scheme.

94. The Committee note that the rate of subsidy payable on Janata cloth was revised upwards several times from Rs. 1.00 per square metre in 1976 to Rs. 3.40 in 1990 with the basic idea of neutralising the increase in cost of production of janata cloth and providing incremental support to the producing agencies without passing the incremental burden on the consumers. However, the revision of the subsidy rates in 1988 and 1990 did not provide for 100% neutralisation due to budget constraints and the apportionment in the increase in the cost of production between subsidy and consumer prices has been in the proportion of 3:1 in 1988 and 1:1 in 1990 resulting in increase in consumer prices. Further, after 1990, the subsidy rate has not been revised and a policy decision was taken at this point of time requiring the State level implementation committees to index the consumer prices to the cost of production. Evidently, the reduction in the rate of subsidy has adversely affected the consumer price and the objective of making available cloth to the poorer sections of the society at affordable prices.

95. The Committee's examination has revealed that there had been considerable delays in release of subsidy to the implementing agencies in cases of Bihar, Kerala, Maharashtra and Tamil Nadu as detailed in para of this report. Undoubtedly, the delay in release of subsidy resulted in paucity of working capital available to the implementing agencies. The Ministry have stated that the procedure involved in transferring the funds from the Government to the implementing agencies normally takes three to four months. During evidence, the Secretary, Textiles, has, however conceded that "there was a delay in some of the States." Since production of janata cloth is greatly dependent on the availability of funds in the form of subsidy, the question of streamlining the procedure and to ensure that funds released reach the ultimate destination in time needs serious attention of Government.

96. The Committee note that the price of yarn, wages and overheads constitute the three major elements of cost of production of janata cloth. Uptil July, 1990 the consumer prices of janata cloth varieties were fixed by the Government based on the cost particulars furnished by the implementing agencies through the State Governments. Since July 1990, the state level Implementation Committees have been authorised to regulate the

selling prices of janata cloth keeping in view the cost of inputs, wages and overheads minus the subsidy element. However, when a new sort is introduced its price on the basis of cost norms is approved by the Government. The Committee view with concern that during 1985-92, the prices of dhotis and sarees, which constitute bulk of the production of janata cloth, had registered a sharp increase ranging from 73 to 111 per cent and 48 to 124 per cent respectively in Assam, Bihar, Kerala, Maharashtra, Tamil Nadu, Tripura and Uttar Pradesh. Pertinently, the increase in the index number of wholesale prices of textiles items and all commodities in 1991-92 over that of 1985-86 was 56.66 and 65.70 per cent respectively. Accordingly to the Ministry, the cotton hank yarn used in the low priced janata cloth constitutes over 60% of the cost of the production and the rise in its price significantly affects the handloom sector. The increase in the consumer prices of dhotis and sarees during the period 1985-92 is attributed partly to the reduction in percentage of subsidy and significantly to the increase in weighted average price of cotton hank yarn. The Committee have been informed that in order to regulate supply of hank yarn to the handloom weavers, statutory Hank Yarn Obligation Scheme was brought into affect in 1986 and revised in 1990. The Government have also set up yarn bank for the purpose of distributing yarn to the weavers. These schemes were devised with the sole idea of making available adequate quantity of yarn to the weavers and there by to sustain production and ensure price stability. Evidently, these measures had not produced the desired results, Since the prices of the basic raw material, viz., yarn had an important bearing on the ultimate price of Janata cloth, the Committee regret to note that no effective steps were taken by Government to make available the same to the weavers at reasonable prices.

97. The annual targets of production of janata cloth for the different States are fixed by the Government and communicated to the respective Nodal agencies to work out a production programme to achieve the targets. The entitlement of each state was to be worked out on the basis of composite criteria of giving weightage to the total population and the population living below the poverty line in the ratio of 2:1. The Committee are concerned to observe that while the shortfall in annual production target of janata cloth ranged from 4 to 9 per cent during 1985-86 to 1987-88, it was as high as 25 per cent and 20 per cent during 1988-89 and 1990-91 respectively. Again in 1991-92 the shortfall was to the extent of 11 per cent against reduced target as compared to that of 1990-91. According to the Ministry, drastic change in the distribution system emerging out of policy decision of the Government in 1988, issuance of revised guidelines in 1990-91 further streamlining the production and distribution and increase in prices of hank yarn are the major contributory reasons in this regard. Since the annual targets were fixed after taking into account changes in the frame-work of the scheme and other relevant considerations, the Committee cannot accept the reasons adduced by the Ministry for the shortfall

as justifiable. They regret to note that the Ministry of Textiles did not take adequate steps to remove the bottlenecks to ensure the achievement of the physical targets.

98. One of the basic objectives of janata cloth scheme was to provide sustained employment to unemployed and underemployed weavers specifically by activating dormant/idle looms. According to the National Handloom Census (1987-88) out of total number of 38.90 lakh looms, 2.80 lakh looms were lying idle. The Audit paragraph also revealed decline in the employment opportunities in certain states and that no analysis was made in this regard for remedial action. Thus, the objective of providing sustained employment to the unemployed and underemployed, envisaged in the Scheme also remained largely unfulfilled. According to the Ministry, management difficulties within the implementing agencies incidence of higher wage rates available in other economic activities compared to janata cloth and payment of better wages in producing non-janata cloth are some of the contributory reasons for non-operation of looms and low-level of employment generation in these States. The Committee further find that no data indicating year-wise break-up of the unemployed and underemployed weavers was maintained by the Government with a view to ascertaining the impact of the scheme in generating additional employment among handloom weavers. The Secretary of the Ministry conceded during evidence before the Committee that "Had we got this information the distribution would have been more rational". The Committee regret to conclude that no worthwhile efforts were made by the Government to identify the deserving segment of population which remained unemployed or largely under-employed and to review the allocation of production targets suitably to achieve the objective of the scheme.

99. Another area where the Committee found lack of adequate attention was the manner in which distribution of janata cloth was dealt with. The committee note that distribution of janata cloth in various states was not made in accordance with the guidelines of 1990 which stipulated that at least 75% of janata cloth should be sold to the target group in rural areas. In this connection the Ministry have stated that the conditions in the guidelines were stringent and a number of implementing agencies faced difficulties in fulfilling these conditions fully and in some cases relaxation was also given as a special dispensation. The Secretary of the Ministry conceded in this regard during evidence that "We knew it is not practicable to implement this." The Committee are surprised to say the least, that even though according to the Ministry's own admission, the conditions were stringent, no action was taken to revise the guidelines to ensure proper distribution of janata cloth among the intended target group.

100. It is further disquieting to observe that records pertaining to distribution of janata cloth in rural and urban areas were not maintained by the Nodal/Implementing agencies on the plea of meagre revenue earned on this count. In the absence of these supportive data, the

Committee doubt whether the benefit of subsidy has actually reached the intended beneficiary.

101. As per the instructions by the Ministry to the State Governments, the benefits arising out of enhancement in the rate of subsidy w.e.f. 17 July, 1990 should have been passed on to the handloom weavers. However, the Committee found that in Tamil Nadu and Uttar Pradesh increase in wages was not passed on to the weavers resulting in under-payment of wages to the tune of Rs. 135.31 lakhs and Rs. 1343.71 lakhs respectively. In case of Co-optex, Tamil Nadu involving short-payment of Rs. 105.62 lakhs, the Ministry have pleaded that since the implementing agencies have been meeting the entire cost of production and the benefits of the increase in the rate of subsidy was adequate only to offset 50% of the increased cost, the Co-optex did not commit any irregularity in not passing on the increased subsidy to the weavers. The Committee are unable to share the view point of the Ministry on the ground that, as per the instructions of the Ministry part of the benefits of increased subsidy accrued was to be given to the weavers as remunerative wages and the action of the co-optex was in contravention of these instructions of the Government. As regards under-payment of wages amounting to Rs. 29.69 lakhs in case of 45 primary co-operative societies in Tamil Nadu, the Ministry have not furnished any clarification. With regard to Uttar Pradesh the Ministry have stated that the increase in rate of wages which was earlier met through State subsidy was met by Central subsidy after the revision was affected. The Committee are not satisfied with the clarifications given for not increasing the wages of weavers and they cannot help concluding that withholding of payment to the weavers by the implementing agencies in Tamil Nadu and Uttar Pradesh was unjustified and steps should have been taken to protect the interests of weavers.

102. The Committee note that in pursuance of the guidelines issued by the government in August 1990 it was the sole responsibility of State Level Implementation Committees and the Nodal Agencies to ensure that the cloths produced by the implementing agencies under the scheme is in conformity with the standards prescribed by the Government. They were required to devised necessary arrangements including providing vigilance machinery for the purpose of by strengthening the existing inspection machinery for periodical check to ensure strict observance of quality standards and take stringent action wherever irregularities were detected. The Committee are perturbed to find that most of the states were lacking in having proper infrastructure for the quality control and the quality of jamata cloth was not found upto the expected mark. The Committee deem it unfortunate that the Ministry of Textiles failed to ensure the strict adherence to the guidelines by the State Level Implementation Committees and Nodal Agencies thereby defeating the very purpose of insertion of such a clause in the guidelines.

103. During the course of examination, the Committee have come across several individual instances of irregularities in some of the states regarding

implementation of the scheme. Some of the major deficiencies/irregularities noticed in Maharashtra and Uttar Pradesh, the largest recipients of subsidy (total : Rs. 26635.04 lakhs) among the implementing states are as follows:

- (i) Bulk sale of janata cloth to private traders by three implementing agencies namely Maharashtra State Handloom Corporation (MSHC), Vidharbha Weavers Central Co-operative Society (VWCCS) and Western Maharashtra Weavers Central Co-operative Association Ltd. (WMWCCA) has resulted in receipt of irregular subsidy amounting to Rs. 440.90 lakhs.
- (ii) Suspension of issuing cash memos by Maharashtra State Handloom Corporation (MSHC) in violation of the prescribed guidelines by the Government.
- (iii) Excess payment of subsidy to the Government of Maharashtra involving Rs. 208.04 lakhs in violation of the prescribed guidelines issued by the Central Government.
- (iv) Excess claim of subsidy by the MSHC (Rs. 14.88 lakhs) and by VWCCS (Rs. 21 lakhs) on old cloth sorts as against new cloth sorts approved by Government.
- (v) Inadmissible subsidy amounting to Rs. 176.07 lakhs drawn for the period December 1986 to March 1988 by MSHC by adopting faulty procedure in contravention to the laid down guidelines.
- (vi) Incorrect reporting of deliveries resulted in excess subsidy of Rs. 286.16 lakhs by MSHC.
- (vii) Non-accountal of janata cloth valuing Rs. 5.26 lakhs by District Cooperative Federation, Kanpur and also 58.500 pairs of cloth between UPICA and NCCF has resulted in irregular transactions. The position has not been reconciled so far.
- (viii) Claim of excess subsidy valuing Rs. 21.55 lakhs by the Government of Uttar Pradesh by adoption of faulty procedure. The amount has not been refunded/adjusted so far.
- (ix) Incorrect procedure adopted in transfer of cloth has resulted in claims of excess subsidy by Uttar Pradesh Handloom Corporation to the extent of Rs. 10.49 lakhs.
- (x) Failure on the part of the Government to cross-check the anticipated production figures furnished by Uttar Pradesh Handloom Corporation has resulted in withdrawal of advance subsidy in excess amounting to Rs. 2066.44 lakhs during the period from April 1987 to December 1988 which was irregular.

104. Some of the above mentioned cases have been described in more detail earlier in the Report. The Committee deplore that laxity on the part of the authorities concerned resulted in payment of excess/irregular/inadmissible subsidy and several other procedural irregularities in these



states. They recommend that all the above mentioned cases and the other cases mentioned in the Audit Paragraph should be thoroughly enquired into and necessary action be taken for the lapses. The Committee would like to be informed of the conclusive action taken in the matter.

105. The Committee find that in response to the specific complaints received by the Ministry about diversion of finished janata cloth to the open market where it fetched higher price instead of selling to the consumers through retail outlets, the Government of Uttar Pradesh was asked to inquire into the matter and report upon the extent of irregularities. In the meanwhile subsidy amounting to Rs. 369.44 lakhs pertaining to the period January 1988 to June 1988 was released by the Government, in November 1988 to be treated as "on account" payment with the condition that the State Government would confirm within one month of the release that the claim did not pertain to janata cloth in respect of which enquiry was being conducted for investigation of alleged irregularities. However, the Government of Uttar Pradesh released subsidy to the implementing agencies in violation to the prescribed conditions by Government. Subsequently the Government of Uttar Pradesh initiated an enquiry into these irregularities. According to the Ministry, the Report of the Enquiry Committee was not accepted as valid and therefore, "on account" release of Rs. 369.44 lakhs could not be regularised. The Government of Uttar Pradesh was again asked to conduct another enquiry in this regard but no report has been submitted by the State Government so far. The Committee regret to note that despite a case of blantant irregularity having come to their notice, no action was taken by the Ministry and no consideration was given to the question of withholding further payment on account of subsidy till the matter was settled to their satisfaction.

