

**HUNDRED AND TWENTY-SECOND
REPORT**

**PUBLIC ACCOUNTS COMMITTEE
(1982-83)**

(SEVENTH LOK SABHA)

ALL INDIA HANDICRAFTS BOARD

MINISTRY OF COMMERCE
(DEPARTMENT OF TEXTILES)



सत्यमेव जयते

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*PART II

Minutes of the sittings of the Public Accounts Committee

(i) 29 January, 1982

(ii) 2nd November, 1982

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INTRODUCTION

1. The Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf, this 122nd Report of the Public Accounts Committee (Seventh Lok Sabha) on Paragraph 1 of the Advance Report of the Comptroller and Auditor General of India for the year 1979-80, Union Government (Civil) on All India Handicrafts Board relating to the Ministry of Commerce (Department of Textiles).

2. The Advance Report of the Comptroller and Auditor General of India for the year 1979-80, Union Government (Civil) was laid on the Table of the House on 27 April, 1981. The Public Accounts Committee examined the Audit paragraph at their sitting held on 29 January, 1982. The Committee considered and finalised the Report at their sitting held on 2 November, 1982. The Minutes of the sitting of the Committee form Part II* of the Report.

3. The All India Handicrafts Board was set up in 1952 as an Advisory Body to advise Government generally on problems of handicrafts and to suggest measures for its coordinated development. The Board was entrusted with a number of functions including recommending of policies for development of handicrafts. It is, however, surprising that the Board has not been in a position to suggest any measures to Government with regard to matters like technological improvement, quality control, design development, research and training etc. What is really surprising is that the Board have not conducted any comprehensive study of these matters.

4. The primary task of the Board was to make handicrafts an effective instrument of reducing unemployment and under-employment among artisans and to promote economic independence and social status and individual dignity of craftsmen. However, the Board has not been able to achieve any concrete results in this behalf as the craftsmen are still living below the poverty line; they are not among the major beneficiaries of the banking system or of research and development and their living and working environ-

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ment is unsatisfactory. The cream of extra earnings has been taken away by the exporters and traders while the workers and artisans have got only the crumbs. Thus, even after 30 years, the very objective of setting up of the Board remains to be realised.

5. The Board has not only failed to fulfil the objectives for which it was set up, it has also failed to observe the financial discipline expected of it. On the contrary, it has violated financial rules with impunity. Grants amounting to crores of rupees were distributed at the end of the financial year without ensuring that the organisations would be able to serve the purpose. After paying the grants, no efforts were made to ensure that the money was spent for the purpose for which it was intended and that it produced the desired results. The Committee have recommended that the Ministry of Commerce should appoint a High Powered Committee to evaluate the working of the Board, fix responsibility for various lapses and suggest necessary corrective measures to tone up the working of the Board so that the Board may actually function as a powerful catalytic agency for development of handicrafts in the country and for improving the lot of artisans.

6. A statement showing the conclusions and recommendations of the Committee is appended to the Report (Appendix II). For facility of reference these have been printed in thick type in the body of the Report.

7. The Committee place on record their appreciation of the assistance rendered to them in the examination of the subject by the Office of the Comptroller and Auditor General of India.

8. The Committee would also like to express their thanks to the officers of the Ministry of Commerce (Department of Textiles) for the cooperation extended by them in giving information to the Committee.

NEW DELHI;

4, November, 1982

13 Kartika, 1904 (Saka).

SATISH AGARWAL

Chairman

Public Accounts Committee.

REPORT

[Para 1 of C & AG Report (Civil), 1979-80 on which this Report is based, is reproduced as Appendix I]

CHAPTER I

COMPOSITION AND FUNCTIONS OF THE ALL INDIA HANDICRAFTS BOARD

A. Historical Background

The All India Handicrafts Board was set up in November, 1952 as an advisory body to advise Government generally on problems of handicrafts industry and to suggest measures for its coordinated development.

1.2 Giving the historical background of the All India Handicrafts Board, the Ministry of Commerce (Department of Textiles) have stated in a note:

"In 1948, the Government of India set up a Cottage Industries Board which was entrusted with the development of handicrafts, handlooms, Khadi Village Industries, Silk and other small scale industries. Soon it was realised that the diversity and extent of problems and the number of Industries to be dealt with by this Board were of such magnitude as could not be handled effectively and speedily by one single organisation.

It was against this background that the All India Handicrafts Board was established in November, 1952. The Board was set up to study the problems confronting development and the progress of handicrafts, to advise the Government on the solution of these problems and in particular, to improve and develop production techniques, new designs to suit the changing conditions and to promote marketing in India and abroad. The Board was also required as a technical body to advise the Government on grants and loans to be given to the State Governments, private organisations and institutions for financing activities necessary for the development and improvement of handicrafts."

B. Composition of the Board

1.3 At the time of its initial constitution in 1952, the Board had a Chair and 20 members. Since then, the Board has been reconstituted from time to time. Government of India Resolutions reconstituting the Board were issued on the following dates:

Date of issue of Govt. Resolution	Term of the Board
1. 27-11-1954	Not given
2. 1-8-1957	3 years
3. 12-6-1960	2 years
4. 4-9-1962	2 years
5. 28-12-1964	2 years
6. 19-9-1967	3 years
7. 7-1-1971	3 years
8. 28-7-1974	Not given
9. 20-7-1976	3 years
10. 3-6-1978	2 years
11. 1-7-1981	1 year

1.4 From 1-7-1981, Government have constituted a Joint Board for Handlooms and Handicrafts viz. the All India Handlooms and Handicrafts Board which consists of 78 members. The Minister of Commerce is the Chairman of the Board.

1.5 The Audit para has pointed out that while the Board was required to meet at least once in 4 months, it met only once in each of the years 1976, 1977, 1978 and 1979. Asked about the technical and administrative difficulties in holding more than one or two meetings every year, the Ministry of Commerce (Department of Textiles) stated in a note:

"During 4 years, 1976, 1977, 1978 and 1979, All India Handicrafts Board had met twice in 1976, once in 1978 and once in 1979. The Board did not have any meeting in 1977. The meetings of the All India Handicrafts Board were held at the convenience of the Chairman of the Board. There was no Chairman of the Board from 21st May, 1977 to 2nd June, 1978."

C. Functions and Objectives

1.6 The Board is requested to keep in view the following objectives of the Government in respect of handicrafts:

- (i) to develop handicrafts keeping the socio-economic, cultural and artistic perspective in view;
- (ii) to make handicrafts an effective instrument of reducing un-employment and under-employment;
- (iii) to make handicrafts an effective instrument of increasing the incomes of whole-time and part-time producers;
- (iv) to improve craftsmanship, artisanship and rural household innovativeness in this regard while remaining based on the foundations of cultural heritages; and
- (v) to promote economic independence and social status and individual dignity of craftsmen.

1.7 The functions of the Board are generally to advise Government on policies necessary in respect of handicrafts in the light of the objectives and in particular:

- (a) to study the human, socio-economic, technical, financial, organisational, cultural and artistic aspects of handicrafts in the country and in the light thereof recommend policies for development;
- (b) to advise Government on priorities;
- (c) to advise on measures for expansion and development of internal and foreign markets for handicrafts products;
- (d) to advise on measures for effective co-ordination of the development efforts among the various State Governments/Union Territories;
- (e) to recommend any other measures necessary for the development of handicrafts such as technological improvement, quality control, design development, product development, research, training and extension, publicity, organisation of museums, co-operatives and other institutions, organisation and flow of credit, supply of raw materials and improvement of housing and other aspects.

of the living and working environment and the quality of life of artisans; and

(f) review the progress of development from time to time.

1.8 The Committee enquired if the All India Handicrafts Board had reviewed the progress made in the direction of development of handicrafts from time to time and if any detailed study had been made in this regard. The Development Commissioner, Handicrafts stated:

"We commissioned a large number of studies through other organisations on various subjects. Out of 21 Reports, 17 Reports have been received, 4 Reports are still awaited."

1.9 The Committee invited the attention of the representatives of the Ministry of Commerce (Department of Textiles) to the following observations contained in the Report of the Working Group on Handicraft for the Sixth Five Year Plan:

"The performance has lagged behind the financial targets set out both in the central and state spheres.

Another important parameter of inadequacy is that craftsmen are still typically below the poverty line. They are not among the major beneficiaries of the banking system or of the research and development and their living and working environment is unsatisfactory."

1.10 Reacting to the above observations, the Development Commissioner, Handicrafts stated:

"It is a self-introspection and a confession. Regarding the poverty of the artisan or the craftsmen, it will be too much to claim by anyone that the poverty has been removed. We do not claim either. But we can certainly say that with the increase in exports of mainly two or three items like carpets, metal ware etc. the wages of craftsmen and artisans in these sections have gone up over the last few years... It must be confessed, as in all other sectors, here also the cream is taken away by the exporter and the trader. About that there is no doubt."

1.11 Asked if any study had been conducted about the improvement in the living conditions of artisans, the witness replied:

"No formal study has been conducted."

1.12 The Committee enquired if any study had been carried out with regard to the total number of artisans and craftsmen throughout the country, the type of training required by them, the particular industry in which they could be absorbed and other steps necessary to provide them employment. In reply, the Development Commissioner, Handicrafts stated:

“We have not undertaken any comprehensive study. What we are proposing to do now is to take up studies and surveys sector-wise. That will be more meaningful perhaps.”

1.13 The Committee enquired if the Board had recommended any measures to Government for adoption with regard to matters like technological improvement, quality control, design development, research and training etc. the Development Commissioner (Handicrafts) replied:

“A comprehensive study of the above matters has not been made to be able to suggest to the Government for taking measures.”

1.14 The witness further added:

“We can say that is because of the initiative of the Board that various arts like Madhubani painting or the Kalankar art of Andhra Pradesh which were gradually languishing, have been revived. It is now regarded to have its own fashion and charm and has caught the imagination of the people. The Kalankari art is being restored to its old glory.

The Art of the chikan work has been promoted at Lucknow.

In Rajasthan, the Bagru hand-printing has improved. The art of Sanganer has also improved. You can see the improvement that Bagru has made and the amount of design that we have given to Bagru. It has shown improvement.”

1.15 In a subsequent note furnished to the Committee, the Department of Textiles has stated as follows:

“Some of the steps taken by the Board which have helped in developing handicrafts and increasing their sales and exports are as under:

- (1) The Board conducted more than 120 studies on various crafts in fifties and sixties to identify craft pockets and

study their problems. This was one of the important steps in identifying the production centres of handicrafts in the country and focussing attention on their problems.

- (2) The Board projected the image of Indian handicrafts within the country and abroad by organising exclusive exhibitions of handicrafts and also by taking up various publicity measures such as brochures, pamphlets, films, live, demonstration of craftsmen etc.
- (3) The Board had taken up training programme through Mastercraftsmen in the beginning and subsequently through institutions set up for the purpose. The steps taken in the field of training have helped in enlarging the production base for handicrafts in the country and also helped the rural and semi-urban people to get employment in the sector. In the carpet craft more than 50,000 workers have been trained and this step has helped in enlarging the production base for carpets specially in J&K State and East U. P. and boosting up exports. It may be added here that handicrafts are generally not taught in schools and colleges and handicrafts Board has done a pioneering job in this direction.
- (4) The Board through its technical personnel at head office as well as at its field offices and Regional offices have helped the State Governments to formulate Plan Schemes relating to handicrafts.
- (5) In the field of designs, the Board has set up four Design Centres at Bangalore, Bombay, Calcutta and Delhi. Concerted effort was made to develop new designs as well as revive old designs. Several State Governments have set up their Design Centres after the Board took the lead in this direction. In order to preserve old crafts, Board has set up a Crafts Museum which has rare collection of more than 20,000 exquisite pieces of handicrafts.
- (6) The Board has been continuously in touch with industry and trade and recommending various export promotion measures to Government from time to time. The export promotion and export assistance measures have helped this sector to increase their exports.
- (7) In order to encourage and honour outstanding craftsmen, the Board had instituted a scheme of National Awards to Master-craftsmen.

The Board has also instituted a scheme to give pension to craftsmen in indigent circumstances."

1.16. Asked about the number of artisans getting old age pensions Development Commissioner, Handicrafts stated before the Committee:

"We are giving 15 pensions per year. About a hundred people are getting it."

1.17 The All India Handicrafts Board was set up in 1952 as an advisory body to advise government generally on problems of handicrafts and to suggest measures for its coordinated development. The Board was entrusted with a number of functions including study of human, socio-economic, technical, financial, organisational and artistic aspects of handicrafts in the country and in the light thereof recommend policies for development. The Committee are, however, surprised to note that even though thirty years have elapsed, the All India Handicrafts Board has not as yet conducted any comprehensive study to collect such basic information as the number of artisans and craftsmen in the country, type of training required by them and training necessary to provide employment to them. It is beyond comprehension as to how in the absence of this basic information, the Board could take and suggest any concrete measures for development of handicraft in the country. It is, therefore, not surprising that the Board was admittedly not in a position to suggest any measures to Government with regard to matters like technological improvement, quality control, design development, research and training etc. in the absence of a comprehensive study of these matters.

1.18 The primary task of the Board was to make handicrafts an effective instrument of reducing unemployment and under-employment among artisans and to promote economic independence and social status and individual dignity of craftsmen. The Committee regret that the Board has not able to achieve any concrete results in this regard as is borne out by the Report of the Working Group on Handicrafts (1978-83) for Sixth Five Year Plan which was presided over by the Development Commissioner for Handicrafts himself. The Working Group had observed that the craftsmen were still living below the poverty line, they were not among the major beneficiaries of the banking system or of research and development and their living and working environment was unsatisfactory. While the representative of the Ministry of Commerce claimed that with the increase in exports of carpets, metalware etc., the wages of

craftsmen and artisans had gone up, it was admitted that the cream of extra earnings had been taken away by the exporters and traders while the workers and the artisans had got only the crumbs. Moreover, in the absence of any formal study in this regard, it is difficult to judge the extent to which there has been any improvement in the living standards of the artisans consequent on the setting up of the All India Handicrafts Board. Thus, even after 30 years, the very object of setting up the Board remains to be realised.

1.19 The Committee note that since its initial constitution in 1952, the Board has been reconstituted 11 times. From 1st July 1981, a Joint Board for Handlooms and Handicrafts consisting of 78 members has been set up. The Committee are unable to appreciate the rationale of setting up a Joint Board for Handlooms and Handicrafts when the problems relating to these sectors are entirely different and are in no way inter-connected. Moreover, a Board with 78 members is too unwieldy. Even when the Board had a membership of less than half of the number it was not found possible to hold meetings even once in four months as laid in the rules. During a period of four years 1976 to 1979, the Board met only 4 times. The Committee would therefore like Government to examine if it would not be better to set up a compact Board exclusively for Handicrafts.

CHAPTER II

DESIGN AND TECHNICAL DEVELOPMENT

The Audit Para points out that for design and technical development, four regional Centres were set up in 1956 at Calcutta, Bombay, Delhi and Bangalore and a technical development Wing was added to each of them in December, 1974. The main objectives of the Centres were to develop new designs based on demand and to render assistance to craftsmen and artisans. An expenditure of Rs. 92.55 lakhs (on design wing only) was incurred on these Centres during 1974-75 to 1978-79. However, in a draft scheme for 'Design Extension Service' it was mentioned that the craftsmen did not come to the Centre for design assistance, that the exporters did not patronise it and that in contrast to all the inputs the commercial acceptance of the designs developed and their dissemination to the trade was hardly 10 to 15 per cent. According to the Regional Design and Technical Development Centre, the poor performance of the design centres was mainly due to their location at fixed places and lack of publicity.

2.2 Asked if the poor performance of the design centres was due to the location at fixed places and lack of publicity and if so, what remedial measures were taken to overcome these difficulties, the Ministry of Commerce (Department of Textiles) have stated in a note:

"Although there is scope for considerable improvement in the performance of design Centres, it would be unfair to say that the performance of all the design centres is poor. Location at fixed places and lack of publicity are some of the disadvantages from which these design centres suffer."

2.3 The Committee pointed out that the All India Handicrafts Board had attributed inadequacy of technical/administrative staff for the ineffective implementation of the schemes and enquired about the steps taken in the matter. In reply, the Ministry of Commerce (Department of Textiles) stated in a note as follows:

"Recruitment Rules are being framed and requisitions are being sent to the recruitment agencies. The working of"

various schemes is under detailed examination and staff structure will be finalised thereafter."

2.4 It has been pointed out in the audit para that no evaluation of the progress of work in technical wings of the Centres had been done since their inception, though envisaged at the time of their sanction. Asked about the reasons for the same, the Ministry of Commerce (Department of Textiles) stated in a note:

"It is regretted that no evaluation of the progress of the work in the technical wings could be undertaken."

2.5 Audit Para further points out that although in January, 1974, the Board had impressed on the regional centres that old and obsolete samples be disposed of on emergency basis, no disposal of samples had taken place except sets of a few samples at Delhi and Bombay. Moreover, while large stocks of prototype samples, tools and equipment, machinery and raw materials were lying at different regional Centres, annual verification thereof, as required under the rules had not been conducted at Calcutta since inception, New Delhi since 1967, Bombay since 1970 and Bangalore since November, 1975. Asked about the value of the samples produced upto March, 1974 and lying at various Centres, the Ministry of Commerce (Department of Commerce) have stated:

"The total value of the samples produced upto March, 1974 is Rs. 12,20,348.42."

2.6 To a query as to why no annual physical verification of the stock lying at various regional Centres was conducted regularly, the Department of Textiles stated in a note that "It is regretted that annual verification could not be conducted."

2.7 The Committee desired to be informed of the achievements of these design centres, shortcomings in their performance and remedial measures taken in this regard. In reply, the Ministry of Commerce (Department of Textiles) have stated as follows:

"(a) These four design centres of the Board pursued their primary object of studying traditional crafts of the region, documenting traditional designs for the purpose of promotion and evolving of new designs. The centres made efforts to revive and develop handicrafts, planned visits to and maintained contacts with craftsmen, traders, manufacturers, exporters and their organisations. With

the object of popularising new designs and techniques of production, special exhibitions for display of designs were arranged by the Centres in their respective regions. They also rendered advice and technical know-how to individuals, emporia, voluntary organisations and State Governments, etc. in carrying out their developmental programmes and overcoming technical difficulties.

- (b) It was noticed that the craftsmen seldom approached the centre for design assistance and the commercial acceptance of the designs developed for their dissemination to the trade was not satisfactory.
- (c) A small Sub-Committee of the Standing Committee on design and training of the All India Handicrafts and Handloom Board is going into the whole question."

2.8 Although a Design Service Division was working in the Board to coordinate the activities of the regional design centres, no record of the progress made at the regional centres was maintained. Asked about the reasons for the same, the Ministry of Commerce (Department of Textiles) have stated in a note that "Records of progress were maintained but they were not adequate and could be improved upon."

2.9 Asked about the samples lying undisposed in the Design Centres, the Development Commissioner, Handicrafts stated before the Committee:

"For the same material in the same craft they develop new ideas and develop new products. That product had to be accepted both by the craftsmen in the field and also by the market. If a person makes 10 or 15 samples, I would be happy if two or three are accepted both by the craftsmen and the market. The remaining items remain in the Centres. The value of these has become quite large; in fact I had visited the places where the stores are scattered. We have not taken adequate steps to dispose of the samples."

2.10 The witness added:

"There are registers maintained at the design centres for noting down the parties who supplied designs and also the craftsmen who work for designs. The records are maintained. But perhaps the records maintained are not

up to the mark. But we have registers kept up there for maintaining the record as to what design was produced and to whom was it given. A technical development wing was added to all the four design centres in 1975 or 1976. No formal evaluation has been done as to what has been the utility of these centres in the last 6 years. My personal assessment is that the technical development centre at Bangalore has done very good work, they have standardised certain tools, out the remaining centres have not been particularly effective. In the traditional industries development of a tool and standardising it and then making it acceptable to traditional craftsmen is not a very easy task. So it will take a lot of time. As I said, the performance of the Bangalore centre must be quite upto the mark. Other centres have not really measured up to our expectations."

2.11 For design and technical development, four regional centres were set up in 1956 at Bombay, Calcutta, Delhi and Bangalore and a Technical Development Wing was added to each of them in December, 1974. The main objectives of the centres were to develop new designs based on demands and to render assistance to craftsmen and artisans. The Committee regret to note that these design centres have failed to fulfil the objectives for which these were set up as it clear from the fact that the centres have not been patronised either by the artisans or by exporters and the commercial acceptance of the designs developed and their dissemination to the trade was hardly 10 to 15 per cent. The Committee find that while at the time of sanctioning of technical wings of these centres, it was laid down that the work of these wings would be evaluated, no such evaluation has so far been done. This is regrettable.

2.12 The Committee note that some of the factors responsible for the unsatisfactory functioning of these centres are shortage of administrative and technical staff, location at fixed places and lack of publicity. The Committee recommend that an indepth study of all these centres should be taken up immediately to find out the defeciencies in these centres and measures taken to remove them. The Committee need hardly emphasise that it is only by introduction of attractive designs that our handicrafts can be popularised both in domestic as well as foreign markets.

2.13 Although samples worth several lakhs of rupees have been prepared by these design centres, these are still lying at various centres. What is really shocking is that even annual physical

verification of these samples is not being done and no satisfactory record in respect of these samples is being maintained. This is a sad reflection on the working of the Board. The Committee recommend that the Board should be instructed to ensure that proper records are maintained in respect of the samples produced in various design centres, annual physical verification done and concerted efforts made to dispose of these samples. The Committee would like to be informed of the concrete measures taken in this regard within six months.