106. As regards regularisation of this "on account" payment, the Committee are surprised to note that the Government have decided to recover the amount only after a lapse of five years apparently as follow-up to the audit para. The Committee have been informed that necessary action had been initiated to recover the entire subsidy amounting to Rs. 9,00,04,254 for the quarters January-March and April-June, 1988 released to the State Government. A decision was taken to recover this amount in ten quarterly instalments, each not exceeding Rs. 1 crore commencing from the claim for the quarter July-September, 1993. The Committee would like to be informed about the latest position of recovery.

107. The Janata Cloth Scheme is fully financed by the Union Government and an amount of Rs. 1127 crores was released by the Ministry of Textiles since inception of the Scheme. The Committee are, however, surprised to note that there was no satisfactory system of monitoring the Scheme at Central level to ensure that the subsidy released to State Governments was actually passed on to the implementing agencies within a reasonable time and that the fixation of annual targets by the Development Commissioner for Handlooms under the Ministry of Textiles were based on the realistic

assessment of the production capabilities of the implementing agencies. There has also been no mechanism to ensure the timely release of subsidy by the State Governments to the concerned implementing agencies. The Ministry contended that it is not possible for the Government of India to physically monitor the scheme due to limited manpower at its disposal as well as due to country-wide spread of the Scheme. The Secretary of the Ministry also stated that "it is the case with all the centrally sponsored schemes and the responsibility for implementing these schemes rests fully and squarely with the State Governments." The Committee consider it as a sad state of affairs. While the Central Government presumed that the monitoring of the implementation of the scheme will be done by the State Governments, in fact, there was no satisfactory system of monitoring at state levels as well. A test check of the records of the nodal agencies of certain states by Audit revealed several inadequacies on these score. Thus, there was no proper system of monitoring both at the Centre and the State levels. Considering the facts that the Janata Cloth Scheme was meant to benefit the poorer section of the population and that it was fully financed by the Central Government, the Committee consider it unfortunate that no mechanism was evolved by the Ministry with a view to ensuring that the Scheme was actually implemented in consonance with the guidelines issued by the Ministry from time to time.

108. Another disquieting aspect observed by the Committee was absence of a proper system for periodic evaluation of the scheme. Although the scheme was launched in 1976, it was only in April, 1986 that the Development Commissioner for Handlooms in the Ministry of Textiles entrusted evaluation of the scheme to the Ahmedabad Textiles Industry's Research Association (ATIRA). The Report of ATIRA which was submitted in December, 1989 revealed several irregularities/deficiencies in the implementation of Janata Cloth Scheme. This included, broadly, systemic deficiencies and organisational bottlenecks, non achievement of consumer objective, inadequate distribution system etc. On the basis of the findings of ATIRA, the Ministry of Textiles issued revised guidelines in August, 1990. Subsequently a High Powered Committee was set up by Government in August, 1991. The Report of the Committee submitted in July, 1992 also among others revealed irregularities in the implementation of the scheme. Pursuant to the recommendations of the High Powered Committee fresh guidelines were issued which became effective in October, 1993. The Committee regret to observe that despite the issue of instructions from time to time, no action was taken by the Ministry of Textiles to ensure that those guidelines were actually implemented in letter and spirit. The Committee urge upon the Ministry to take effective steps with a view to ensuring that guidelines issued are scrupulously followed atleast now.

109. Pursuant to the recommendations of the High Powered Committee constituted in August, 1991, a decision has been taken to phase out the janata cloth scheme during the Eighth Five Year Plan primarily because of

Government's policy decision to do away with the subsidy oriented schemes in all the Sectors. As per the assessment of the Ministry, about 1.23 lakh looms would be affected at the end of 8th plan following phasing out of janata cloth scheme unless they are given alternate employment within the handloom sector. To take care of the situation, the Government are stated to have proposed a Project package scheme in which the Government will have an equity participation upto 49 per cent and the State Government will have the rest of the share i.e. 51% for production of non-janata cloth. This package would also encompass all other needs of the handloom weavers that would enable those engaged in production of low quality janata cloth for production of more marketable cloth yielding higher income. The Committee have been informed that this is basically a weaver-oriented scheme and the consumer objective of the scheme has since been dispensed with. Besides the Government have also proposed floating another scheme for setting up Handloom Development Centres involving a total investment of Rs. 849 crores to take care of emergent distress situation. The Committee are deeply concerned over the extent of unemployment that the scrapping out of the Janata Cloth Scheme would eventually result in. They, therefore, urge that Government should take urgent steps to expedite implementation of the alternate programmes in a time bound manner so as to mitigate this unfortunate situation and ensure that all those affected are provided alternative employment before phasing out completely the Janata Cloth Scheme. The Committee also suggest that the alternative of a revamped Janata Cloth Scheme with adequate monitoring arrangements and proper guidelines may be considered.

110. To sum up, the facts stated in the foregoing paragraphs revealed several shortcomings in the implementation of Janata Cloth Scheme. Briefly, those were, shortfall in production against the annual targets fixed, failure to make available the raw materials at reasonable prices to the producers, decline in employment opportunities in some states instead of generation of additional employment, unsatisfactory distribution system resulting in janata cloth not reaching the targetted population, inadequate quality control, absence of proper system of scrutinising subsidy payment, payment of excess/irregular/inadmissible subsidy, under payment of wages, sale through unapproved agencies, and above all, absence of proper monitoring mechanism both at the Centre and the States and also absence of proper system for periodic evaluation of the scheme. The Committee regret to conclude that the Janata Cloth Scheme did not succeed fully in achieving its twin objectives of providing employment to unemployed and under-employed handloom weavers and making available cloth at affordable prices to the economically weaker sections of the population. Considering the fact that an amount of Rs. 1127 crores have been spent on the Scheme in the form of payment of subsidies, the Committee take a serious view of the failure in fully achieving the objectives. The Committee desire that in the light of the facts brought out in this Report, Government should take

necessary remedial/corrective action with a view to ensuring that the Scheme is properly implemented atleast in the remaining period, of its operation.

NEW DELHI;  
27 April, 1994

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7 Vaisakha, 1916 (S)

BHAGWAN SHANKAR RAWAT,  
*Chairman,*  
*Public Accounts Committee.*

## APPENDIX I

### 7.1 Janata Cloth Scheme

#### 7.1.1 Introduction

The Janata Cloth Scheme (JCS) in the handloom sector was launched in October 1976 as a Centrally Sponsored Scheme by Government of India with the twin objectives of providing sustained employment to the unemployed and under-employed handloom weavers and making available cloth at affordable prices to the poorer sections of the population. The Scheme covers production of dhotis, sarees, lungies, shirtings and long cloth and their distribution in rural and urban areas through outlets owned by the implementing agencies, cooperative societies, fair price shops etc. Under the new Scheme namely, Woollen Janata Cloth Scheme with effect from April, 1989, production and distribution of five woollen items viz. shoddy blankets, plain shoddy shawl, plain pure wool shawl, loi/pettu or gent's shawl and woollen cloth in running length have also been covered.

According to the Textile Policy of 1981, production of subsidised cloth was to be shifted gradually from mill sector to the handloom sector. The Textile Policy of 1985 envisaged entire production of subsidised cloth in the handloom sector by the end of Seventh Five Year Plan. However, under the new policy announced (August 1991) the JCS is to be phased out by the terminal year of the Eighth Five Year Plan and replaced by the omnibus project package Scheme.

#### 7.1.2 Scope of Audit

The records in Textile Ministry relating to the implementation of the Scheme for the years 1985-92 were test checked in audit. The records of the agencies for the same period in seven States selected on the basis of quantum of subsidy payment i.e. Assam, Bihar, Kerala, Maharashtra, Tamil Nadu, Tripura and Uttar Pradesh (out of 20 States including one Union Territory) where the Scheme was under implementation, were also test checked.

#### 7.1.3 Highlights

- Janata Cloth Scheme was launched as a Centrally Sponsored Scheme with the twin objectives of providing employment to un-employed and making available cloth at affordable prices to poorer sections of the population.
- Against Budget provision of Rs. 78085.40 lakhs subsidy amounting to Rs. 74407.42 lakhs was disbursed during 1985-92.
- Increase in consumers' prices of janata cloth ranged between 48 to 124 per cent in the case of sarees and 73 to 111 per cent in case of

dhotis as compared to 56.66 and 65.70 per cent in the Index number of wholesale prices of Textiles items and all commodities in 1991-92 over that of 1985-86.

- There was shortfall in the production against annual targets in most of the States.
- Instead of generating employment; there was decline in the employment opportunities in some States.
- Janata cloth did not reach the targeted population to the extent stipulated in the Scheme as the arrangement for distribution was far from satisfactory.
- Delay in the release of subsidy resulted in paucity of working capital adversely affecting production and employment.
- Test check in seven States revealed instances of payment of excess/irregular/inadmissible subsidy involving a total amount of approximately Rs. 2489.58 lakhs.
- In Tamil Nadu and Uttar Pradesh increase in wages was not passed on to the weavers. Under payment of wages totalled to Rs. 135.31 lakhs and Rs. 1343.71 lakhs respectively.
- "On account" payment of Rs. 369.44 lakhs released in November 1988 was yet to be regularised (October 1992).
- The implementing/Nodal agencies did not have infrastructure for ensuring quality control.
- Monitoring and implementation of the Scheme was not effective both at the Central and State level.

#### 7.1.4 Organisations Set Up

7.1.4 (A) The Development Commissioner for Handlooms (DCH) under the Ministry of Textiles, has the overall responsibility for implementing the Scheme. This includes fixation of subsidy rates, fixation of production targets for each State and allocation of surplus production, if any, among the deficit States, provision of funds for disbursement of subsidy and settlement of subsidy claims.

7.1.4 (B) At the State level, Director-in-charge of Handlooms is designated as the Nodal Agency for the implementation of the Scheme. State Apex Handloom Weavers' Cooperative Societies, Regional Handloom Weavers' Cooperative Societies and State Handloom Development Corporations (herein after referred to as implementing agencies) are eligible to participate in the production and distribution of Janata cloth on the recommendation of the State Director-in-charge of Handlooms and approved by DCH. Responsibilities of the Director of Handlooms as Nodal Agency include distribution of the targets allocated to the State by DCH among the approved implementing agencies, working out a production

programme for them at the beginning of each year and general supervision and monitoring of the Scheme in the State.

7.1.4 (C) In August 1990 the Government of India issued revised guidelines effective from July 1990 making some important changes including substantial decentralisation by entrusting the State Governments with overall responsibility of implementing the Scheme. Further the revised guidelines also provide for the constitution of State level Implementation Committees with the Chief Secretary or Secretary in-charge of Handloom and Textiles as Chairman, whose functions *inter-alia* include determination, approval, production, distribution and monitoring of the Scheme and suggest measures to improve quality and marketability etc.

#### 7.1.5 Financial Outlay

Funds for the disbursement of subsidy are provided in the Budget of the Ministry of Textiles.

The year wise Budget provision and the disbursement during 1985-92 were as under:

(Rupees in Lakhs)		
Year	Budget provision	Disbursement
1985-86	7,135.00	7,133.75
1986-87	11,000.00	9,634.80
1987-88	10,900.00	9,136.08
1988-89	10,000.00	10,006.55
1989-90	13,463.40	12,913.93
1990-91	13,005.00	13,000.31
1991-92	12,582.00	12,582.00
<b>Total</b>	<b>78,085.40</b>	<b>74,407.42</b>

The subsidy amounting to Rs. 42476.80 lakhs was released during the years 1985-92 to the seven States test checked as detailed in Appendix-V.