CHAPTER III

TRAINING

A—Apprenticeship Training Schemes

Under these schemes, training was imparted by a master craftsman of repute at his own place of work. Raw materials, tools and equipment were supplied by the master craftsman or the trainees themselves who were paid monthly stipend at the rate of Rs. 60 each. The finished product was the property of those who provided the raw material.

3.2 According to Audit Para, during 1974-75 to 1978-79, training under the above schemes was imparted to 1470 apprentices in different crafts under 195 master craftsmen. No evaluation was however, undertaken by the Board to ascertain as to how far the objectives of the scheme were achieved and how many trainees had adopted the profession after completion of the training.

3.3 The Committee desired to know as to why no evaluation was made to ascertain the extent to which the objectives of the schemes were achieved and how many trainees had adopted the profession on completion of the training. In reply, the Ministry of Commerce (Department of Textiles) have stated:

“The objective of scheme was revival of languishing crafts and imparting special expertise. It is well known that crafts like Kalamkari, Madhubani paintings, stone carving etc. have been revived. The test of success is in the sale of these products in emporium. No formal survey was, however, conducted.”

3.4 It has been pointed out in the Audit Report that in March, 1979, the Board sanctioned Rs. 9.58 lakhs to a voluntary organisation (Gandhi Peace Foundation, New Delhi) for organising 70 training schemes in Zardozi (gold embroidery), ivory, wood and jewellery crafts in Delhi and its surrounding areas and released in March, 1979, Rs. 5.08 lakhs for implementing the schemes on behalf of the Board. It was noticed in audit that against 70 training schemes sanctioned, the organisation started 60 schemes in 1979-80 and spent Rs. 3.98 lakhs upto 31 March, 1980. The Board issued a fresh sanction in August, 1980 for Rs. 4.48 lakhs for 38 training schemes for ten months. Sale proceeds, if any of the goods produced were not deposited with

the Board and information about the number of trainees trained was not furnished.

3.5 The Committee—desired to be informed of the considerations on which the implementation of 70 schemes of apprenticeship trainees was assigned to Gandhi Peace Foundation, New Delhi when the proposals for such schemes were sponsored and implemented through the field offices. In reply, the Ministry of Commerce (Department of Textiles) have stated:

“Gandhi Peace Foundation informed the Board that they had a meeting of the renowned craftsmen and women at Delhi at Gandhi Peace Foundation which was attended by about 400—500 distinguished craftsmen and women. Gandhi Peace Foundation also informed the Board that they have established good contacts with the community of craftsmen and women. On the request of the Gandhi Peace Foundation, the Board sanctioned 70 new training schemes in various crafts in Delhi and surrounding areas. The schemes were covered under the general policy approved by the Board that it can associate reputed, registered and voluntary organisations in implementation of its schemes since the activities of the Board had increased manifold.”

3.6 When asked about the required qualifications of master craftsmen in the schemes and if these were enforced rigidly while selecting them, the Department of Textiles have stated that no qualifications were prescribed for the mastercraftsmen in the scheme.” When asked why a departure was made in this case from the scheme according to which raw materials, tools and equipment were to be supplied by the master craftsmen or the trainees, the Committee were informed in a note that “These schemes were not sanctioned under the normal apprenticeship training schemes run by the Board. They were new schemes.”

3.7 The Committee enquired if the voluntary organisation had rendered any accounts duly supported by paid vouchers for the expenditure of Rs. 3.98 lakhs incurred by it upto March, 1980 and if not how the Board satisfied itself that the expenditure had been incurred on the stated purpose. In reply, the Ministry of Commerce (Department of Commerce) stated in a note:

“No. These were not required as per grants-in-aid rules. They have submitted part of the accounts duly audited by Chartered Accountants. The grantee institution has since completed the training programme.”

3.8 Asked about the position regarding recovery of interest earned by the organisations on the unspent balance of the sale proceeds of goods produced by the trainees, the Ministry have replied as follows :

"Final accounts have not been rendered by Gandhi Peace Foundation. The question of interest earned on the unspent balance and the sale proceeds of goods produced will be examined after final accounts are received."

3.9 To a query if the apprentices had been employed gainfully after completion of their training, the Ministry have replied that "No formal survey has been conducted."

3.10 The Development Commissioner, Handicrafts clarified the position during evidence as follows:

"70 training schemes were to be organised by them. By and large they were organised. We have not received the utilisation certificates from them yet."

3.11 Under the Apprenticeship Training schemes, training was imparted by master craftsmen of repute at their own places of work. During 1974-75 to 1978-79 training under the above schemes was imparted to 1470 apprentices in different crafts under 195 master craftsmen. The Committee however, note that the All India Handicrafts Board have not undertaken any evaluation to ascertain as to how far the objectives of the schemes have been achieved and how many trainees had actually adopted the profession after the completion of their training. This is to say the least, surprising. The Committee recommend that in future as and when such a scheme is started by the All India Handicrafts Board, there should be a periodical evaluation/review of the scheme so as to ascertain if the scheme has been able to achieve the objectives for which it has been started, to locate deficiencies, if any and to take timely corrective measures.

3.12 The Committee note that the All India Handicrafts Board sanctioned in March, 1979 Rs. 9.58 lakhs to Gandhi Peace Foundation, a voluntary organisation for organising 10 training schemes in gold embroidery; ivory, wood and jewellery crafts in Delhi and its surrounding areas and released in March, 1979 Rs. 5.08 lakhs for the purpose. Although upto March, 1980 only a sum of Rs. 3.98 lakhs was spent, the Board issued a fresh sanction in August, 1980 for Rs. 4.48 lakhs. Neither the sale proceeds of goods produced were deposited with the Board nor information about the number of trainees actually trained furnished. What is still more surprising

is that utilisation certificates in respect of the amount spent by the Gandhi Peace Foundation have still not been given. The All India Handicrafts Board has not conducted any survey to find out if the apprentices trained under the scheme have been gainfully employed.

3.13 The Committee fail to appreciate the basis on which Gandhi Peace Foundation which has no expertise or previous experience in the field of handicrafts was entrusted with the responsibility of organising these apprenticeship schemes. Moreover, after having released the money, the Board did not take any steps to ensure that the amount was properly spent and only part of the account duly audited by the Chartered Accountants has been furnished. Steps have not been taken to obtain utilisation certificates from the foundation. The Committee cannot but conclude that the All India Handicrafts Board have failed to exercise due control and supervision to ensure that the expenditure on the schemes produces the expected results. The Committee would like to be apprised of the detailed reasons for this failure on the part of the Board and the measures taken to ensure that at least now the utilisation certificates are obtained from the Gandhi Peace Foundation.

B. Massive Training Programme in Carpet Weaving

3.14 Prior to 1975, the Board had set up 16 training centres in Carpet weaving. To meet the increasing demand of Indian carpets in foreign markets, it was decided in 1975 that 30,000 (revised to 45,000) weavers should be trained in carpet weaving during 1976 to 1979. A massive programme of training in carpet weaving was, therefore, launched by the Board in 1976-77. Against 829 training Centres sanctioned upto 1978-79, 817 centres were actually set up—421 by the Board, 63 by the Handicrafts and Handloom Export Corporation and 333 by State Handicrafts Corporations. Under the scheme, 50 trainees, at the rate of 5 trainees per loom were to be imparted training at each Centre for a period of one year (1-1/2 years in the case of training centres in Jammu and Kashmir). The training centres set up by the HHEC and State Handicrafts Corporations which were financed cent per cent by grants from the Board, were to be converted into production centres after completion of training and all the trainees absorbed therein. Trainees, who had completed the training in the Centres run by the Board were to be absorbed in the carpet production centres in the respective States in which the centres were located.

3.15 It has been pointed out in the Audit Para that carpets worth Rs. 71.79 lakhs produced by trainees in Uttar Pradesh had accumulated and had not yet been disposed of. Similar information in respect of carpets lying undisposed of in other Centres were awaited. A representative of the State Industry Department of Rajasthan who visited the Centre at Tonk in April, 1978 reported to the Board that out of 51 carpets lying in the Centre, 41 carpets had faded, were torn or soiled.

3.16 The Committee desired to be informed of the number of carpets produced at the training Centres run by the Board and the number of carpets disposed of, the number of carpets still lying undisposed of, their value and the present condition of these undisposed carpets. The Committee also desired to know the reasons why these carpets have not been disposed of. In reply, the Ministry of Commerce (Department of Textiles) have stated:

"Approximately 20,500 carpets were produced at the Training Centres run directly by the Board. So far about 726 carpets have been disposed of. Approximately, 19,774 carpets are lying undisposed. The value of the carpets is being worked out. The Board has taken following steps for disposal of these carpets:

- (a) Issued advertisements in newspapers for disposal of carpets in Varanasi district.
- (b) Written to State Corporation, CCIC, HHFC and also to several corporations to purchase carpets.

So far the response has been very poor. It is now proposed to auction plain carpets with the help of DGS&D. After seeing the response of the auction, further action would be taken. Some of the old carpets have deteriorated. However, by and large carpets are generally in satisfactory condition....."

3.17. Asked as to how long these carpets were stocked, Development Commissioner, Handicrafts stated before the Committee:

"Since 1976 these carpets are being manufactured by these trainees. In the training course, a trainee is expected to make three carpets—first is a plain one, the second is a design one and the third is a better design carpet. There may be carpets from various areas stored from 1976."

3.18 The witness further stated:

"There is no doubt that over the years, the quality of carpets, if they are not properly stored, gets deteriorated considerably. It would have been much better if we had devised a machinery or system by which these could have been disposed of as they were produced."

3.19 The Secretary, Department of Textiles added:

"I would definitely accept the accusation that more efforts should have been made in the earlier years to dispose of these carpets... Now we are trying to dispose them of to the best of our ability."

3.20 He further stated:

"When the carpets were produced, the initial effort was to try to sell them at the price that might be available in the market. The question of auction came up later when it was felt that there was not much success. In the first two years, this decision about auction was not taken. But after that it should have been taken."

3.21 Asked about the number of damaged carpets, the Development Commissioner, Handicrafts stated:

"At the most 200 are by and large damaged. There are about seven places where they are stored. Only at one place where water had seeped in, some damage was done. Otherwise, by and large the condition of the carpets has been reasonable."

3.22 To meet the increased demand of Indian carpets in foreign markets, it was decided in 1975 that 30,000 weavers should be trained in carpet weaving during 1976 and 1979 and a massive programme of training in carpet weaving was launched in 1976-77. For this purpose, 817 centres were set up and 50 trainees were to be trained in each Centre. The Committee have been informed that although 20,500 carpets were produced at the Training Centres run directly by the Board, only 726 carpets have been disposed so far. The Committee regret to note that although some of these carpets were produced as early as in 1976, no serious efforts have been made so far to dispose them of. Some of the carpets have been found to be faded, torn or soiled due to prolonged storage resulting in considerable loss to the

public exchequer. The Committee cannot but conclude that the officers of the All India Handicrafts Board have failed to exercise the requisite prudence expected of them. The Committee recommend that the Board should take immediate measures to dispose of the carpets expeditiously. Moreover, the responsibility should be fixed for the failure to devise a machinery or system by which the carpets could have been disposed of as they were produced.