### 7.1.6 Subsidy Rates

Consumer prices of varieties of janata cloth are fixed by DCH for each State based on the cost of production after reducing the subsidy element. Subsidy is paid to the implementing agencies on Janata cloth at the rates fixed by the Government. Rates of subsidy fixed from time to time were as under:

Effective from	Rate of subsidy per sq. metre (in Rupees)
October 1976	1.00
July 1979	1.25
July 1981	1.50
October 1984	2.00
March 1988	2.75
July 1990	3.40

For the purpose of payment of subsidy on woollen janata cloth, one square metre of woollen janata cloth is equal to four metres of cotton janata cloth.

Subsidy rates were revised from time to time to partially off-set the average increase in the cost of production of the implementing agencies in different States. While revising the rates of subsidy from Rs. 2.00 to Rs. 2.75 in March 1988 and from Rs. 2.75 to Rs. 3.40 per sq. metre in July 1990, the increase in the average cost of production was sought to be met by increase in rates of subsidy and consumer prices in the ratio 3:1 in 1988 and 1:1 in 1990. The percentage of subsidy incidence on the cost of production was reduced in the last revision, as the rate of subsidy was fixed more with reference to the availability of funds in the budget than with reference to the objectives of the Scheme to provide cloth at affordable prices to the poorer sections of the population.

### 7.1.7 Consumer Prices

Consumer prices of Janata cloth varieties are fixed by DCH from time to time on the basis of the cost particulars furnished by the implementing agencies through the State Governments. The price of yarn, wages and overheads constitute the three major elements of cost. The prices of Janata cloth varieties differ from State to State due to differences in the cost elements and the specifications prescribed for various sorts and also due to the fact that revision of prices is not done simultaneously in all the States. The Department stated that the consumer prices are revised keeping in view the market conditions and the budgetary provision made for the payment of subsidy.



Under the revised guidelines (July 1990) consumer prices of the cloth varieties are to be approved by the respective State level Implementation Committee, on the basis of the details submitted by the implementing agencies under intimation to DCH. However, for new sorts approval of DCH will be necessary.

A review of the consumer prices of janata cloth fixed during seven years from 1985 to 1992 (Appendix VI) revealed, that the price increase ranged between 48 to 124 per cent in the case of the sarees and 73 to 111 per cent in the case of the dhotis in Assam, Bihar, Kerala, Maharashtra, Tamil Nadu, Tripura and Uttar Pradesh, where as the increase in the Index Number of wholesale prices of Textiles items and all commodities in 1991-92 over that of 1985-86 was 56.66 and 65.70 per cent respectively. This is indicative of the fact that such increase in prices of janata cloth could not be said to further the objectives of the Scheme.

#### *7.1.8 Production Performance*

Records of DCH revealed that production targets for States were to be fixed on the basis of production capacity and entitlement of the State worked out as per norms and past performance. The entitlement of each State was to be worked out on the basis of composite criteria of giving weightage to the total population and the population living below the poverty line in the ratio 2:1. Targets of production of janata cloth for the various States were fixed by DCH and communicated to the respective Nodal Agencies to work out a production programme to achieve the targets. They were also to carry out a review initially at the end of the second quarter and again at the end of the third quarter of each year so that necessary measures were taken to adhere to the production targets. Normally while allocating the State-wise targets, the States which produced janata cloth in excess of their entitlement for consumption of controlled cloth (both mill made and handloom) were directed to distribute surplus production to other deficit States after taking into account the deliveries of the mill made cloth in these States. The implementing agencies were to produce only such sorts as approved by DCH on the basis of technical particulars furnished by them duly recommended by the Nodal Agencies. These sorts were to be selected on the basis of local consumers' preferences and also on the basis of demand in the deficit States to whom the surplus production of the surplus States was to be sold.

The annual production targets fixed by DCH for all the States and achievement there against during 1985-92 were as under:

(in lakh sq. metres)

Year	Target	Achievement	Shortfall in percentage
1985-86	4200	3981	5
1986-87	5000	4821	4
1987-88	5350	4890	9
1988-89	5600	4196	25
1989-90	6000	5038	16
1990-91	6000	4771	20
1991-92	4500	4027	11

The targets for production of woollen janata cloth were fixed separately during 1989-90 i.e. 14 lakh sq. metres against which the achievement was 9.40 lakh sq. metres. Data relating to the achievement of woollen cloth for the subsequent years were not maintained separately.

While the shortfall ranged from 4 to 9 per cent during 1985-86 to 1987-88, it was as high as 25 per cent and 20 per cent during 1988-89 and 1990-91 respectively. In 1991-92 the targets were fixed at 4500 lakh sq. metres as compared to 6000 lakh sq. metres in 1990-91. Even on the reduced targets, the shortfall was to the extent of 11 per cent. Targets for the seven States test checked and achievement there against during 1985-92 revealed the following:

The shortfall in production ranged from 21 to 72 (Bihar), 59 to 97 (Kerala), 2 to 46 (Maharashtra), 14 to 53 (Tamil Nadu), 4 to 31 (Tripura) and 1 to 23 per cent (Uttar Pradesh) during 1985-86 to 1991-92.

Though during 1985-86 and 1986-87, Bihar was required to supply 67.50 lakh sq. metres and 35.60 lakh sq. metres out of its surplus production to deficit States (Assam and Rajasthan), the production was not adequate to meet its own requirements.

In Kerala the deficit of 132.50 lakh sq. metres and 164.40 lakh sq. metres during 1985-86 and 1986-87 was to be met from the surplus production of Tamil Nadu. The production in Tamil Nadu was below targets, no quantity was supplied to Kerala.

The shortfall in production in Kerala, Maharashtra and Tripura was due to:

- (i) Reluctance of weavers to weave janata cloth using lower counts of yarn for which the wages were less than that of higher counts:

- (ii) Increase in production cost of cloth resulting in heavy loss to production units;
- (iii) Non-availability of required yarn at reasonable prices;
- (iv) Temporary closures of some looms;
- (v) Paucity of working funds.

The reasons for shortfall in production in Bihar and Tamil Nadu were not furnished.

In Uttar Pradesh the production in excess of entitlement was to meet the requirement of deficit States. The details of the supplies made to other States were, however, not available.

#### 7.1.9 Deficiencies in fixing targets

(i) The targets were being fixed neither on the basis of the past performance nor on a scientific or realistic assessment of the requirements of target population but on *ad hoc* basis and on the availability of funds.

(ii) The targets were also not fixed sort-wise by DCH. It could not, therefore, be ascertained whether the production of janata cloth was made on the basis of consumers' preferences and as per demand of deficit States to whom the surplus production was to be sold.

(iii) During 1985-87 the entitlement of janata cloth and controlled cloth was fixed separately by the Ministry of Textiles and Communicated to DCH for fixing the targets. However, from 1987-88 onwards separate entitlement of janata cloth was not fixed.

As a result of failure to achieve the targets of production during the period under review, the allocation of surplus janata cloth to other deficit States for a balanced distribution of the cloth for consumption was not fulfilled.

DCH stated (October 1992) that in the context of the policy of the Government to phase out the Scheme in the near future, the shortfall in the achievement of targets may not be taken as a negative feature, paucity of funds with the implementing agencies on account of delayed subsidy releases by both Government of India and the concerned State Governments due to fund constraints also contributed to the shortfall in the achievement of targets by a number of States.

It was further stated that the term 'entitlement for controlled cloth including janata cloth' had its relevance only till the year 1989-90. Under the revised guidelines (July 1990) the targets fixed for production in a particular State was either wholly or partly allowed for consumption within the State. Such allocation was the entitlement for consumption of janata

cloth with the State. From 1991-92 with the reduction in targets, all the States became deficit in production of Janata Cloth and, therefore, specific allocation for diversion of surplus production to other deficit States was not made. The entitlement criterion became inoperative.

#### 7.1.10 *Employment Generation*

One of the main objectives of the Janata Cloth Scheme was to provide sustained employment to unemployed and under-employed weavers in the handloom sector. This was to be done by producing Janata Cloth by activating dormant looms and not by diversion of looms which were producing value-added varieties or exclusive varieties requiring high skill in weaving. As estimated by the Seventh Five Year Plan Sub-group on Handlooms, there were 30.65 lakh looms in the country. However, according to the National Handloom Census (1987-88) the number of looms was 38.90 lakhs. Among the total looms, 36.10 lakh looms were in working order while 2.80 lakhs were lying idle. With a view to ascertaining the impact of the Janata Cloth Scheme in generating employment among the weavers, information regarding year-wise breakup of the unemployed and under-employed weavers in the handloom sector along with the additional employment generated was called for from DCH.

In reply, DCH stated that they were not maintaining any statistics on number of weavers engaged in the production of janata cloth and number of idle looms at a given period of time. It could not be thus ascertained whether the implementation of Scheme resulted in creation of additional employment opportunities. However, the shortfall in production and the test check of records in the States signified decline in the employment opportunities. No analysis was made in this regard for remedial action. Thus the objective of providing sustained employment to the unemployed and under-employed, envisaged in the Scheme cannot be said to have been realised in full.

In Bihar, test check of the records of seven implementing agencies revealed that two units did not produce any janata cloth during 1990-92. No weavers were engaged till the end of 1991-92 under Biharsharif unit while at Siwan unit only 6 weavers remained engaged at the end of 1991-92. Thus instead of generating any additional employment to the unemployed weavers the Scheme actually had no impact on employment generation in four out of 7 units in the State. The number of weavers employed at the end of March, 1992 came down to 82,258 from 95,499 at the beginning of 1985-86. Reasons for the lack of impact of the Scheme were not investigated.

In Kerala, the total number of looms operated by the two implementing agencies declined steeply from 700 and 114 in 1986-87 to 100 and 45 in 1989-90 respectively. Decline in employment was mainly due to decline in

number of looms and production because of low wage rates for Janata varieties compared to those for non-janata varieties, higher yarn prices, delay in payment of dues by Public Distribution System agency etc. .

In Maharashtra, the data regarding dormant looms and other plan of action for gainful employment to under-employed and unemployed weavers was not available with the Nodal Agency. However, during 1989-90 employment generated by all the three implementing agencies was lowest as compared to that in the preceding four years. On an average, only 17 days work per month was provided to the weavers during the year 1989-90. In respect of one implementing agency, on an average 10 to 12 days employment was provided to the weavers in a month during 1990-91 and 1991-92. In respect of the remaining two implementing agencies information was still awaited (September 1992).

In Tamil Nadu, it was reported by the Director of Handloom and Textiles and Co-optex that 32,554 looms were engaged in the production of Janata cloth providing employment to 52,000 weavers, but no data was available on the number of unemployed weavers and the dormant looms. Test check revealed that there was huge accumulation of stock during October, 1990 to May, 1991 rendering 30,000 weavers jobless during that period. Further, the details furnished by 17 primary societies in Salem Circle disclosed that during 1991-92 production of Janata cloth declined to 1.11 lakh sq. metres from 10.04 lakh sq. metres during 1990-91.

#### 7.1.11 *Distribution*

According to the guidelines issued by DCH in July, 1985, the Nodal Agency in each State was required to work out time bound programme to ensure that not less than 75 per cent of the Janata cloth was sold to the target group in rural areas and the balance in urban areas by the end of Seventh Plan. The target group was to be determined as per land holding in rural areas and on income basis in urban areas. The guidelines also prescribed that at a time not more than two pieces of dhotis or sarees and ten metres of dress material was to be sold per head. Bulk sales of Janata cloth in wholesale outlet was not to be allowed. At least one retail sale outlet was to be opened in every Gram panchayat. In May, 1988, it was further specified that 85 per cent of the distribution was to be done through the Public Distribution System (PDS) and the balance through the outlets owned by the implementing agencies.

7.1.11 (A) Test check of the records in the States revealed that though the Janata Cloth Scheme had been in operation since 1976, there were serious complaints about highly unsatisfactory arrangements through the Public Distribution System, as a result of which Janata cloth had not reached the targetted population through the Public

Distribution System to the extent of the stipulated 85 per cent of the production.

Some of the deficiencies noticed in the distribution of the Janata cloth under the Scheme in the seven States test checked revealed as under:

#### *Bihar*

Test check of the records of five implementing agencies revealed that during 1985-92, Janata Cloth sold in rural areas worked out to 58 per cent, against the prescribed minimum of 75 per cent. The number of outlets actually opened during the period from 1985-92 varied from 232 to 290 against the target of one outlet in each of 11740 Gram panchayats. The Janata cloth distributed through the outlets of implementing agencies during 1985-92 accounted for 31 per cent of the total quantity sold. Reasons for selling more than 15 per cent of the Janata cloth through the outlets owned by implementing agencies were not on record.