C. Training through HHEC|State Handicrafts Corporation

3.23 It has been pointed out in the Audit Para that the grants paid to the HHEC and other State Handicrafts Corporations for setting up carpet weaving centres during 1975-76 to 1978-79 amounted to Rs. 6.70 crores. In 361 centres allocated to the HHEC and various State Corporations during 1975-76 to 1977-78, training had been completed. In regard to the number of centres converted into production centres as per the condition of the grants, the Board stated in November, 1980 that information has been called for from the centres and was awaited. The cost of assets (Rs. 104.44 lakhs) created out of the grants was recoverable from these. However, the Board stated in November, 1980 that the question of transferring the assets to grantee institutions in the form of equity participation or its recovery was still under the consideration of Government.

3.24 Asked about the extent of control exercised by the Board on the grantee corporations to whom a grant of Rs. 6.70 crores was paid during 1975-76 to 1978-79 for setting up of carpet weaving centres, the Ministry of Commerce (Department of Textiles) have stated in a note:—

“The grants released to various State Corporations for their participation in Massive Training Programme in carpet weaving were subjected to approved pattern of financial assistance and the financial terms as stipulated in paras 148-151 of General Financial Rules. The control of expenditure against the grants given to the grantee institutions was exercised through statements of accounts

received from them duly audited and certified by Chartered Accountants."

3.25 Regarding receipt of audited statements of accounts in respect of the grants released, the Ministry of Commerce (Department of Textiles) have stated in a note as follows:—

"Against total grants of nearly Rs. 6.70 crores released to 14 State Corporations upto 31st March, 1979 for carpet weaving training centres, audited statements of accounts for Rs. 5.96 crores have been received and amounts amounting to Rs. 0.74 crores are still outstanding. The matter is being pursued."

3.26 The Committee desired to be furnished with information regarding number of training centres since converted into production centres. In reply, the Department of Textiles have stated that "complete information relating to conversion of training centres into production centres and absorption of trainees has not been received from Central and State Corporations."

3.27 Asked why the cost of assets created out of the grants had not been recovered from the institutions and if any decision had been taken in the matter of transferring the assets to grantee institutions in the form of equity participation, the Ministry of Commerce (Deptt. of Textiles) have stated in a note:—

"According to our calculations, assets amounting to Rs. 104.44 lakhs were created by the grantee institutions by the end of March, 1979. The question of recovery of these assets was raised in the Expenditure Finance Committee's meeting on 14-6-1979 when it was decided to recover the cost from the grantee institutions in case the centres set up with the help of Central Government grants are transferred to State Governments. The Committee decided that the recovery in question may be made in the form of AIHB participation in share capital of the State Corporations (grantee Institutions). The State Corporations have not, however, agreed to this proposal. The matter is under discussion."

3.28. The audit para has further pointed out that the operational assistance cell set up at the headquarters of the Board, which was responsible for overall supervision of training centres, did not maintain any consolidated record showing the number of trainees enrolled at each centre, number of trainees who completed the train-

ing, number of centres converted into production centres and number of trainees absorbed in such centres and other production centres.

Asked about the purpose served by setting up of an operational assistance cell when even basic information was not collected by the Cell, the Ministry of Commerce (Deptt. of Textiles) have stated in a note as follows:—

“The operational assistance cell with a limited staff has been undertaking several items of work relating to carpet training scheme (463 sanctioned centres) such as:—

- (a) Assistance in formulation of training schemes, preparation of budget for the scheme.
- (b) Issue of sanctions for grant-in-aid to various State Corporations.
- (c) Establishment matters relating to creation of posts, recruitment rules, selection, appointment, pay fixation, disciplinary cases, etc.
- (d) Selection of Centres, issue of rental sanctions for each Centre, etc.
- (e) Purchase of raw material for running the training centres.

It was difficult with the limited number of officers and staff in Operational Assistance Cell at Headquarters to monitor and evaluate the entire training programme in addition to attending to various establishments and accounts matters as mentioned above.”

3.29 The Committee enquired if any alternative arrangements were made by the Board to monitor and evaluate the training programme. In reply, the Department of Textiles have stated that “no alternative arrangements were made. The programme Evaluation Organisation of the Planning Commission has been approached to undertake an evaluation of some of our Plan Schemes including Training Schemes.”

3.30 The Committee note that the All India Handicraft Board paid grants amounting to Rs. 6.70 crores between 1975-76 to 1978-79 to the Handicrafts and Handlooms Exports Corporation and various State Corporations to set up 361 training centres for carpet weaving. The Committee are surprised to note that although one of the conditions for grant of money to these Corporations was that the training centres would be converted into production centres, the All India Handicrafts Board has no information regarding the number of centres so converted. While the cost of assets created out of the grants was recoverable from these institutions, the same has not actually been recovered and even the proposal that the recovery be made in the form of AIHB participation in the share capital of the grantee institution has not been agreed to by the concerned State Corporations. This is a very unsatisfactory state of affairs.

3.31 Although the Operational Assistance Cell at the Headquarters of the Board was responsible for overall supervision of training centres, this cell did not maintain any consolidated record showing the monitoring of the training Centres. The Committee feel that if who completed their training and the number who were absorbed in such centres and in other production centres. The Committee consider it to be a serious lapse on the part of the All India Handicrafts Board. The Committee are not convinced with the argument of the Board that as the cell had a limited staff and had been undertaking a number of other functions, it was not possible for the cell to undertake the monitoring of the training Centres. The Committee feel that if the Board was convinced about the inability of the cell to undertake the monitoring function due to limited staff then either timely steps should have been taken to augment the staff or some other alternative arrangements should have been made for monitoring the scheme. The Committee expect the Board to ensure that such lapses do not recur.

Training Centres run by All India Handicrafts Board

3.32 The following is the year-wise statement showing the Carpet Weaving Centres run by the Office of the Development Commis-

stoner (Handicrafts) and by the various State Corporations which were given grants-in-aid under the Massive Training Programme:—

Year	No. of Centres run by the Office of the D.C. (H)	No. of Centres for which grants-in-aid was given to various States Corporations for running the centres	Remarks
1974-75	16		Massive training programme was taken up from 1975-76 onwards.
1975-76	41	5	
1976-77	149	63	
1977-78	339	363	
1978-79	397	398	
1979-80	463	413	
1980-81	463	..	
1981-82	463		

3.33 Asked about the number of Centres closed during the period, the Committee have been informed that "No centres were closed down, the Centres were shifted to different location, when it was found that fresh suitable trainees were not available at a particular location."

3.34 The Committee desired to know about the number of trainees trained in carpet weaving in training centres during 1976-77 to 1980-81 and the number of trainees absorbed in the carpet weaving industry. In reply, the Ministry of Commerce (Deptt. of Textiles) have stated as under:

"In each Centre, training in carpet weaving to 50 trainees is given for a period of one year except J&K where the duration of training period is fixed for 1½ years. The

following is the position of trainees trained by the Handicrafts Board:—

Year	No. of person trained
1975-76	2,300 approx.
1976-77	8,300 approx.
1977-78	24,500 approx.
1978-79	12,200 approx.
1979-80	20,000 approx.
1980-81	20,000 approx.

The exact data with regard to the absorption of trained weavers in the carpet industry are not available. However, in view of the shortage of trained labourers in the carpet industry, it is estimated that the persons trained in the carpet centres are readily picked up and absorbed by the industry."

3.35 When asked about the total number of people involved in carpet weaving industry in the country, the Committee were informed that "no survey has been conducted." As an approximate estimate about 2.5 lakhs people are involved in the carpet industry in the country.

3.36 The Committee wanted to know if it was a fact that most of the training centres were not functioning satisfactorily and in some centres, while government was paying Rs. 60 per person per month, the trainees are being paid Rs. 30 only. In reply, the Development Commissioner, Handicrafts stated before the Committee:—

"There will be good centres and bad centres. There would be good people and bad people. There were complaints, no doubt, that the stipends were not being paid properly in some centres. There are bad people in every organisation. Mine is no exception. Lately, I have passed orders that from 1st February, no cash payment of stipends will be made. We have asked all of them to open post office accounts. The money will go by cheque."

3.37 When asked if these complaints were from all the centres, the witness replied:—

"I do not think all the training centres would have these complaints. But when complaints reached a certain limit, we changed this system."

3.38 The Committee desired to know if any enquiry was made into these complaints and if so, what action was taken and the number of people suspended. In reply, the Development Commissioner, Handicrafts stated:—

“Yes. We have punished some people. We have not suspended anybody—”

3.39 When asked if there was any system of follow-up with regard to the trainees to find out if they had actually adopted carpet weaving as a profession, Secretary, Deptt. of Textiles stated:—

“I admit that we do not have any. It becomes extremely difficult also. We cannot track these trainees who come from different rural areas and sometimes from urban areas also to find out where they go, which particular place they adopt as their working place and whether they change from place to place. So this attempt has not so far been made.”

3.40 When enquired if the Board was aware that the training centres were not running satisfactorily, the Development Commissioner, Handicrafts stated:—

“I received complaints. The impression is that all is not well..... We are trying to set up a system which will prevent recurrence of this kind of a thing.... In my own inspection, I have found that the system is defective. There are places where the raw material was not available in time and the number of children was less than 50.”

3.41 Asked about the action taken by the All India Handicrafts Board on the complaint by a Member of Parliament on the functioning of Carpet Weaving Training Centre in District Fatepur, the Ministry of Commerce (Department of Textiles) have state in a note:—

“It is regretted that Shri’s letter is not traceable in this office. He has been requested for a copy. However, action has been taken to make a detailed assessment of the working of these centres in Uttar Pradesh.”

3.42. 463 Carpet Weaving Centres are being run directly by the All India Handicrafts Board in different States. Between 1975-76 and 1980-81, 87,300 persons had been trained in carpet weaving in these centres. The Committee are, however, surprised to note that the All India Handicrafts Board is not maintaining any statistics regarding the number of trainees who have actually taken up the pro-

profession of carpet weaving after completion of their training nor the Board has conducted any survey to collect statistics in this behalf. The Committee feel that the collection of this feed back information is very necessary in order to judge the efficacy or otherwise of the scheme. The Committee, therefore, recommend that the All India Handicrafts Boards should immediately conduct surveys in different carpet weaving centres/areas to find out how far the trainees who have completed their training have been absorbed in the profession and the extent to which the training received by them has contributed to increasing, their earnings as well as in improving the quality of their products.. .