#### *Maharashtra*

The Maharashtra State Handloom Corporation suspended the system of issuing cash memos for sale of Janata cloth between July, 1986 to October, 1988. In the absence of cash memos it could not be verified in audit whether the sale of Janata cloth was carried out as per guidelines. The Corporation did not furnish reasons for suspending issue of cash memos for sales.

Further, Janata cloth was sold in bulk to private traders by the implementing agencies and subsidy was claimed thereon. Details are given below:

(Rupees in lakhs)

Name of agency	Period of Claims	Amount of subsidy claimed
(i) Maharashtra State Handloom Corporation	October, 1985 to March 1988	304.44
(ii) Vidarbha Weavers Central Cooperative Society	February 1986 to Feb. 1988	87.24
(iii) Western Maharashtra Weavers Central Cooperative Association Limited	July 1987 to June 1989	49.22
		440.90

#### *Uttar Pradesh*

Details of sale of Janata cloth effected by all distributing agencies were not made available to Audit. However, test check of the records of Uttar Pradesh Upbhokta Sahakari Sangh, National Cooperative Consumer's Federation and Uttar Pradesh Industrial Cooperative Association revealed that the sale of Janata cloth in rural areas ranged

from 23 to 53 per cent only during the years 1985-90 and from 43 to 51 per cent during the years 1990-91 and 1991-92 as against 75 per cent prescribed under the Scheme.

Further, Uttar Pradesh State Handloom Corporation sold 58.833 million sq. metres of Janata cloth to private retailers and hawkers during 1985-86 to 1987-88 either through its outlets or through the Regional Marketing Managers on which subsidy amounting to Rs. 1176.66 lakhs was availed of during 1985-86 to 1988-89, sales of 8.96 lakh sq. metres of Janata cloth comprising 86400 pairs of Janata dhotis was made directly to the District Weavers Cooperative Societies, etc. on which inadmissible subsidy amounting to Rs. 17.93 lakhs was paid to Uttar Pradesh Industrial Cooperative Association. There was irregular bulk sale of 5900 and 25023 pairs of Janata dhotis by Uttar Pradesh Handloom Corporation and Uttar Pradesh Industrial Cooperative Association which resulted in inadmissible drawal of subsidy amounting to Rs. 1.22 lakhs and Rs. 5.19 lakhs respectively.

#### *Tamil Nadu*

Details were not available with the Nodal/implementing agency regarding the actual quantity of cloth distributed in rural areas during 1985-86 to 1991-92. Though the Civil Supplies Department and Tamil Nadu Cooperative Consumer Federation which had retail outlets in rural areas were expected to play a vital role, no distribution was effected through them during 1990-91 and 1991-92. The State Government reported (December 1991) to DCH that the Public Distribution System outlets in the State were not designed to stock and handle textile items.

The Nodal Agency had no system to ensure distribution of cloth in rural area upto 75 per cent. No arrangement had been made to ensure 85 per cent of the total distribution through the Public Distribution System as required under the Scheme.

#### *Tripura*

Test check of records of Central Stores of Tripura Handloom and Handicraft Development Corporation, Agartala revealed that 13320 dhotis and 33540 sarees (valued at Rs. 14.13 lakhs) were sold to 226 purchasers during 1987-88 to 1989-90. The names and particulars of the purchasers were not noted in the cash memos.

#### *7.1.12 Payment of Subsidy*

Subsidy is payable at the rates fixed by Government of India from time to time on quarterly basis on receipt of the claims preferred by the implementing agencies through the Nodal Agency alongwith the certificate by a Chartered Accountant in the case of State Handloom Development Corporation and by the Statutory Cooperative Auditor or Chartered Accountant in the case of the State apex or Regional apex societies regarding the correctness of the claim. From July, 1990, the claim is also to be approved by the State Level Implementation Committee. The payments

are released to the Nodal Agency by DCH for disbursement to implementing agencies. With a view to providing working capital to the implementing agencies 75 per cent advance subsidy is released on the basis of projected production for the current quarter or the highest actual deliveries made during the previous three quarters whichever is less.

#### 7.1.12(A) *Delay in release of subsidy*

Test check of the records of the Nodal Agencies/ Implementing agencies revealed that there was considerable delay in the release of subsidy which resulted in paucity of working capital and ultimately in reduction in production and employment.

##### *Bihar*

Delays ranged from 4 to 11 months. Out of Rs. 865.27 lakhs released by the Government of India in 1989-90, Rs. 157.98 lakhs was disbursed in the same year, Rs. 460.36 lakhs disbursed in July/August 1990 and Rs. 246.93 lakhs in January/February 1991. In 1990-91, Government of India paid to the Nodal Agency Rs. 410.54 lakhs which was inclusive of claims of different implementing agencies from 1986-87 to 1990-91. Out of this, Rs. 123.54 lakhs was released to the implementing agencies during December, 1991. Similarly, while the total sum of Rs. 475.93 lakhs pertaining to years 1989-92 received from the Government of India during 1989-92. Only Rs. 135.02 lakhs was disbursed.

##### *Kerala*

The claims for 1990-91 amounting to Rs. 6.44 lakhs preferred in January, 1991 and June, 1991 and for 1991-92 preferred in May, 1992 and July, 1992 were yet to be paid (September 1992) by DCH.

##### *Maharashtra*

The subsidy claims amounting to Rs. 557.32 lakhs of the three implementing agencies for the quarter ending March, 1992 were not finalised even after the lapse of six months (September 1992). Similarly from April, 1991, the advance subsidy at the rate of 75 per cent of projected production, for providing working capital, has also not been released by DCH (September 1992).

##### *Tamil Nadu*

Out of Rs. 352.30 lakhs claimed for the last quarter of 1991-92, Rs. 100 lakhs only was released by DCH till August, 1992. Advance subsidy was released only in respect of first two quarters of 1990-91 and the last quarter of 1991-92. The total advance subsidy released worked out to 50 per cent and 4 per cent of the total subsidy due during the years 1990-91 and 1991-92 respectively. There were also delays ranging from 2 to 9 months in disbursement of subsidy including advance subsidies due to delayed sanction and release of subsidy by DCH and



State Government. The State Government stated (July, 1991) that due to financial constraint the primary societies had to restrict the production of cloth in earlier years.

#### 7.1.12(B) Irregularities in payment of subsidy

Irregularities noticed in the payment of subsidy in seven States test-checked revealed as follows:

##### *Maharashtra*

(i) The rate of subsidy was enhanced from Rs. 2.00 to Rs. 2.75 per sq. metre from March, 1988. As per orders (May, 1988) issued by Government only such States which arranged for distribution of Janata cloth through the Public Distribution System by September, 1988 were entitled to subsidy at enhanced rate. States which did not switch over to Public Distribution System by September, 1988 became eligible to enhanced subsidy only from the date from which distribution was undertaken through Public Distribution System.

The distribution of Janata cloth through Public Distribution System commenced in November, 1988. The State was, therefore, entitled to enhanced subsidy was, however, claimed and paid from March, 1988 resulting in excess payment of subsidy to the extent of Rs. 208.04 lakhs as detailed below:

(Rupees in lakhs)

Period	Maharashtra State Handloom Corporation	Vidarbha Weavers Central Cooperative Society	Western Maharashtra Weavers Central Cooperative Association Limited	Total
March 1988	21.61	2.69	1.43	25.73
April-June 1988	41.50	48.78	12.78	103.06
July-Sept. 1988	40.24	29.80	9.21	79.25
	103.35	81.27	23.42	208.04

(ii) The implementing agencies were required to produce only such sorts of Janata cloth as were approved by DCH. The Maharashtra State Handloom Corporation and the Vidarbha Weavers Central Cooperative Society dealt with a few sorts from the approved list. Subsequently from April, 1986 and June, 1986 these sorts were replaced by DCH by new sorts. The Maharashtra State Handloom Corporation (MSHC) and the Vidarbha Weavers Central Cooperative Society, however, continued to produce old sorts under new numbers till March, 1988 and March, 1990 respectively and claimed subsidy on the basis of the approved dimensions of new sorts.

The procedure for payment of subsidy by DCH did not ensure that the production on which the subsidy had been claimed conformed to the approved specifications. This resulted in excess claim of subsidy by the Maharashtra State Handloom Corporation to the extent of Rs. 14.88 lakhs and by the Vidarbha Weavers Central Cooperative Society of Rs. 21.00 lakhs.

MSHC stated that the variation in specification was well within the permissible limit of ISI and therefore, be ignored. The reply is not tenable as the rate of subsidy is based on a per square metre basis and therefore, the approved dimension has to be adhered to.

Thus, due to the failure to monitor the subsidy payment with regard to actual specification, the Government of India has not only to incur extra expenditure by way of excess subsidy but also could not ensure that subsidy was not paid in the cloth sorts whose standard did not qualify for such subsidy.

(iii) As per guidelines issued by DCH (July, 1985), subsidy was payable on the basis of actual deliveries of Janata cloth from the central godown/ regional depots of the State implementing agencies to retail sales outlets.

MSHC opened a wholesale depot in December, 1986 in the premises of its godown at Kalameshwar and all quarterly transfers of Janata cloth from the godown to the depot were treated as deliveries for retail sales outlets for claiming subsidy. As no sales were actually effected these transfers did not qualify for subsidy. The subsidy amounting to Rs. 176.07 lakhs drawn for the period December, 1986 to March, 1988 on these transfers was inadmissible.

(iv) There was huge variation between the figures of actual quantity of Janata cloth lifted by nominees of the District Collectors for distribution through Public Distribution System during the period from April, 1989 to December, 1989 as per the records of the Director of Handloom, Powerloom and Cooperative Textiles, Maharashtra State, Nagpur and the corresponding figures appearing in the claims for subsidy presented by the Maharashtra State Handloom Corporation to DCH after due verification

and certification by the Chartered Accountant. This would be evident from the following table:

(In lakh sq. metres)

Period	Figures of deliveries reported to DCH for claiming subsidy by MSHC as per the Chartered accountant's Certificate	Figures of actual quantity lifted by nominees of collectors as per records of Director (HPCT)	Difference (2-3)
April, 1989 to June, 1989	52.70	25.26	27.44
July, 1989 to September, 1989	59.20	17.48	41.82
October, 1989 to December, 1989	54.74	19.94	34.80
			104.06

The incorrect reporting of deliveries resulted in receipt of excess subsidy of Rs. 286.16 lakhs (Rs. 2.75 per square metre x 104.06 lakhs) by MSHC.

(v) In the case of MSHC, the figures of anticipated production reported during April, 1987 to March, 1990 were higher as compared to the figures of targets and achievements as detailed below for the corresponding period resulting in receipt of 100 per cent advance subsidy against 75 per cent stipulated under the Scheme.

Year	Target	Anticipated	Actual Production
1987-88	245.00	280.00	228.68
1988-89	258.20	285.00	222.94
1989-90	250.00	272.03	239.75

(vi) Three implementing agencies, claimed and received subsidy at higher rate on the production prior to June, 1990 although the higher rate

was effective for production of cloth from July 1990, which resulted in excess claim of subsidy of Rs. 83.54 lakhs.

	Name of Agency	Balance as on June 1990 (in lakh sq. metres)	Excess claim (Rupees in lakhs)
1.	Maharashtra State Handloom Corporation, Nagpur	33.88	22.02
2.	Vidarbha Weaver Central Cooperative Society, Nagpur	72.00	46.80
3.	Western Maharashtra Weavers Central Cooperative Association Ltd., Sholapur	22.64	14.72
	<b>Total</b>	<b>128.52</b>	<b>83.54</b>

#### *Tamil Nadu*

Subsidy is payable on deliveries of janata cloth to the retail outlet of the implementing agency subject to a ceiling of 15 per cent of the total deliveries in a year. Goods already delivered but received back as unsold items should not be included in the subsidy claims. It is also prescribed that quarterly claims once submitted are final. However, in cases where the distribution through Public Distribution system does not reach the prescribed level of 85 per cent of distribution in any one or more quarters a revised claim at the end of the year is permissible. Accordingly any quantity once included in the subsidy claim as distributed through the retail outlet of the implementing agency in a year should not be included again in the claim for the subsequent years.