3.43 The Committee have come across a large number of complaints regarding the working of the carpet weaving training centres run by the All India Handicrafts Board. When asked about these complaints, the representative of the Ministry of Commerce (Department of Textiles) admitted before the Committee "I received complaints. The impression is that all is not well. . . . In my own inspection, I have found that the systems are defective." In the case of one centre, it has been brought to the notice of the Committee that although the trainees were paid a stipend of Rs. 60 each per month, only Rs. 30/- was given to them and the remaining amount was misappropriated by the concerned officers. What is really shocking is that although such complaints which involved defalcation and misappropriation of Government money had come to the notice of the All India Handicrafts Board also, no substantial punishment appears to have been awarded to the guilty persons. The Committee cannot but express their displeasure at the attitude of the Department where officials involved in such irregularities have been allowed to go practically scot-free. The Committee would like the matter to be thoroughly investigated and deterrent punishment awarded to officers involved in such malpractices. The Committee would also like the All India Handicrafts Board to examine in depth the working of the various Training Centres, find out deficiencies in their working and take necessary remedial measures.

3.44. The Committee are surprised to note that the complaints sent by a member of Parliament regarding the working of the Training Centre at Fatehpur were not replied to by the All India Handicrafts Board. The reply of the Board that the letters were not traceable in the records of the Board, clearly shows that complaints received in the office of the Board are not being handled with the requisite care. The Committee would like this situation to be remedied immediately.

CHAPTER IV

MARKETING

4.1 For the growth and development of handicrafts, the Board had introduced two schemes viz., marketing and service extension centres in 1969 and rural marketing and service centres in March, 1979. As regards marketing and service extension centres, it has been stated in the audit para that upto March, 1979, 27 centres were set up and an expenditure of Rs. 43.32 lakhs was incurred thereon. In a test check in audit of the developmental activities undertaken during 1975-76 to 1978-79 by 14 centres set up during these years, it was noticed that only 4 market meets and 11 product promotion programmes were arranged at these centres though expenditure of Rs. 10.20 lakhs had been incurred on these centres. The insignificant performance was stated to be due to lack of adequate staff.

A. Rural Marketing and Service Centres

4.2 In March, 1979 the Board introduced a scheme for establishment of rural marketing and service centres (RMCs) at block level for village artisans and village industries with the object of providing an effective link with the market both for raw materials and finished products. The scheme was to be implemented to two phases viz., phase I—Survey and phase II—Implementation. In phase I, survey of village artisans/industries was to be conducted to ascertain the nature and extent of major problems faced by them. In phase II, the RMCs were to be established, if the survey report clearly established the need and scope for RMCs.

4.3 Grants amounting to Rs. 125.40 lakhs were sanctioned and released in the last week of March, 1979 to voluntary organisations and institutions for conducting survey in 71 blocks and both survey and setting up RMCs in 128 blocks.

4.4 According to Audit Para, Rural Marketing Centres was a new scheme involving expenditure of Rs 1.25 crores and it required the approval of the Planning Commission and the Expenditure Finance Committee, but no such specific approval was obtained. Besides, the expenditure was on a new scheme, not contemplated in the funds voted by Parliament and, therefore, constituted a "new Service" and

should not have been met by re-appropriation of funds from other heads without the prior approval of Parliament.

4.5 Asked why a new plan scheme involving expenditure of Rs. 1.25 crores was sanctioned and expenditure incurred thereon without the specific approval of the Planning Commission and Expenditure Finance Committee and prior approval of Parliament, the Ministry of Commerce (Deptt. of Textiles) stated in a note.—

“A composite approval to the scheme was obtained at an inter-ministerial meeting held on 3-2-1979 under the Chairmanship of Shri B. Sivaraman, Member Planning Commission, and attended *inter-alia*, by Joint Secretary (Department of Expenditure). The background note for the said meeting was sent to the Secretary, Ministry of Finance, Department of Expenditure, prior to the meeting. In view of the clearance of the scheme at the Inter-Ministerial meeting, a separate specific approval again of the Planning Commission and Expenditure Finance Committee was not considered necessary.

The scheme of Rural Marketing and Service Centres related to Marketing and Extension activity of the All India Handicrafts Board and this had been continuing and with the prior approval of parliament.

Moreover, this programme of Rural Marketing and Service Centres had been conceived as a part of the Integrated Rural Development programme of the Department of Rural Reconstruction, Ministry of Agriculture for 1978-79 and which had the prior approval of Parliament. As such a prior approval of Parliament existed for the Marketing activity of the All India Handicrafts Board and the Rural Marketing and Service Centres Scheme was only an extension of these activities.”

4.6 During the Inter-Ministerial meeting, a Member of the Planning Commission had agreed that it was a good scheme and should be explored through a pilot scheme. It was suggested that a few pilot schemes could be started and their impact assessed for drawing up a detailed programme. The Committee enquired how these observations could be taken as approval of the scheme. In reply, the Deptt. of Textiles stated that “this was the interpretation taken at that time.” Asked why specific approval of the Expenditure Finance Committee was not obtained before issuing sanction of Rs. 1.25 crores for the

Scheme, Deptt. of Textiles stated that "this was done with a view to speeding up the implementation of the Scheme."

4.7 asked about his opinion if proper procedure had been followed in this case, the Financial Adviser, Ministry of Commerce stated before the Committee:

"The procedure for processing the proposal and according sanction is prescribed. My own opinion is that the inter-ministerial discussion and meeting expresses the view and makes recommendations. The Inter-Ministerial discussion of that nature was not in the form of sanction. For the purpose of sanction, the procedure has to be followed, namely, the Standing Finance Committee or the Expenditure Finance Committee or the Public Investment Board has to examine and scrutinise the proposal... Therefore, my submission is that the correct procedure should have been followed..."

4.8 Audit para further points out that the Board released in March 1979 the entire amount of Rs. 116.85 lakhs to 17 organisations/institutions required for both phases, viz., survey and setting up of 128 RMCs instead of in suitable instalments as provided under rules or for survey only. Thus the Board had apparently released the entire amount of Rs. 125.40 lakhs (including Rs. 8.55 lakhs for survey only) in the last week of March, 1979 to avoid lapse of funds. It included Rs. 64 lakhs given as seed capital which is normally given as loan and not grant.

4.9 Asked why the entire amount was released at the fag end of the financial year instead of releasing it in suitable instalments and whether the release of the entire amount did not result in blocking of the money with these organisations even on 31-3-1980, the Ministry of Commerce (Deptt. of Textiles) stated in a note as follows:

"The scheme was finally cleared on 3rd February 1979 and the speedy implementation of the scheme was considered of crucial importance to the other programme of Rural Development which were started in 1978. The amount was released in March, 1979. A time lag had developed between implementation of other schemes of IRD programmes and the Rural Marketing and Service Centres.

It was, therefore, considered necessary to release the grants in one instalment within the time of the financial year available with the Board. The Board was conscious that other schemes for integrated Rural Development had already started providing loans and grants to thousands of artisans on an individual basis which could be beneficial only if marketing, raw materials and technical support were available.

The release of the grants in one lumpsum was therefore considered necessary in the interest of quick implementation of the scheme.

It may be mentioned that the release of entire grant had not resulted in blocking of Rs. 98.08 lakhs even on 31-3-1980. Out of this, an amount of Rs. 60 lakhs had been given as seed capital which was utilised for the purpose once these amounts were deposited in the banks for getting further financial accommodation from the banks. As for the remaining amount of Rs. 38 lakhs, the expenditure in the initial stages relate to rent of the building, staff, furniture, and fixtures and samples. This process has been going on and it is only when the audited statements of Accounts are received from the institutions that the exact figure of expenditure can be given. As per progress reports available, all the Centres have started functioning with the exception of 2 Centres in the North-Eastern region and 4 Centres in North-Bihar. For these Centres, the grantee institutions have been requested to refund the unspent balance.

As the scheme provides for assistance in regard to rent, managerial subsidy for a period of three years, the unspent balances are to be adjusted in the next year's grant on the receipt of audited statements of Accounts which normally takes quite some time. The refund of the unspent balance will be asked for only when a Centre is closed, or, after expiry of the period of the scheme, whichever is earlier."

4.10 Audit Para has cited the instance of one institution (Orissa Gram Vikas Foundation, New Delhi) which had requested for grant of Rs. 1.03 lakhs for 1 RMC only whereas it was sanctioned and paid in March, 1979 a grant of Rs. 2.58 lakhs for 3 RMCs which were not set up till May, 1980.

4.11. It has also been pointed out that codal requirements viz., maintenance of register of grants, register of block account, verification of financial soundness of institution before sanctioning the grants and provision of administrative inspections to see that the money was utilised for the intended purposes were not followed by the Board in any of these cases.

4.12 Asked how the progress of the scheme was monitored and what was the turnover of the RMCs during 1979-80 and 1980-81, the Ministry of Commerce (Deptt. of Textiles) have stated in a note that "no figures of turnover are available."

4.13 The Committee enquired if the register of grants had since been maintained, since when it has been maintained and upto which date the posting in register is completed. In reply, the Deptt. of Textiles have stated:—

“The register of grants has been maintained simultaneously with the release of grants to various institutions. The posting in the register has been brought upto date.”

4.14 In March, 1979, the All India Handicrafts Board introduced a scheme for establishment of rural marketing and service centres (RMCs) at block level for village artisans and village industries with the object of providing an effective link with the market. The scheme was to be implemented in two phases viz. phase I for Survey and phase II for implementation. Phase II i.e. establishment of the centres was to take place only if the survey clearly established the need and scope therefor. The Committee, however, regret to note that in as many as 128 blocks, grants, were sanctioned and released for both survey and setting up of the centres without establishing the need for such centres. This was a clear and flagrant violation of the provision of the scheme. The Committee would like responsibility for this lapse to be fixed.

4.15 The Committee are surprised to note that although the Rural Marketing centres scheme involved expenditure of Rs. 1.25 crores and required the approval of the Planning Commission and the Expenditure Finance Committee, no such approval was actually taken before launching the scheme. This is a serious irregularity. The Committee are not convinced with the reply of the Ministry that a composite approval to the scheme was obtained at an inter-ministerial meeting under the chairmanship of Member, Planning Commission. It is seen from the minutes of the meeting that the member of the Planning Commission had agreed that it was a good scheme and should be explored through a pilot scheme. It was therefore suggested that a few pilot schemes could be started and their impact assessed for drawing up a detailed programme. The Committee fail to understand how this could be construed as a formal approval of the scheme. The Financial Adviser of the Ministry of Commerce also admitted before the Committee that “The Inter-Ministerial discussion of that nature was not in the form of sanction. For the purpose of sanction, the procedure has to be followed, namely, the Standing Finance Committee or the Expenditure Finance Committee or the Public Investment Board has to examine and scrutinise the proposal”. From this, the Committee cannot but

conclude that the present stand of the Ministry is only an after thought and a feeble attempt to justify a serious irregularity. The Committee would expect the Ministry to be more careful in future and to ensure that proper procedure for establishing feasibility and obtaining sanction is invariably followed.