It was observed from the final revised claim for 1990-91 that subsidy was not admissible in respect of 40.41 lakhs sq. metres as it exceeded the ceiling 15 per cent and the claim was restricted accordingly. However, 26.25 lakhs sq. metres of the above quantity remained unsold in the retail outlets of Co-optex and was received back during the quarter ending June, 1991. Out of this unsold cloth, 21.58 lakh sq. metres were again included in the subsidy claim for the year 1991-92 which was admitted by the Government, resulting in excess subsidy of Rs. 73.36 lakhs. On being pointed out by Audit (August 1992) Co-optex replied that the unsold stock of retail outlets was taken as its accumulated stock for which relaxation orders were obtained in June 1991, as no subsidy was paid on this quantity. Inclusion of unsold stock at retail outlets, which was already

included in the claim for earlier period as accumulated stock of Co-optex for the purpose of claiming subsidy, is irregular.

### Uttar Pradesh

(i) According to the revised guidelines the claim for subsidy on janata cloth distributed through such agencies which were not among the State Level Implementation Committee's approved list of distribution agencies, would not be entertained. It was seen by Audit that between October 1990 and March 1991, 21.28 lakhs square metres of janata cloth were distributed in Uttar Pradesh through un-approved agencies, on which inadmissible subsidy amounting to Rs. 72.36 lakhs was claimed and released by the Central Government.

(ii) Deliveries of 23,500 pairs (2,43,789 square metres) of janata dhotis valuing Rs. 5.26 lakhs were shown to be made to the District Cooperative Federation, Kanpur, in 1985-86 by the Uttar Pradesh Industrial Cooperative Association, but these goods were not accounted for by the latter organisation. Similarly 7.47 lakh pairs of janata dhotis (77,49,380 square metres) were shown as delivered to the National Consumers Cooperative Federation, Kanpur during 1986-87 to 1988-89 whereas the receiving unit had accounted for only 6,88,500 pairs (71,42,499 square metres) leading to non-accountal of 58,500 pairs of dhotis (6,06,879 square metres). Discrepancies in quantities of janata cloth delivered and those accounted for had not been reconciled so far (August 1992).

(iii) Janata cloth worth Rs. 80.00 lakhs was issued by the Uttar Pradesh Handloom Corporation to the Uttar Pradesh Upphokta Sahkari Sangh during the period from 1985-86 to October 1989 for distribution among consumers. Its receipt was not acknowledged by the Uttar Pradesh Upphokta Sahkari Sangh. This matter had not been sorted out by the two agencies so far (August 1992). Details of the goods under dispute and the amount of subsidy paid were not available with any of these two agencies.

(iv) During 1990-92 Uttar Pradesh Handloom Corporation and Uttar Pradesh Industrial Cooperative Association were paid subsidy amounting to Rs. 1091.74 lakhs and Rs. 451.94 lakhs respectively in respect of backlog and undelivered janata cloth which was not admissible under the conditions laid down by the Government of India. No check was conducted either at the level of Nodal Agency nor by the State level Implementation Committee to ensure the genuineness of the claim.

(v) In Uttar Pradesh subsidy amounting to Rs. 7.79 lakhs was paid on 2.83 lakh sq. metres of janata cloth which were returned unsold to the implementing agencies. This aspect was neither examined by the Nodal agency nor by the Government. The excess subsidy had not been refunded/adjusted (August 1992). Similarly 4.30 lakhs and 0.84 lakh square metres of janata cloth damaged in transit were returned by the sale outlets to these implementing agencies during 1985-86 to 1989-90, on

which subsidy of Rs. 13.76 lakhs already paid could not be recovered (August 1992).

(vi) Rates of subsidy were increased from Rs. 2.00 to Rs. 2.75 with effect from March 1988. Uttar Pradesh Handloom Corporation made deliveries of 13.98 lakh square metres of janata cloth between November 1987 and February 1988, but the same were shown in March 1988 and subsidy claimed at the higher rate, which resulted in payment of excess subsidy amounting to Rs. 10.49 lakhs.

(vii) The anticipated production figures furnished by Uttar Pradesh Handloom Corporation were unrealistic which resulted in drawal of advance subsidy in excess amounting to Rs. 2056.44 lakhs during the period from April, 1987 to December, 1988 which was irregular.

#### 7.1.13 Under Payment of Wages

The rate of subsidy was enhanced from Rs. 2.75 to Rs. 3.40 per sq. metre from July 1990 with a view to providing higher wages to the weavers. DCH issued instruction (May 1988) that wages should be paid at the rates reckoned for fixation of consumer prices of the janata cloth. For this purpose in the Audit Certificate to be furnished alongwith subsidy claims, it was to be specifically stated that spot inspections had been carried out for ascertaining full and timely payment of wages. Test check of records in the States revealed as under:—

##### *Tamil Nadu*

(i) While enhancing the subsidy rates from Rs. 2.75 to Rs. 3.40 per square metre from July, 1990 it was stipulated that the increase should be passed on to janata weavers as enhanced wages. Text check revealed that subsidy was claimed by Co-optex at enhanced rate from July 1990 but increase was not passed on to the weavers as wages till July 1991. The short payment of wages on this account amounted to Rs. 105.62 lakhs.

(ii) It was found that in 45 primary co-operative societies in Vellore and Salem Regions, the weavers were not paid the rates of wages adopted in the approved cost sheets though the required certificates had been furnished with the subsidy claim. The under payment of wages during the period from March 1988 to March 1990 and from July 1991 to March 1992 worked out to Rs. 29.69 lakhs.

##### *Uttar Pradesh*

The benefits of increase in the rate of subsidy were not passed on to the weavers during the year 1990-91 and 1991-92. The entire amount of Rs. 1343.71 lakhs was lying with the implementing agencies. The implementing agencies stated (August 1992) that the increase was effected from May 1992. The wage increase from July 1990 to April 1992 however remained to be passed on to the weavers.

#### 7.1.14 *Other points of interest*

##### *Assam*

It was observed that the claims preferred by the implementing agencies from time to time were sent to DCH without keeping copies thereof or any other subsidiary records. In the absence of records genuineness of the claims preferred by the implementing agencies could not be verified.

The Directorate failed to produce records of Kamrup District Central Weavers Co-operative Society Guwahati, the main implementing agency to Audit, inspite of specific instructions from the Government for the same. *This Agency was paid subsidy of Rs. 1182.22 lakhs during 1985-86 to 1989-90 out of the total subsidy payment of Rs. 2571.00 lakhs in the State.*

##### *Uttar Pradesh*

There were specific complaints received by DCH that the finished janata cloth was not reaching retail outlets for sale to the consumers at subsidized rates and was being diverted to the open market, where it fetched higher price or perhaps was recycled back into the subsidy yielding Scheme. The State Governemnt was therefore, asked to enquire into the details and report upon the extent of irregularities. In the meanwhile subsidy amounting to Rs. 369.44 lakhs pertaining to the period January 1988 to June 1988 was released in respect of three implementing agencies in Uttar Pradesh in November 1988, subject to the condition that the State Government would confirm within one month of the release that the claim did not pertain to janata cloth in respect of which enquiry was being conducted for investigation of alleged irregularities. Pending receipt of such confirmation from the State Government, the subsidy released was to be treated as "on account" payment. However, Government of Uttar Pradesh released subsidy to the implementing agencies without furnishing requisite confirmation to DCH.

The Government of Uttar Pradesh initiated an inquiry into these irregularities but the report submitted by the Enquiry Committee did not touch upon the issue of irregularities. *Thus the admissibility of subsidy amounting to Rs. 369.44 lakhs remains to be ascertained although 4 years have elapsed.*

#### 7.1.15 *Quality Control and Physical Inspection*

The implementing agencies are required to take all possible steps to ensure that the janata cloth produced/procured by them is of good quality and is in keeping with the consumer's preferences and tastes. They should ensure that they have staff with requisite technical expertise to carry out the work of quality checking. It is the sole responsibility of the State level Implementation Committee and the Nodal Agency to ensure that the cloth produced by the Implementing Agencies under the Scheme is in conformity with the standards prescribed by DCH. They are to make necessary arrangements including providing a vigilance machinery for the

purpose or by strengthening the existing inspection machinery for periodical check to ensure strict observance of quality standards and take stringent action wherever non-observance of quality and any other malpractices are detected. The Nodal Agencies are to devise a system of physical inspection of production, distribution and payment of wages to ensure that the production and distribution are made in accordance with the norms laid down under the guidelines issued from time to time. At least one such inspection should be carried out in each quarter and reports sent to the office of DCH.

Test check of records of the Implementing Agencies/Nodal Agencies revealed as under:

#### *Assam*

The records of Assam Artisan Weavers Federation Guwahati revealed that on an average 0.0638 kg. of yarn was utilised to produce a sq. metre of janata cloth against 0.073 kg. of yarn per sq. metre reckoned for costing of janata cloth. This resulted in short utilisation of 1.05 lakh kgs. of yarn for production of 111.56 lakhs sq. metres of janata cloth during April 1987 to December 1988.

#### *Bihar*

The Nodal Agency had not created any infrastructure for ensuring quality control. No Surveillance/Vigilance machinery had been created. The Nodal Agency stated (August 1992) that there was no independent laboratory under them for ensuring quality control. Sanctioned post of Technical Assistants and Technical supervisors numbering 24 were vacant (August 1992).

#### *Maharashtra*

Vidarbha Weavers Central Cooperative Society, Nagpur and Western Maharashtra Weavers Central Cooperative Association Limited sholapur did not have any arrangement for testing the quality of yarn purchased by them. Defects in respect of four cases involving 435 bales worth Rs. 30.73 lakhs received from National Handloom Development Corporation Lucknow during September 1987 to October 1988 by Vidarbha Weavers Central Cooperative Society came to light only when the yarn was being processed in the dye-house or in use in finished goods.

#### *Tamil Nadu*

No systematic procedure had been prescribed or machinery constituted for ensuring the quality of cloth produced with reference to the standard prescribed by the DCH.

#### *Tripura*

No record was maintained by the implementing agencies for exercising any check to ensure that janata cloth produced/procured by them was of good quality and in accordance with consumers preferences.



### *Uttar Pradesh*

No check on the quality of cloth produced was exercised by the Nodal agency upto May 1992. However, the test checks conducted by technical staff of Govt. in Feb. 1988 on the samples of Uttar Pradesh Industrial Cooperative Association revealed that the samples were of much inferior quality. The yarn used was inferior and there were much less ends than those prescribed. However intermittent physical inspection was carried out from June 1992 which showed glaring instances of production of 16603 pairs of substandard janata dhotis in Barabanki where majority of looms were found to be power operative, which pointed to the fact no employment benefits accrued to handloom weavers.

On the request of DCH fabric test analysis was conducted by Ahmedabad Textiles Industry's Research Association in 1988 in order to find out the performance characteristics of the janata cloth in terms of its strength, colour fastness etc. In all, 45 janata cloth samples from different States were analysed. The tests revealed that samples had coarser counts by 10 to 15 per cent compared to the expected strength and picks insertion was less by 15 to 20 per cent.

#### *7.1.16 Monitoring*

Although the Scheme is fully financed by the Central Government and an amount of Rs. 744.07 crores was released by DCH during the period 1985-92 there was no satisfactory system of monitoring the Scheme at Central level to ensure that the subsidy released to State Governments was actually passed on to the implementing agencies within a reasonable time and the fixation of annual targets by the DCH were based on the realistic assessment of the production capabilities of the implementing agencies. DCH stated (July 1992) that the responsibility for implementing and monitoring has been delegated to the respective State level Implementation Committees and the Centre has the residual powers to monitor the implementation of the Scheme. It was further stated that they have no mechanism to monitor the timely releases of subsidy by the State Government to the concerned implementing agencies.

Test check of the records of the Nodal Agencies revealed that there was no monitoring of the Scheme in Assam, Bihar, Maharashtra and Tamil Nadu. In Kerala reasons for poor impact of the Scheme were not analysed. In Tripura, physical inspection of the records of the implementing agencies was stated to be conducted by the Nodal Agency but no records were maintained by them. In Uttar Pradesh, the Directorate had inadequate resources and lacked technical expertise to monitor the Scheme. *Although the Central Government delegated the monitoring of the implementation of the Scheme to the State Governments it failed to ensure its proper monitoring at the State level.*

#### *7.1.17 Evaluation*

DCH entrusted (April 1986) the Ahmedabad Textiles Industry Research Association (ATIRA) to conduct evaluation of Janata Cloth Scheme. One

of the terms of reference for the study was to assess whether the Janata Cloth Scheme was able to achieve its twin objectives, viz providing sustained employment to the unemployed and under-employed handloom weavers and making available cloth at affordable prices to the poorer sections of the population. ATIRA examined the aspects of production, distribution and consumption. The deficiencies in the Scheme brought out in their report submitted in December 1989 were as under:

(i) Though there was increase in the production of janata cloth in handloom sector between 1976 and 1986, yet some systemic deficiencies and organisational bottlenecks like delay in release of subsidy and the rigid cost structure which impeded the smooth operation of the Scheme, were noticed.