4.16 Another serious irregularity in the release of funds for the RMCs brought to the notice of the Committee is that while the grants were to be released in suitable instalments, the entire amount of Rs. 116.85 lakhs was released to 17 organisations/institutions in March, 1979. The manner in which the funds were released towards the fag end of the financial year clearly shows that these grants were released just in order to avoid surrender of funds. The indiscriminate manner in which the grants were distributed is clear from the fact that while one institution (Orissa Gram Vikas Foundation) had requested for grant of Rs. 1.03 lakh for 1 RMC only, the institution was sanctioned and paid a grant of Rs. 2.58 lakhs for 3 RMCs which were not set up till May, 1980 i.e. after more than one year of the payment of the grant. Even the codal requirement viz. maintenance of register of block account, verification of financial soundness of the institution etc. were not followed by the Board. No record regarding actual turnover of these Rural Marketing Centres has been maintained. The Board simply washed off its hands after releasing the grants without making any effort to find out whether the objectives of setting up these centres had actually been fulfilled. The Committee cannot but conclude that the All India Handicrafts Board has shown total disregard of Financial Rules and common prudence in starting the scheme as well as release of grants.

B. Publicity and Propaganda

4.17 For popularising and stimulating demand in India and abroad, the Board had organised/participated in 33 exhibitions in India and 6 exhibitions abroad and the total expenditure incurred was Rs. 33.92 lakhs. According to audit, the Board had an exhibition branch which had organised/participated in various exhibitions in the past. However, in 1978-79, the Board sanctioned Rs. 11.30 lakhs (out of which Rs. 5.83 lakhs were paid in 1978-79) to 7 State Handicrafts Corporations and voluntary institutions to organise exhibitions on behalf of the Board. No agreement regarding items of work to be done was however, entered into with these organisations. The submission of voucher in support of the expenditure on the exhibitions organised on behalf of the Board was dispensed with and the expenditure was admitted on the basis of the statement of accounts certified by Chartered Accountant.

4.18 The Committee enquired why the Board had assigned the work of organisation of exhibitions to various State Handicrafts Corporations/voluntary organisations in 1978-79 when the Board had its own exhibition branch and why no agreement was entered into with these organisations regarding items of work to be done. In reply, the Ministry of Commerce (Deptt. of Textiles) have stated:

"In 1978-79, the Board had organised four exhibitions through its regular staff and six exhibitions through other organisations. Four of these were entrusted to Government Corporations while one was given to Indian Co-operative Union and one to Sewa Ahmedabad. These institutions were considered better suited to hold those exhibitions. All the Corporations/voluntary agencies which were given financial assistance were required to abide by the terms and conditions stipulated for the release of financial assistance. It was not considered necessary to enter into any agreement with these organisations."

4.19 Asked how many exhibitions were organised by the exhibition branch of the Board in the past and if these were found unsuccessful or un-economical, the Deptt. of Textiles have informed that "33 internal exhibitions and 6 foreign exhibitions were held from 1974 to 1978-79. There was general appreciation of these exhibitions".

4.20 It has further been pointed out in the audit para that remnants costing Rs. 8.40 lakhs had accumulated from various exhibitions held from time to time which were normally not used in subsequent exhibitions. These had not been disposed of despite Government instructions on the subject, resulting in blocking of Government money as well as space. The stores had also not been physically verified during the last 10 years. 194 exhibits valuing Rs. 0.67 lakh sent for display in foreign exhibitions were still awaited. Exhibits valuing Rs. 0.35 lakh sent to the Indian National Exhibition held at Moscow in 1978 were either lost or damaged and claim was not preferred (till May, 1980) on the Insurance Company.

4.21 Asked if the remnants costing Rs. 8.40 lakhs had since been disposed of and why these were not disposed of in time, the Ministry of Commerce (Deptt. of Textiles) stated in a note:

"No. Initially the sales were suspended due to CBI investigations. Subsequently, DGS&D tried to auction twice but

there were no reasonable bids. Necessary action to dispose them of departmentally is being taken."

4.22 The Committee enquired if the stores had been physically verified during the last 10 years. In reply, Deptt. of Textiles have informed that "It is regretted that no physical verification of the exhibits was done during the last 10 years."

4.23 For popularising and stimulating demand in India and abroad, the All India Handicrafts Board had organised|participated in 33 exhibitions in India and 6 exhibitions abroad. A total expenditure of Rs. 33.92 lakhs was incurred on these exhibitions. The Committee are surprised to note that although the Board had an exhibition branch which had organised|participated in various exhibitions in the past, the Board sanctioned Rs. 11.30 lakhs to 7 State Handicrafts Corporations and voluntary institutions to organise exhibitions on behalf of the Board. The Committee are not convinced with the reply of the Ministry that these institutions were considered better suited to hold these exhibitions as the Board has not furnished any ground for the same. The Committee are of the view that since the All India Handicrafts Board had got its own exhibition branch, organisation|participation in exhibitions should as far as possible be arranged through its own branch. If the Board has to entrust the work to some other Corporation/Voluntary organisation, for any compelling reason the same should be clearly spelt out.

4.24 The Committee note that remnants costing Rs. 8.40 lakhs had accumulated from various exhibitions which were not used in subsequent exhibitions and no serious effort has been made to dispose of these remnants. Moreover, the stores of the exhibitions have not been verified for the last 10 years. This is regrettable. The Committee recommend that immediate steps should be taken to dispose of the remnants on an urgent basis and to conduct physical verification of the stores. Steps should also be taken to ensure that such lapses do not recur.

CHAPTER V

Common Facility Service Centres

The Board introduced a number of schemes for setting up common facility service centres at different places. Two such centres for hand-printed fabrics at Farukhabad and Ahmedabad were approved at the end of 1977-78 at an estimated cost of Rs. 4.63 lakhs. The centres were set up in 1978-79 but had not started functioning till November, 1980 because the requisite machinery and equipment had not been received.

5.2 The Board sanctioned in March, 1979 Rs. 13.53 lakhs in favour of 3 voluntary organisations for setting up common facility centres for development of:—

- (i) handicrafts in agate stone at Banda (Rs. 7.50 lakhs)
- (ii) rural pottery at Pondicherry (Rs. 2 lakhs) and
- (iii) Woollen carpet project for clipping and flower cutting, washing and drying, dyeing of yarn, designing and market intelligence at Nagpur. (Rs. 4.03 lakhs).

5.3 It has been stated in the audit para that no project proposal for the common facility centre for agate stone was on record but the amount of grant-in-aid (Rs. 7.50 lakhs) was paid in March, 1979. The Centre had not been set up till November, 1980. The institution was asked in May, 1980 to refund the amount alongwith interest but the same was awaited in October, 1980.

5.4 For setting up common facility centre at Pondicherry, a registered society projected in 1978-79 an estimated cost of Rs. 1.25 lakhs on machinery and requested for financial assistance of that amount. The Board, however, sanctioned Rs. 2.00 lakhs (Rs. 1.25 lakh for machinery and Rs. 0.75 lakh for kiln). As per the project proposal, the cost of kiln was to be met by the society itself. The entire grant was paid in March, 1979. The centre had not been set up till October, 1980. Regarding the grant in respect of project at Nagpur, the institution had intimated in January, 1980 that two centres viz., for washing and dyeing of carpets and for clipping and flower cutting were set up in October, 1979. The remaining two centres were yet to be set up till October, 1980. No utilisation account of the grant was received till October, 1980.

5.5 Asked if the centres at Banda (UP), Pondicherry and the two out of 4 centres at Nagpur had been set up, the Ministry of Commerce (Deptt. of Textiles) have stated in a note:

- (i) **BANDA CENTRE:**—The Centre has not been set up. U. P. Development Systems Corporation, a grantee institution has been asked to refund the amount sanctioned to them.
- (ii) **PONDICHERRY CENTRE:**—The Centre is at an advanced stage of progress. Utilisation certificates have been received which is under examination.
- (iii) **NAGPUR CENTRE:**—The Development Corporation of Vidharbha Ltd. Nagpur has reported that out of the two remaining centres, one viz. Designing and marketing intelligence centre has started functioning from 1st April, 1980. The other centre for dyeing of yarn is proposed to be taken up in 1981-82. Action is being taken to obtain utilisation certificate."

5.6 In a subsequent note furnished to the Committee, the Deptt. of Textiles have stated that "The unutilised amount of Rs. 7,28,486-10 (for setting up the Centre at Banda) has been recovered from U. P. Development Systems Corporation Ltd., Lucknow and deposited into the Government treasury."

5.7 It has further been pointed out by Audit that Grants-in-aid of Rs. 1.80 lakhs was given to a voluntary organisation (Association of Voluntary Agencies for Rural Development, New Delhi) in March, 1979 for organising a credit campaign to popularise the flow of credit to artisans from the nationalised banks in 6 States. This organisation in turn transferred Rs. 1.20 lakhs to 4 of its member agencies during August to November, 1979. The accounts of the grants released had not been rendered till November, 1980 and therefore actual utilisation thereof for the purpose for which it was given was not known to the Board.

5.8 Asked to state if the information regarding transfer of Rs. 1.20 lakhs to the 4 member agencies by the institution (AVARD—New Delhi) had been obtained, Deptt. of Textiles stated in a note that "AVARD have informed that they have associated member agencies in their project. Specific information regarding transfer of Rs. 1.20 lakhs to 4 member agencies by AVARD has not been received so far."

5.9 Asked to state the latest position in the matter, Deptt. of Textiles have in a subsequent note stated:

"Grant-in-aid of Rs. 1.80 lakhs was given to Association of Voluntary Agencies for rural development for conducting intensive survey in Maharashtra, U. P., West Bengal, Manipur, Kerala and Haryana. They have been asked to refund the whole amount with interest."

Internal Audit:

5.10 The Committee enquired if the All India Handicrafts Board had any arrangements for internal audit. In reply, the Financial Advisor of the Ministry of Commerce stated before the Committee:

"Within the AIHB, they do not have internal audit. But after the integrated financial adviser scheme was introduced in July 1976, the internal audit cell of the Ministry has conducted internal audit of the AIHB. We have AIHB main office. Then there are subordinate formations which are about 50 in number. In respect of the latter, internal audit is done annually, biennially etc. In respect of AIHB itself, the first audit was done in August, 1977, the second was done in April, 1979, the third was planned for April, 1981, but it was deferred."

5.11. Asked about the main points brought out by audit, the witness replied:

"I will mention a few of the important points. Though advances were made out of the imprest, adjustment had not been made in respect of the advances, the maintenance and verification of stocks has not been done properly and in some cases, no verification of stocks was done.... There are also some minor irregularities. The more important are that there were amount sanctioned in respect of implementation of certain schemes, but they had not been adjusted. Similarly, the contingency advance has not been adjusted for a long period."