(ii) The consumption objective of the Scheme was not fully achieved, in the sense that the total quantity of cloth made available to the needy sections of the population was inadequate.

(iii) The quality of the janata cloth was not completely to the satisfaction of the consumers.

(iv) The retail outlets, were found to be geographically too constricted. A large section of the population in rural areas in need of the janata cloth were found to have no outlets for the janata cloth.

ATIRA suggested that the systemic deficiency in production can be rectified by doing away with the existing system of giving cash subsidy directly to the implementing agencies and instead evolve an alternative by system of providing free yarn to the agencies through tie-up arrangements with Cotton Corporation of India/National Handloom Development Corporation under which both will jointly assume the responsibility of providing the yarn free to the implementing agencies according to their requirements and the latter will be free from the problems of yarn supply and working capital/cash flow problems. In pursuance of the suggestion made, the guidelines for the implementation of the Scheme were revised with effect from July 1990 primarily on the basis of the report submitted by ATIRA in December 1989 *inter-alia* mentioning that the entire yarn requirements of the weavers under the Scheme should be met by the implementing agencies and weavers should not be asked to pay for it. Implementing agencies should also ensure that supply of yarn is at the cost of the implementing agencies and weavers are paid conversion charges. To further review the operation of the Scheme, the Government of India constituted another Committee in August 1991 which submitted its report in July 1992. The report of the Committee was under consideration with the Government (October 1992).

The review was sent to the Ministry in December 1992, their reply has not been received (March 1993).

## APPENDIX II

### *Guidelines for Implementation of Janata Cloth Scheme Effective from 1st October 1993*

#### 1. Introduction

A comprehensive set of guidelines on Janata Cloth had been introduced in August 1990. Subsequently, a high power Committee under the Chairmanship of Secretary, Textiles, Government of India examined the implementation of the Scheme and also considered the issue of its phasing out in the context of reduction of subsidy-oriented schemes in the country. The present guidelines evolve out of the recommendations of the Committee.

#### 2. Objectives

- (i) to provide sustained income to handloom weavers, particularly, the semi-skilled weavers by partially off-setting the costs disadvantage of handloom sector;
- (ii) to enable handloom weavers graduate to production of higher value textile goods so as to earn higher wages;
- (iii) to provide alternate employment to handloom weavers displaced on account of phasing out Janata Cloth Scheme.

#### 3. Target

While the target under Janata Cloth Scheme would be in square metres, parts of the target could be specified in terms of yarn supplied for production of cloth. The Scheme will have two packages. The first package would be in line with the ongoing Janata Cloth Production Programme with several modifications. The second package would consist of support that would continue to provide weavers displaced on account of phasing out of Janata Cloth Scheme by providing alternate facilities for production within the handloom sector.

#### 4.0. Package I Janata Cloth Production Programme

##### 4.1 Implementing Agencies:

State Apex Handloom Weavers Cooperative Societies, Regional Handloom Weavers Cooperative Societies and State Handloom Development Corporations are eligible to participate in production of Janata Cloth subject to recommendation of State Level Implementation Committee (SLIC) and approval by the Office of Development Commissioner for Handlooms. However, during emergent conditions, as an exceptional measure, any other agency, including Primary Handloom Weavers Cooperative Societies could be entrusted with the task of production.

## 4.2 Distribution

4.2.1 To the extent possible, Janata Cloth will be distributed through the Public Distribution System. However, the implementing agencies would be free to sell their products directly to the consumers. Sale by such agencies through their own retail outlets would be limited to:

- (i) Retail sales to consumers.
- (ii) Supply to State Government/Central Government agencies.

4.2.2. Retail outlet would also include an outlet managed on behalf of the implementing agency on commission basis. Such sales will have to be on the cash memo of the implementing agency.

4.2.3. Distribution shall be made inside the State only. Any sale outside the State will need the concurrence of SLIC of both the States and also approval by DC (Handlooms)

4.2.4. Sort-wise, month-wise delivery figures of each outlet will be maintained in the head office of implementing agency in a form prescribed and such forms must have Sl. Nos. and must be printed.

4.2.5. Wholesale sale of Janata cloth is not permissible. For this purpose wholesale sale will mean sale of more than 50 square metres to one person.

## 4.3. Nodal Agency

The nodal agency for implementation of the programme will be the Director of the State Government in charge of Handlooms.

## 4.4. State Level Implementation Committee

4.4.1. Each Janata Implementing State will constitute SLIC comprising of the following members:

- (i) Secretary in charge of Handlooms Chairman
- (ii) Secretary/Director in charge of Civil Supplies.
- (iii) A representative of DC (Handloom)
- (iv) Chief Executive of each implementing agency
- (v) 3 Handloom Weaver's representatives actually engaged in production of Janata cloth and not holding any post of Chairman/President/Director in any Corporation/Society.
- (vi) Director in charge of Handlooms— Member Secretary

4.4.2. The Committee shall sit as often as necessary.

4.4.3. The functions of SLIC would be as follows:

- (i) Allocate production targets among the implementing agencies.
- (ii) Identify areas for production of Janata cloth and the sorts to be produced in each area.
- (iii) It will concur with the specifications of each sort before approval by DC (Handlooms)

- (iv) It will fix and review selling price as often as necessary.
- (v) While approving subsidy claims SLIC will ensure that entire yarn required for production of cloth has been purchased by the implementing agency and supplied to the weavers.
- (vi) It will monitor even spread of production of cloth throughout the year, timely payment of wages to weavers, and release of funds to the implementing agencies by the State Government.

#### 4.5. Production

4.5.1. Under the Scheme, all textile goods of all fibres except of Mulberry, Tusar and Muga silk will be allowed for production. However, production of fancy items/decorative items will not be permissible.

4.5.2. Not more than 10% of the production will be grey cloth.

4.5.3. The items produced in each area will have to be identified and presented to the SLIC and approval of DC (Handlooms) obtained on the specification before production starts.

4.5.4. The initial costing of sorts would also require approval of DC (Handlooms) although subsequent revision arising out of escalation of costs would be effected with the approval of SLIC. The proposal for approval of new cloth sorts should be sent to DC (Handloom) in Form JCI & II (Annexure III & IV).

4.5.5. At least 80% of the cloth produced must have a unit value of production of not less than Rs. 8.50 per square metre (Rs. 34/ per square metre for woollen). This unit value will be revised by DC (Handlooms) as and when necessary. This will require that targets given to implementing agencies would have to be split into two categories, namely, those with unit value above Rs. 8.50 per square metre and those below. The SLIC, while scrutinising subsidy will ensure production according to this stipulation.

4.5.6. At least 50% of the production must be of yarn dyed variety of all over stripes/checks/designs/mono coloured. While allocating targets and also while recommending subsidy claims. SLIC will ensure this.

4.5.7. Targets allocated to agencies must be based on number of looms serviced by the agency. Director of Handlooms must make sample check of loomage from time to time and not less than once a year.

4.5.8. All cloth must be produced either by a Primary Handloom Weavers Cooperative Society or a weaver directly affiliated to the implementing agency.

4.5.9. All new weavers coming under the fold of Janata Cloth Scheme must be IRDP target group beneficiaries.

4.5.10. Cloth produced on power operated looms, including handlooms fitted with motors are not eligible for this scheme.

4.5.11. Supply of sized bean having more than 200 metres of warp length will not be allowed under Janata Cloth Scheme.

4.5.12. Production in industrial type of handloom societies having more than 5 handlooms under one common workshed will not be allowed.

#### 4.6 Target and Subsidy

4.6.1. Statewise allocation of targets will be made by the Office of DC (Handlooms). Modifications of the targets in course of the year and also post facto reallocation of targets between the States based on actual performance would also be done by th DC (Handlooms).

4.6.2. Target for woollen janata cloth will be computed @ 1 square metre of woollen cloth (wool in both warp and weft) being equivalent to 4 square metres of cotton. When the unit cost of woollen item is such that its subsidy content can be less than 4 times than that of cotton, DC (Handlooms) my approve a proportion different from 4:1.

4.6.3. The subsidy for non-woollen janata items would be Rs. 3.40 per square metre and for woollen items will be Rs. 13.60 subject to para 4.6.2.

4.6.4. Claims will be furnished on quarterly basis and subsidy released at the end of each quarter on production of audit certificate by the implementing agencies in the form prescribed by the Office of DC (Handlooms). The claims have to be countersigned by Director in charge of Handlooms and ratified by SLIC.

4.6.5. 75% of the subsidy payable to an implementing agency in terms of target allocated to it for any quarter would be released as advance subject to the conditions:

- (a) That such target will not be more than 25% of the annual target; and
- (b) it will not exceed 25% of production and delivery of the agency during the previous year.

The proposal for release of advance subsidy should have the recommendations of SLIIC.

4.6.6. The subsidy is payable on the basis of actual deliveries made of janata cloth. The term "actual deliveries made" will be taken to be the point at which Janata cloth has been actually delivered from the Central godown/Regional Depots of the State Implementing Agencies for retail sales to the distribution agencies/retail outlets.

4.6.7. If some reason, it is not possible to release full claims of an agency for any particular quarter, a provisional payment upto 80% of claim may be released as provisional payment only if the nodal agency has recommended either full payment or provisional payment.

4.6.8. The target for Janata cloth will be reduced each year on the basis of outlay earmarked for this scheme in the annual budget leaving residual level of production at the end of VIII Plan only in certain States and for certain categories of products.

4.6.9. No State Government will provide second subsidy for public sale of janata cloth. When any State Government intends to supply janata cloth for the weaker sections of the consumers with additional subsidy, they must buy such cloth at approved selling price and distribute directly through the State Government agencies like District Collectors, Block Development Officers, Revenue Offices etc.

#### 4.7. Wages

Weavers must get equitable wages. Bulk of the subsidy amount should be passed on to the weavers as wages. Whenever prices of yarn, dyes and chemicals go up, this escalation must be passed on to the consumer and, in no case, the weaver's wages should be reduced to make up for this cost escalation.

#### 4.8. Costing

4.8.1. The costing of a new sort, after approval by SLIC will be sent to DC (Handlooms) for final approval.

4.8.2. All subsequent upward revisions of costing will be effected by SLIC on the basis of cost data.

4.8.3. The SLIC may also adopt the principle of automatic indexing of yarn price to the sale price of finished goods only if the State has a Yarn Price Fixation Committee in existence and only when the price fixed by the Committee is adhered to by the spinning mills.

4.8.4. The sale price of an item shall not be less than the value of yarn and other raw materials plus processing charges, if any. The floor selling price for each cloth sort shall be fixed by DC (Handlooms) while approving the cost data and will be subject to upward revision as and when the cost data is revised by SLIC.

4.8.5. The maximum overhead payable to implementing agency is 25% of the production cost.

#### 4.9. Documentation

4.9.1. Separate accounts relating to production and delivery of janata cloth will be maintained by each agency in its head office as well as field offices.

4.9.2. These records would include:

- (i) Details of purchase of yarn and other raw materials, payment against such purchase, lorry bills in support of transportation from the spinning mills and also to the production centres.
- (ii) Value and quantity of raw materials supplied to individual weavers, and wages paid to them.
- (iii) Agency-wise deliveries, payments received, freight charges paid, indents of concerned agencies, lorry bills.
- (iv) Receipts of subsidy payments and their entry in the books of accounts.

- (v) All deliveries of goods to and from the implementing agency will be by way of challans having printed Sl. Nos. for the agency as a whole. Record of the challans issued to the field offices of an implementing agency must be maintained in the head office.

4.9.3. All payments and receipts of and above Rs. 1000/ would be through cheques/demand drafts.

4.9.4. All documents relating to Janata Cloth Production and deliveries will be liable for inspection by Office of DC (Handlooms), SLIC and Director of Handlooms.

4.9.5. The formats of documents for submitting subsidy claims are enclosed (Annexure I & II).

#### 4.10. *Quality Control*

The cloth produced must conform to the specifications. The cloth must be inspected at the time of receipt by the implementing agency. The tolerance limit (lower) can be upto 5% of the approved specifications.

#### 5.0. **Package II—Janata Equity Participation Programme**

5.1. To the extent, the target under Package I is reduced, a State would be entitled for support for production of non-janata cloth.