5.12 In a subsequent note furnished to the Committee the Ministry of Commerce (Department of Textiles) have furnished a list showing the name of the unit, period covered by audit and date of inspection in respect of the period subsequent to the departmentalisation of accounts. It is seen from the list that the internal audit of

the office of the All India Handicrafts Board has been conducted thrice while other subordinate formations have been audited from time to time.

5.13 The All India Handicrafts Board introduced a number of schemes for setting up common Facility Service Centres at different places. The Committee however, note with dissatisfaction that there has been inordinate delay in the setting up of these centres. In many cases, although the grant for setting up these centres were released in 1979, these centres have not yet been set up. For example Rs. 7.50 lakhs were released to U.P. Development System Corporation Ltd. for setting up a common facility centre at Banda. The Centre was not however set up and the unutilised amount of Rs. 7,28,486 was realised back in 1981. Similarly, the centre for rural pottery at Pondicherry for which Rs. 2 lakhs were released in 1979 has not yet been set up. This has resulted not only in the money remaining blocked, but the artisans have also been deprived of the intended benefits for all these years. Moreover, while the society which was to set up the centre at Pondicherry had asked for financial assistance of Rs. 1.25 lakhs, a sum of Rs. 2 lakhs was released to the society. This clearly betrays the casual manner in which the All India Handicrafts Board distributed grants to the parties concerned without ascertaining the capacity of the parties to undertake the work. In most of the cases, utilisation certificates have also not been received from the concerned parties. Another glaring irregularity that has come to light is that after releasing grants the Board did not even care to ensure that the money was actually spent for the purpose for which it was meant as is seen from the case of the Association of Voluntary Agencies for Rural Development, New Delhi. After receiving the grant-in-aid for Rs. 1.80 lakhs for conducting intensive survey of flow of credit to artisans in the States of Maharashtra, U.P., West Bengal, Manipur, Kerala and Haryana the Association did not render any account or utilisation certificate. The organisation has now been asked to refund the entire amount with interest. The Committee would like to be informed of the circumstances in which this organisation was selected for implementing this programme and why the Board did not pursue the matter with the organisation for all these years to ensure that the amount was being spent for the purpose for which it was given.

CHAPTER VI

CONCLUSION

6.1. From the foregoing paragraphs, it is clear that the functioning of the All India Handicrafts Board has been most unsatisfactory. Not only has the Board failed to fulfil the objectives for which it was set up, it has also failed to observe the financial discipline expected of it. On the contrary, it has violated financial rules with impunity. Grants amounting to crores of rupees were distributed at the fag end of the financial year without ensuring that the organisations would be able to serve the purpose. After paying the grants, no efforts were made to ensure that the money was spent for the purpose for which it was intended and that it produced the desired results. Accounts and utilisation certificates have not been rendered in a number of cases. The Committee would like to express their deep distress at this callous attitude towards taxpayers' money and the interests of ultimate beneficiaries. They would like that the Ministry of Commerce should appoint a high powered Committee to evaluate the working of the Board, fix responsibility for various lapses and suggest necessary corrective measures to tone up the working of the Board so that the Board may actually function as a powerful catalytic agency for development of handicrafts in the country and for improving the lot of artisans.

NEW DELHI;
November 4, 1982
Kartika 13, 1904 (S)

SATISH AGARWAL
Chairman
Public Accounts Committee.

APPENDIX I
MINISTRY OF COMMERCE
(Department of Textiles)

Audit Paragraph:

1. All India Handicrafts Board

Introductory

The All India Handicrafts, Board, (hereafter Board) was set up in November 1952 as an advisory body to advise Government generally on problems of handicrafts industry and to suggest measures for its co-ordinated development. It was re-constituted from time to time, the last one being in 1978 for a period of 2 years. The Board constituted in 1978 consisted of a Chairman and 39 official and non-official members nominated by Government. The Development Commissioner (Handicrafts) was Member Secretary/Vice-chairman of the Board. The Board was required to meet at least once in 4 months. It, however, met only once in each of the years 1976 (October 1976), 1977 (March 1977) 1978 (July 1978) and 1979 (September 1979). The Board stated (November 1980) that "it was technically and administratively not found possible to hold more than 1 or 2 meetings every year".

2. *Plan and Non-plan outlay*—For development of handicrafts in the Central sphere, the Fifth Plan outlay originally placed at Rs. 8 crores was increased to Rs. 18.72 crores at the time of its mid-term appraisal. Yearwise Plan and Non-plan budget estimates and actual expenditure were as under:

Year	Plan-outlay			Non-Plan outlay		
	Budget estimates	Revised estimates	Actual expenditure	Budget estimates	Revised estimates	Actual expenditure
	(Rupees in lakhs)					
1974-75	105.22	36.82	24.26	37.41	46.44	46.08
1975-76	160.00	70.99	46.11	46.82	46.13	56.52
1976-77	280.00	253.00	179.78	50.33	51.48	50.56
1977-78	652.00	492.73	471.38	57.61	52.60	51.53
1978-79	1050.00	1063.78	1028.85	54.36	56.64	55.84
Total	2,247.22	1917.32	1750.38	246.53	253.29	260.53

(Source: Demands for Grants for respective years).

According to the report of the Working Group on handicrafts constituted for the purpose of the Sixth Five Year Plan (1978-1983), the performance during 1974-75 and 1975-76 was rather low; higher utilisations during 1976-77 and 1977-78 were due primarily to a more effective implementation of the programme of carpet weaving training. The utilisation of funds during 1978-79 included release of grants-in-aid (about Rs. 200 lakhs) during March 1979 to voluntary and other established organisations for a number of new schemes of the Board.

3. *Delegation of financial powers*—For the administration of Central development schemes of handicrafts, the Development Commissioner was delegated powers (February 1960) of—

sanctioning expenditure on new schemes costing up to Rs. 1 lakh, (other than those involving loans and grants to individuals) provided the scheme was included in the annual plan of the Board and subject to certain conditions regarding creation of posts for the schemes; and

sanctioning grants-in-aid and/or loans to private parties and individuals, not exceeding Rs. 25,000 as per rules and procedures prescribed by the Board which provided that matching contributions would be raised by the grantee institution from its own resources.

In January 1978, the power of the Development Commissioner in respect of sanctioning of expenditure on new schemes was enhanced to Rs. 25 lakhs subject to the concurrence of the Internal Financial Adviser of the Board. In March 1979, pending appointment of Internal Financial Adviser in the Board, this power of the development Commissioner to sanction new schemes was reduced to Rs. 10 lakhs. Internal Financial Adviser had not been appointed so far (October 1980).

4. *Activities of the Board*—The main activities of the Board were (1) design and technical development; (2) training in different crafts; (3) marketing; (4) publicity and propaganda including export promotion, exhibitions; (5) survey and study; and (6) other activities like development of specific crafts, common facility centres and research institutions. Points noticed in a test-check in audit in regard to various activities of the Board are mentioned in the succeeding paragraphs.

5. *Design and technical development*—5.1. The development of designs was one of the most important developmental activities of the Board, for which 4 regional centres were set up (1956) at Calcutta,

Bombay, Delhi and Bangalore and a technical development wing was added to each of them in December 1974. The main objectives of the centres were to develop new designs based on demand and to render assistance to craftsmen and artisans. As expenditure of Rs. 92.55 lakhs (on design wing only, expenditure on technical wing being not available) was incurred on these centres during 1974-75 to 1978-79. In order to popularise new designs developed at the centres, samples were displayed at the centres' show rooms, state emporia airports, fairs and exhibitions; exporters, traders, manufacturers and craftsmen were invited to see these designs and blue prints of the designs were given to the interested parties free of cost for commercial exploitation. The visitor's book maintained at the centre's show-room at New Delhi, however, revealed that during April 1975 to March 1979 only 70 craftsmen or persons connected with the handicrafts (average 1.2 persons per month) had visited the centre. In a draft scheme for 'Design Extension Service' (July 1979), it was mentioned that the craftsmen did not come to the centre for design assistance, that the exporters did not patronise it and that in contrast to all the inputs, the commercial acceptance of the design developed and their dissemination to the trade was hardly 10 to 15 per cent. According to the Regional Design and Technical Development Centre (July 1979), the poor performance of the design centres was mainly due to their location at fixed places and lack of publicity.

5.2 The regional centres did not maintain any record showing the recommendations/requisitions for new designs received, designs actually produced against such requisitions and time taken for production of various designs. Further information on the number of designs developed and crafts covered during the years 1974-75 to 1978-79 as published in the Performance Budgets of the Ministry of Industry for the years 1978-79 and 1979-80 varied in respect of the same year indicating that it was not based on proper records. Though a separate Design Services Division was working in the Board to co-ordinate the activities of the regional centres, no record of the progress made at the regional centres was maintained. The Board stated (November 1980) that the scheme could not be effectively implemented due to inadequacy of technical staff. During 1977-78 to 1979-80, the number of persons employed in the Design Service Division were 9, 4 and 5 respectively and the expenditure incurred was Rs. 0.94 lakh, Rs. 0.51 lakh and Rs. 0.61 lakh respectively.

5.3 In the technical wing of the Bangalore centre, 42 tools were standardised between 1958 and 1979. During the 5 years ending March 1979, 7 out of 20 tools developed were standardised. Of these

2 tools had not generated any demand from the artisans. The centre had also improved/developed 76 techniques in different crafts, conducted 61 demonstrations in different techniques in the use of tools and equipment and rendered technical assistance to 354 craftsmen/institutions/marketing agencies|Government agencies during 1974-75 to 1978-79. In January 1971, a weaving craft was added to the centre at New Delhi, on which an expenditure of Rs. 0.64 lakh (mainly on pay and allowances of the master weaver Rs. 9.63 lakh) was incurred till December 1979, but only 13 samples of wall hangings (6) and table mats (7) were produced upto December 1979.

No evaluation of the progress of work in technical wings of the centres had been done since their inception, though envisaged at the time of their sanction.

5.4 In January 1975, the board impressed on the regional centres that old and obsolete samples be disposed of on emergency basis, but no disposal of samples had taken place excepting sale of a few samples at Delhi (January 1974) and Bombay (October 1976). A large number of samples produced upto March 1974 (5392 at Delhi and 4201 at Bombay) had, thus, accumulated at the centres which resulted in blocking of Government money and space (the position regarding other centres was not available).

Large stock of (i) prototype samples (ii) tools and equipment (iii) machinery and (iv) raw materials were lying at different regional centres, but annual physical verification thereof, as required under the rules, had not been conducted at Calcutta since inception, New Delhi since 1967, Bombay since 1970 and Bangalore since November 1975.

6.0 *Training*—To strengthen the production base of handicrafts industry, the following main training programmes|schemes were undertaken by the Board and the expenditure incurred on training and extension programmes amounted to Rs. 12.79 crores during 1974-75 to 1978-79.