5.2. For this participation, Handloom Development Corporations, Apex and Regional Handloom Cooperative Societies and Primary Handloom Cooperative Societies will be eligible.

5.3. This support will be linked to value of raw material supplied to the weavers/primary handloom weavers cooperative societies.

5.4. The equity participation will be limited to 40% of value of inputs supplied during the year over and above the average supply of previous 3 years.

5.5. Agencies will have to furnish audited accounts of previous 3 years regarding supply of inputs for this purpose. In case, accounts are not finalised, a special audit conducted by a qualified Chartered Accountant would have to be submitted.

5.6. In case of Regional/Apex Societies and Corporations, a representative of DC (Handlooms) will be nominated as Director on the board of management. In case of Primary Societies, a representative of the State Government will be nominated as a Director. Wherever necessary, agencies will be required to amend their bye-laws/Memorandum of Association.

5.7. In no case, the share of Government of India out of the paid up share capital of the agency will exceed 49%. When such a situation arises, additional shares have to be arranged either by the State Government or the implementing agency.

5.8. The format in which claims would be made by the agencies is enclosed (Annexure-V). Assistance will be released on the basis of projections, subject to adjustment in subsequent periods based on actual performance.



5.9. The SLIC will make recommendations to the DC (Handlooms) as to the extent of target proposed to be surrendered under Janata Cloth Production Programme and the extent to which they would like to switch over to the equity participation programme. Allocation under this will also be linked to targets of Janata Cloth Production during last three years, loomage, type of cloth proposed to be produced and requirement of working capital for such cloth, programme of the agency to switch over to non-janata cloth, and economic condition of the weavers serviced by the agencies.

5.10. The fund under this package will be released as grant-in-aid to State Governments for further release to the eligible agencies. In the balance sheet of the recipient agency this will be indicated separately as 'Janata cloth scheme equity'.

5.11. The equity shall be utilised by the recipient agencies for generating additional turnover for the supply of raw material to the handloom weavers, with appropriate credit linkage.

5.12. The agencies will furnish the audited statement of profit and loss accounts and the balance sheet as at the end of the financial year to the Office of DC (Handlooms) every year.

5.13. On receipt of the funds from Government of India, the State Governments shall utilise the funds for the purpose for which it was intended within a reasonable time. The State Government will furnish the utilisation certificate as required under Rule 150 of GFR. Further release of funds under this programme will be made only on receipt of the utilisation certificate for the previous releases. The unspent balance of the previous grant, if any should either be surrendered to Government or taken into account in arriving at the subsequent claim.

5.14. The dividend arising out of 'Janata Cloth Scheme Equity' shall be paid to Government of India. Such refunds may be credited as 'Miscellaneous Receipts' of the Ministry of Textiles through the concerned State Government.

5.15. Any assets acquired wholly or substantially out of the funds released under this programme would not, without the prior sanction of Government, be disposed of, encumbered or utilised for the purpose other than those for which the funds were sanctioned. The term 'assets' means:

- (i) Immovable property; and
- (ii) movable property of a capital nature.

### APPENDIX III

#### *Conclusions and Recommendations*

<i>Sl. No.</i>	<i>Para No.</i>	<i>Ministry/ Department concerned</i>	<i>Conclusion/Recommendation</i>
1	2	3	4
1.	93.	Ministry of Textiles	<p>The Committee note that the Janata Cloth Scheme was launched in October, 1976 in the handloom sector as a centrally sponsored scheme by Government of India with the twin objectives of providing sustained employment to the unemployed and under-employed handloom weavers and making available cloth at affordable prices to the economically weaker sections of population. The Scheme covered production of dhoties, sarees, lungies, shirtings and long cloth and their distribution in rural and urban areas through outlets owned by the implementing agencies, cooperative societies, fair price shops etc. Under the new Scheme namely, Woollen Janata Cloth Scheme brought into effect from April 1989, production and distribution of five woollen items viz. shoddy blankets, plain shoddy shawl, plain pure wool shawl, gent's shawl and woollen cloth in running length had also been covered. Initially, the scheme was implemented through the handloom sector and partially through Mill Sector, principally National Textiles Corporation Mills. According to the Textile Policy of 1981, production of</p>

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subsidised cloth was to be shifted gradually from Mill Sector to the handloom sector. The New Textiles policy of 1985 envisaged the entire production of subsidized cloth in the handloom sector by the end of Seventh Five Year Plan. The policy decision of the Government was primarily based on the experience that production of such cloth in the handloom sector has registered gradual and significant increase since 1981. The scheme has been receiving financial support in the form of a subsidy paid out from the Consolidated fund of India. For this purpose, the Government of India enacted a legislation in the year 1978 for collection of additional excise duties on rest of the textile items for using the proceeds in implementing the scheme of handloom janata cloth and controlled cloth. The Audit review is based on the implementation of the Scheme for the year 1985-92 with reference to seven State i.e. Assam, Bihar, Kerala, Maharashtra, Tamil Nadu, Tripura and Uttar Pradesh (out of 20 States including one Union Territory) where the scheme was under implementation. The facts brought out in the Audit para and further examination by the Committee on this subject have revealed several major deficiencies in the implementation of the scheme.

2. 94.

Ministry of  
Textiles

The Committee note that the rate of subsidy payable on janata cloth was revised upwards several times from

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Re. 1.00 per square metre in 1976 to Rs. 3.40 in 1990 with the basic idea of neutralising the increase in cost of production of Janata cloth and providing incremental support to the producing agencies without passing the incremental burden on the consumers. However, the revision of the subsidy rates in 1988 and 1990 did not provide for 100% neutralisation due to budget constraints and the apportionment in the increase in the cost of production between subsidy and consumer prices has been in the proportion of 3:1 in 1988 and 1:1 in 1990 resulting in increase in consumer prices. Further, after 1990, the subsidy rate has not been revised and a policy decision was taken at this point of time requiring the State level implementation committees to index the consumer prices to the cost of production. Evidently, the reduction in the rate of subsidy has adversely affected the consumer price and the objective of making available cloth to the poorer sections of the society at affordable prices.

3. 95.

**Ministry of  
Textiles**

The Committee's examination has revealed that there had been considerable delays in release of subsidy to the implementing agencies in cases of Bihar, Kerala, Maharashtra and Tamil Nadu as detailed in para this report. Undoubtedly, the delay in release of subsidy resulted in paucity of working capital available to the implementing agencies. The Ministry have stated that the procedure involved in transferring the funds from the Government to

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the implementing agencies normally takes three to four months. During evidence, the Secretary, Textiles, has, however conceded that "there was a delay in some of the States." Since production of janata cloth is greatly dependent on the availability of funds in the form of subsidy, the question of streamlining the procedure and to ensure that funds released reach the ultimate destination in time needs serious attention of Government.

4. 96

Ministry of  
Textiles

The Committee note that the price of yarn, wages and overheads constitute the three major elements of cost of production of janata cloth. Uptil July, 1990 the consumer prices of janata cloth varieties were fixed by the Government based on the cost particulars furnished by the implementing agencies through the State Governments. Since July 1990, the state level Implementation Committees have been authorised to regulate the selling prices of janata cloth keeping in view the cost of inputs, wages and overheads minus the subsidy element. However, when a new sort is introduced its price on the basis of cost norms is approved by the Government. The Committee view with concern that during 1985-92, the prices of dhotis and sarees, which constitute bulk of the production of janata cloth, had registered a sharp increase ranging from 73 to 111 per cent and 48 to 124 per cent respectively in Assam, Bihar, Kerala, Maharashtra, Tamil Nadu, Tripura and Uttar Pradesh. Pertinently, the increase in the index

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number of wholesale prices of textiles items and all commodities in 1991-92 over that of 1985-86 was 56.66 and 65.70 per cent respectively. According to the Ministry, the cotton hank yarn used in the low priced janata cloth constitutes over 60% of the cost of the production and the rise in its price significantly affects the handloom sector. The increase in the consumer prices of dhotis and sarees during the period 1985-92 is attributed partly to the reduction in percentage of subsidy and significantly to the increase in weighted average price of cotton hank yarn. The Committee have been informed that in order to regulate supply of hand yarn to the handloom weavers, statutory Hank Yarn Obligation Scheme was brought into effect in 1986 and revised in 1990. The Government have also set up yarn bank for the purpose of distributing yarn to the weavers. These schemes were devised with the sole idea of making available adequate quantity of yarn to the weavers and thereby to sustain production and ensure price stability. Evidently, these measures had not produced the desired results. Since the prices of the basic raw material, viz., yarn had an important bearing on the ultimate price of janata cloth, the Committee regret to note that no effective steps were taken by Government to make available the same to the weavers at reasonable prices.

5. 97

Ministry of  
Textiles

The annual targets of production of  
janata cloth for the different States

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are fixed by the Government and communicated to the respective Nodal Agencies to work out a production programme to achieve the targets. The entitlement of each State was to be worked out on the basis of composite criteria of giving weightage to the total population and the population living below the poverty line in the ratio of 2:1. The Committee are concerned to observe that while the shortfall in annual production target of janata cloth ranged from 4 to 9 per cent during 1985-86 to 1987-88, it was as high as 25 per cent and 20 per cent during 1988-89 and 1990-91 respectively. Again in 1991-92 the shortfall was to the extent of 11 per cent against reduced target as compared to that of 1990-91. According to the Ministry, drastic change in the distribution system emerging out of policy decision of the Government in 1988, issuance of revised guidelines in 1990-91 further streamlining the production and distribution and increase in prices of hank yarn are the major contributory reasons in this regard. Since the annual targets were fixed after taking into account changes in the frame-work of the scheme and other relevant considerations, the Committee cannot accept the reasons adduced by the Ministry for the shortfall as justifiable. They regret to note that the Ministry of Textiles did not take adequate steps to remove the bottlenecks to ensure the achievement of the physical targets.

6. 98

Ministry of  
TextilesOne of the basic objectives of janata  
cloth scheme was to provide sus-

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tained employment to unemployed and underemployed weavers specifically by activating dormant/idle looms. According to the National Handloom Census (1987-88) out of total number of 38.90 lakh looms, 2.80 lakh looms were lying idle. The Audit paragraph also revealed decline in the employment opportunities in certain States and that no analysis was made in this regard for remedial action. Thus, the objective of providing sustained employment to the unemployed and underemployed, envisaged in the Scheme also remained largely unfulfilled. According to the Ministry, management difficulties within the implementing agencies incidence of higher wage rates available in other economic activities compared to janata cloth and payment of better wages in producing non-janata cloth are some of the contributory reasons for non-operation of looms and low-level of employment generation in these States. The Committee further find that no data indicating year-wise break-up of the enemployed and under-employed weavers was maintained by the Government with a view to ascertaining the impact of the scheme in generating additional employment among handloom weavers. The Secretary of the Ministry conceded during evidence before the Committee that "Had we got this information the distribution would have been more rational". The Committee regret to conclude that no worthwhile efforts were made the Government to identify the deserving



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7. 99	Ministry of Textiles	segment of population which remained unemployed or largely under-employed and to review the allocation of production targets suitably to achieve the objective of the scheme.	<p>Another area where the Committee found lack of adequate attention was the manner in which distribution of janata cloth was dealt with. The Committee note that distribution of janata cloth in various states was not made in accordance with the guidelines of 1990 which stipulated that at least 75% of janata cloth should be sold to the target group in rural areas. In this connection the Ministry have stated that the conditions in the guidelines were stringent and a number of implementing agencies faced difficulties in fulfilling these conditions fully and in some cases relaxation was also given as a special dispensation. The Secretary of the Ministry conceded in this regard during evidence that "we knew it is not practicable to implement this." The Committee are surprised to say the least, that even though according to the Ministry's own admission, the conditions were stringent, no action was taken to revise the guidelines to ensure proper distribution of janata cloth among the intended target group.</p>
8. 100		Ministry of Textiles	<p>It is further disquieting to observe that records pertaining to distribution of janata cloth in rural and urban areas were not maintained by the Nodal/Implementing agencies on the plea of meagre revenue earned on</p>

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9. 101	Ministry of Textiles	<p>this count. In the absence of these supportive data, the Committee doubt whether the benefit of subsidy has actually reached the inteded beneficiary.</p>	<p>As per the instructions by the Ministry to the State Governments, the benefits arising out of enhancement in the rate of subsidy w.e.f. 17 July, 1990 should have been passed on to the handloom weavers. However, the Committee found that in Tamil Nadu and Uttar Pradesh increase in wages was not passed on to the weavers resulting in under-payment of wages to the tune of Rs. 135.31 lakhs and Rs. 1343.71 lakhs respectively. In case of Co-optex, Tamil Nadu involving short-payment of Rs. 105.62 lakhs, the Ministry have pleaded that since the implementing agencies have been meeting the entire cost of production and the benefits of the increase in the rate of subsidy was adequate only to offset 50% of the increased cost, the Co-optex did not commit any irregularity in not passing on the increased subsidy to the weavers. The Committee are unable to share the view point of the Ministry on the ground that, as per the instructions of the Ministry part of the benefits of increased subsidy accrued was to be given to the weavers as remunerative wages and the action of the co-optex was in contravention of these instructions of the Government. As regards under-payment of wages amounting to Rs. 29.69 lakhs in case of 45 primary co-operative societies</p>

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in Tamil Nadu, the Ministry have not furnished any clarification. With regard to Uttar Pradesh the Ministry have stated that the increase in rate of wages which was earlier met through State Subsidy was met by Central subsidy after the revision was effected. The Committee are not satisfied with the clarifications given for not increasing the wages of weavers and they cannot help concluding that withholding of payment to the weavers by the implementing agencies in Tamil Nadu and Uttar Pradesh was unjustified and steps should have been taken to protect the interests of weavers.

110. 102

Ministry of  
Textiles

The Committee note that in pursuance of the guidelines issued by the Government in August 1990 it was the sole responsibility of State Level Implementing Committees and the Nodal Agencies to ensure that the cloth produced by the implementing agencies under the scheme is in conformity with the standards prescribed by the Government. They were required to devise necessary arrangements including providing vigilance machinery for the purpose or by strengthening the existing inspection machinery for periodical check to ensure strict observance of quality standard and take stringent action wherever irregularities were detected. The Committee are perturbed to find that most of the states were lacking in having proper infrastructure for the quality control and the quality of janata cloth was not found upto the

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11. 103	Ministry of Textiles	<p>expected mark. The Committee deem it unfortunate that the Ministry of Textiles failed to ensure the strict adherence to the guidelines by the State Level Implementation Committees and Nodal Agencies thereby defeating the very purposes. of insertion of such a clause in the guidelines.</p>	<p>During the course of examination, the Committee have come across several individual instances of irregularities in some of the States regarding implementation of the scheme. Some of the major deficiencies/irregularities noticed in Maharashtra and Uttar Pradesh, the largest recipients of subsidy (total: Rs. 26635.04 lakhs) among the implementing States are as follows:</p> <ul style="list-style-type: none"> <li>(i) Bulk sale of janata cloth to private traders by three implementing agencies namely Maharashtra State Handloom Corporation (MSHC), Vidharbha Weavers Central Co-operative Society (VWCCS) and Western Maharashtra Weavers Central Co-operative Association Ltd. (WMWCCA) has resulted in receipt of irregular subsidy amounting to Rs. 440.90 lakhs.</li> <li>(ii) Suspension of issuing trash memos by Maharashtra State Handloom Corporation (MSHC) in violation of the prescribed guidelines by the Government.</li> </ul>

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- (iii) Excess payment of subsidy to the Government of Maharashtra involving Rs. 208.04 lakhs in violation of the prescribed guidelines issued by the Central Government.
- (iv) Excess claim of subsidy by the MSHC (Rs. 14.88 lakhs) and by VWCCS (Rs. 21 lakhs) on old cloth sorts as against new cloth sorts approved by Government.
- (v) Inadmissible subsidy amounting to Rs. 176.07 lakhs drawn for the period December 1986 to March 1988 by MSHC by adopting faulty procedure in contravention to the laid down guidelines.
- (vi) Incorrect reporting of deliveries resulted in excess subsidy of Rs. 286.16 lakhs by MSHC.
- (vii) Non-accountal of janata cloth valuing Rs. 5.26 lakhs by District Co-operative Federation, Kanpur and also 56,500 pairs of cloth between UPICA and NCCF has resulted in irregular transactions. The position has not been reconciled so far.
- (viii) Claim of excess subsidy valuing Rs. 21.55 lakhs by the Government of Uttar Pradesh by adoption of faulty procedure. The amount has not been

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			refunded/adjusted so far.
			(ix) Incorrect procedure adopted in transfer of cloth has resulted in claims of excess subsidy by Uttar Pradesh Handloom Corporation to the extent of Rs. 10.49 lakhs.
			(x) Failure on the part of the Government to cross-check the anticipated production figures furnished by Uttar Pradesh Handloom Corporation has resulted in withdrawal of advance subsidy in excess amounting to Rs. 2056.44 lakhs during the period from April 1987 to December 1988 which was irregular.
12. 104	Ministry of Textiles		Some of the above mentioned cases have been described in more detail earlier in the Report. The Committee deplore that laxity on the part of the authorities concerned resulted in payment of excess/irregular/inadmissible subsidy and several other procedural irregularities in these states. They recommend that all the above mentioned cases and the other cases mentioned in the Audit Paragraph should be thoroughly enquired into and necessary action be taken for the lapses. The Committee would like to be informed of the conclusive action taken in the matter.
13. 105	Ministry of Textiles		The Committee find that in response to the specific complaints received by the Ministry about diversion of finished janata cloth to the open

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market where it fetched higher price instead of selling to the consumers through retail outlets, the Government of Uttar Pradesh was asked to inquire into the matter and report upon the extent of irregularities. In the meanwhile subsidy amounting to Rs. 369.44 lakhs pertaining to the period January 1988 to June 1988 was released by the Government, in November 1988 to be treated as "on account" payment with the condition that the State Government would confirm within one month of the release that the claim did not pertain to janata cloth in respect of which enquiry was being conducted for investigation of alleged irregularities. However, the Government of Uttar Pradesh released subsidy to the implementing agencies in violation to the prescribed conditions by Government. Subsequently the Government of Uttar Pradesh initiated an enquiry into these irregularities. According to the Ministry, the Report of the Enquiry Committee was not accepted as valid and therefore, "on account" release of Rs. 369.44 lakhs could not be regularised. The Government of Uttar Pradesh was again asked to conduct another enquiry in this regard but no report has been submitted by the State Government so far. The Committee regret to note that despite a case of blatant irregularity having come to their notice, no action was taken by the Ministry and no consideration was given to the question of withholding further payment on account of

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14.	106	Ministry of Textiles	<p>subsidy till the matter was settled to their satisfaction.</p> <p>As regards regularisation of this "on account" payment, the Committee are surprised to note that the Government have decided to recover the amount only after a lapse of five years apparently as a follow-up to the audit para. The Committee have been informed that necessary action had been initiated to recover the entire subsidy amounting to Rs. 9,00,04,254 for the quarters January-March and April-June, 1988 released to the State Government. A decision was taken to recover this amount in ten quarterly instalments, each not exceeding Rs. 1 crore commencing from the claim for the quarter July-September, 1993. The Committee would like to be informed about the latest position of recovery.</p>
15.	107	Ministry of Textiles	<p>The Janata Cloth Scheme is fully financed by the Union Government and an amount of Rs. 1127 crores was released by the Ministry of Textiles since inception of the Scheme. the Committee are, however, surprised to note that there was no satisfactory system of monitoring the Scheme at Central level to ensure that the subsidy released to State Governments was actually passed on to the implementing agencies within a reasonable time and that the fixation of annual targets by the Development Commissioner for Handlooms under the Ministry of Textiles were based on the realistic assessment of the production capabilities of the implementing agencies. There has also been no</p>



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mechanism to ensure the timely release of subsidy by the State Governments to the concerned implementing agencies. The Ministry contended that it is not possible for the Government of India to physically monitor the Scheme due to limited manpower at its disposal as well as due to country-wide spread of the Scheme, the Secretary of the Ministry also stated that "it is the case with all the centrally sponsored schemes and the responsibility for implementing these schemes rests fully squarely with the State Governments." The Committee consider it as a sad state of affairs. While the Central Government presumed that the monitoring of the implementation of the Scheme will be done by the State Governments, in fact, there was no satisfactory system of monitoring at state levels as well. As test check of the records of the nodal agencies of certain States by Audit revealed several inadequacies on this score. Thus, there was no proper system of monitoring both at the Centre and the State levels. Considering the facts that the Janata Cloth Scheme was meant to benefit the poorer section of the population and that it was fully financed by the Central Government the Committee consider it unfortunate that no mechanism was evolved by the Ministry with a view to ensuring that the Scheme was actually implemented in consonance with the guidelines issued by the Ministry from time to time.

Another disquieting aspect observed by the Committee was absence of a

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Ministry of  
Textiles

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proper system for periodic evaluation of the scheme. Although the scheme was launched in 1976, it was only in April, 1986 that the Development Commissioner for Handlooms in the Ministry of Textiles entrusted evaluation of the scheme to the Ahmedabad Textiles Industry's Research Association (ATIRA). The Report of ATIRA which was submitted in December, 1989 revealed several irregularities/deficiencies in the implementation of Janata Cloth Schemes. This included, broadly, systematic deficiencies and organisational bottlenecks, non achievement of consumer objective, inadequate distribution system etc. On the basis of the finding of ATIRA, the Ministry of Textiles issued revised guidelines in August, 1990. Subsequently a High Powered Committee was set up by Government in August, 1991. The Report of the Committee submitted in July, 1992 also among others revealed irregularities in the implementation of the scheme. Pursuant to the recommendations of the High Powered Committee fresh guidelines were issued which became effective in October, 1993. The Committee regret to observe that despite the issue of instructions from time to time, no action was taken by the Ministry of Textiles to ensure that those guidelines were actually implemented in letter and spirit. The Committee urge upon the Ministry to take effective steps with a view to ensuring that guidelines issued are scrupulously followed atleast now. Pursuant to the recommendations of the High Powered Committee consti-

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Ministry of  
Textiles

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tuted in August, 1991, a decision has been taken to phase out the Janata cloth scheme during the Eighth Five Year Plan primarily because of Government's policy decision to do away with the subsidy oriented schemes in all the Sectors. As per the assessment of the Ministry, about 1.23 lakh looms would be affected at the end of 8th plan following phasing out of Janata Cloth Scheme unless they are given alternate employment within the handloom sector. To take care of the situation, the Government are stated to have proposed a Project package scheme in which the Government will have an equity participation upto 49 per cent and the State Government will have the rest of the share *i.e.* 51% for production of non-Janata cloth. This package would also encompass all other needs of the handloom weavers that would enable those engaged in production of low quality Janata cloth for production of more marketable cloth yielding higher income. The Committee have been informed that this is basically a weaver-oriented scheme and the consumer objective of the scheme has since been dispensed with. Besides the Government have also proposed floating another scheme for setting up Handloom Development Centres involving a total investment of Rs. 849 crores to take care of emergent distress situation. The Committee are deeply concerned over the extent of unemployment that the scrapping out of the Janata Cloth Scheme would eventually result in. They, therefore, urge that Government should take

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18. 110	Ministry of Textiles	<p>urgent steps to expedite implementation of the alternate programmes in a time bound manner so as to mitigate this unfortunate situation and ensure that all those affected are provided alternative employment before phasing out completely the Janata Cloth Scheme. The Committees also suggest that the alternative of a revamped Janata Cloth Scheme with adequate monitoring arrangements and proper guidelines may be considered.</p>	<p>To sum up, the facts stated in the foregoing paragraphs revealed several shortcomings in the implementation of Janata Cloth Scheme. Briefly, those were, shortfall in production against the annual targets fixed, failure to make available the raw materials at reasonable price to the producers, decline in employment opportunities in some States instead of generation of additional employment, unsatisfactory distribution system resulting in Janata cloth not reaching the targetted population, inadequate quality control, absence of proper system of scrutinising subsidy payment, payment of excess/irregular/inadmissible subsidy, under payment of wages, sale through unapproved agencies, and above all, absence of proper monitoring mechanism both at the Centre and the States and also absence of proper system for periodic evaluation of the scheme. The Committee regret to conclude that the Janata Cloth Scheme did not succeed fully in achieving its twin objectives of providing employment</p>

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to unemployed and under-employed handloom weavers and making available cloth at affordable prices to the economically weaker sections of the population. Considering the fact that an amount of Rs. 1127 crores have been spent on the Scheme in the form of payment of subsidies, the Committee take a serious view of the failure in fully achieving the objectives. The Committee desire that in the light of the facts brought out in this Report, Government should take necessary remedial/corrective action with a view to ensuring that the Scheme is properly implemented atleast in the remaining period, of its operation.