6.1 *Apprenticeship Training Schemes*— Under these schemes, training was imparted by a master craftsman of repute at his own place of work. The concerned State Government rendered assistance in the selection of master craftsmen and trainees. The sponsoring authority, while submitting a proposal to the Board, was to furnish a certificate that the State Government concerned had not made any budget provision for the scheme in question from their sources. Raw material, tools and equipment were supplied by the master craftsmen

of the trainees themselves who were paid monthly stipend at the rate of Rs. 60 each. The finished product was the property of those who provided the raw material. During 1974-75 to 1978-79, training under the above schemes was imparted to 1470 apprentices in different crafts under 195 master craftsmen. No evaluation was, however, undertaken by the Board to ascertain as to how far the objectives of the schemes were achieved and how many trainees had adopted the profession after completion of the training.

In March 1979, the Board sanctioned Rs. 9.58 lakhs to a voluntary organisation for organising 70 training schemes in zardozi (gold embroidery), wood and jewellery crafts in Delhi and its surrounding areas and released (March 1979) Rs. 5.08 lakhs for implementing the schemes on behalf of the Board. The sanction, *inter alia*, included Rs. 1.68 lakhs for raw material and Rs. 0.58 lakh for tools, equipment and furniture. It was noticed in audit that against 70 training schemes sanctioned, the organisation started 60 schemes (24 in zardozi, 16 in ivory and 20 in jewellery) in 1979-80 and spent Rs. 3.98 lakhs up to 31st March 1980 mostly on stipend to trainees (Rs. 1.69 lakhs), wages to craftsmen (Rs. 1.36 lakhs) and raw material, tools, etc. (Rs. 0.64 lakh). The Board issued a fresh sanction (August 1980) for Rs. 4.48 lakhs for 38 training schemes for ten months and while releasing this grant, adjusted the unspent balance of Rs. 1.10 lakhs out of the earlier grant of Rs. 5.08 lakhs, but interest of Rs. 0.11 lakh earned by the organisation on the unspent balance was not recovered. Sale proceeds, if any, of the goods produced by the trainees were not deposited with the Board (October 1980) and information about the number of trainees trained was also awaited (October 1980).

6.2 *Massive training programme*—Prior to 1975, the Board had set up 16 training centres in carpet weaving. To meet the increasing demand of Indian carpets in foreign markets, it was decided in 1975 that 30,000 (revised to 45,000) weavers should be trained in carpet weaving during 1976 to 1979. A massive programme of training in carpet weaving was, therefore, launched by the Board in 1976-77. Against 829 training centres sanctioned upto 1978-79, 817 centres were actually set up by the Board (421), the Handicrafts and Handlooms Export Corporation (HHEC) (63) and the State Handicrafts Corporations (333). Under the scheme, 50 trainees, at the rate of 5 trainees per loom, were to be imparted training at each centre for a period of one year (1½ years in the case of training centres in Jammu and Kashmir). The training centres set up by the HHEC and the State Handicrafts Corporations, which were financed cent

per cent by grants from the Board, were to be converted into production centres after completion of training and all the trainees absorbed therein. Trainees, who had completed the training in the centres run by the Board, were to be absorbed in the carpet production centres in the respective States in which the centres were located. An operational cell|assistance cell was set up at the Headquarters of the Board for the overall supervision of the centres. During test-check in audit (February 1980) the following points were noticed:—

- (a) In the Northern region, in 12 out of 15 centres, the training period had to be extended from 2 to 4 months due to non-supply of raw material and design maps by the regional office to the centres in time, resulting in an additional expenditure of Rs. 1.42 lakhs.
- (b) Carpets worth Rs. 71.79 lakhs produced by the trainees in Uttar Pradesh had accumulated and had not yet been disposed of (October 1980). Similar information in respect of carpets lying undisposed of in other centres was awaited (October 1980). A representative of the State Industry Department (Rajasthan), who visited the centre at Tonk in April 1978, reported (May 1978) to the Board that out of 51 carpets lying in the centre, 41 carpets had faded, were torn or soiled. Non-disposal of carpets produced by the trainees had resulted not only in blocking of Government money but also deterioration in their condition and value.
- (c) The grants paid (1975-76 to 1978-79) to the HHEC and other State Handicrafts Corporation for setting up carpet weaving training centres amounted to Rs. 6.70 crores. In 361 centres, allocated to the HHEC and various State Corporations during 1975-76 to 1977-78, training had been completed. In regard to the number of centres converted into production centres as per the conditions of the grants, the Board stated (November 1980) that the information had been called for from the centres and was awaited (November 1980). The cost of assets (Rs. 104.44 lakhs) created out of the grants was recoverable from these institutions. The Board stated (November 1980) that the question of transferring the assets to grantee institutions in the form of equity participation or its recovery was still under consideration of Government.

- (d) Grants released to 12 State Handicrafts Corporations for setting up/continuation of the carpet weaving training centres were much in excess of their actual requirements during the year as shown in the table below:—

Year	Number of Corporations	Amount of grant released	Actual expenditure incurred	Un-spent balance	Percentage of col. 5 over col. 3
1976-77	3	60.16	31.90	28.26	46.97
1977-78	10	199.85	67.97	131.88	66.00
1978-79	10	336.88	168.41	168.47	50.01

The Board stated (November 1980) that funds were released in accordance with the approved pattern and the unspent balance was recovered and/or adjusted while releasing subsequent grant.

- (e) Register of grants to watch their utilisation and the block accounts to keep proper record of assets created out of Government grants and final disposal thereof, as required under the rules, were not maintained. The Board stated (November 1980) that the Register of grants had been compiled and made up-to-date in September 1979 and onwards.
- (f) No administrative inspections of the grantee institutions as required under the orders of Government were carried out. The Board stated (November 1980) that pending setting up of Inspection Unit in the Board's office, audited annual statement of accounts was considered sufficient.
- (g) The operational assistance cell set up at the headquarters of the Board, which was responsible for overall supervision of training centres, did not maintain any consolidated record showing the number of trainees enrolled at each centre, number of trainees who completed the training, number of centres converted into production centres and number of trainees absorbed in such centres and other production centres of the respective States. Thus, there was no effective control over the centres by the cell.

- (h) A test-check in audit of the accounts of a grantee corporation in Jammu and Kashmir (to which Rs. 119.49 lakhs were paid) revealed that:

—separate and proper accounts of the grants were not maintained. Rupees 2.70 lakhs were unauthorisedly diverted by the grantee institution towards head office expenses; payment of stipend to the trainees to the extent of 50 per cent (Rs. 15.72 lakhs) was withheld by the institution by depositing the same in a Co-operative Bank and was not released (May 1980).

—out of 61 training centres, where the training had been completed, only 43 centres were being run as production centres and the remaining centres were closed. 102 out of 241 trainees (42 per cent) engaged in 5 training centres were ultimately employed in the production centres.

6.3 Training through other institutions

- (a) Grants-in-aid (amount : Rs. 7.53 lakhs) were paid to 4 regional handicrafts training institutes during 1974-75 to 1978-79 for teacher's training and 163 persons were trained during 1974-75 to 1976-77 (figures for 1977-78 and 1978-79 were not available). A Committee, constituted in March 1979 by the Board to review the training programmes conducted in the institutes stated, inter alia, in its report (May 1979) that the objectives were not implemented and that there were no regular craft teachers or drawing teachers to complete the training. Most of the ex-trainees had been unable to secure, joblinked to their training. The Board stated (November 1980) that the fund for the scheme had not been provided in the Sixth Five Year Plan.
- (b) An industrial home at Calcutta engaged in production of handicrafts was entrusted (March 1979) with training programme for one year in artistic textile handicrafts for 125 women, art ceramics for 25 women, and cane and bamboo for 25 women. A total grant of Rs. 7.51 lakhs was paid to the above home during March 1979 (Rs. 5.29 lakhs), March and May 1980 (Rs. 2.20 lakhs). The above grant included Rs. 1.53 lakhs for raw material and Rs. 3.16 lakhs for machinery and equipment. Although sale proceeds of the

finished goods produced by the trainees were expected to bring back 40 per cent of the cost of raw material (Rs. 1.58 lakhs), no sale had been made, nor was any amount received by the Board (November 1980). Though the training in art ceramics and cane and bamboo had not been continued after June 1980, machinery and equipment acquired (cost Rs. 2.10 lakhs) and used in training of these two crafts had not been recovered (November 1980) by the Board.

- (c) Two voluntary organisations were paid (March 1979) Rs. 0.63 lakh and Rs. 0.19 lakh for setting up a training centre in art metal wares at Aligarh and in hand block printing at Gauhati respectively. The organisations had not done any work (November 1980) and had kept the entire amount of Rs. 0.82 lakh since March 1979. The Board stated (November 1980) that it had already taken steps for getting the refund of the grants.

7.0 Marketing

For the growth and development of handicrafts, the Board had introduced two schemes, viz. marketing and service extension centres in March 1979.

7.1 Marketing and service extension centres

This scheme was introduced with the object of providing package service to craftsmen and small entrepreneurs with a view to improving the marketability of their products by arranging market meets, product promotion programmes, seminars, etc. Up to March 1979, 27 centres were set up and an expenditure of Rs. 43.32 lakhs was incurred thereon. In a test-check in audit of the developmental activities undertaken (during 1975-76 to 1978-79) by 14 centres set up during 1975-76 to 1978-79, it was noticed that only 4 market meets and 11 product promotion programmes were arranged at these centres though expenditure of Rs. 10.20 lakhs had been incurred on these centres. The insignificant performance was stated (November 1980) to be due to lack of adequate staff.

7.2 Rural marketing and service centres

The Board introduced (March 1979) a scheme for establishment of rural marketing and service centres (RMCs) at block level for village artisans and village industries with the object of providing

an effective link with the market both for raw materials and finished products. The scheme was to be implemented in two phases, viz. phase I—survey and phase II—implementation. In phase I, survey of village artisans/industries was to be conducted to ascertain the nature and extent of major problems faced by them. In phase II, the RMC was to be established, if the survey report clearly established the need and scope for an RMC. The RMCs were to be run through selected agencies like co-operative society, panchayat, registered society or corporation and the pattern of financial assistance provided in the scheme per block was Rs. 5,000 for survey (Rs. 6,000 per year for rent for 3 years, Rs. 5,000 for samples, Rs. 10,000 for fixtures and fittings, Rs. 50,000 for seed capital and managerial subsidy at 100 per cent, 60 per cent and 33 per cent for 3 years respectively.

Grants amounting to Rs. 125.40 lakhs were sanctioned and released in the last week of March 1979 to voluntary organisations and institutions for conducting survey in 71 blocks (6 organisations: Rs. 8.55 lakhs) and both survey and setting up of RMCs in 128 blocks) (17 organisations Rs. 116.85 lakhs). A test-check in audit revealed the following points:

- (a) RMCs was a new Plan scheme involving expenditure of Rs. 1.25 crores and it required the approval of the Planning Commission and the Expenditure Finance Committee, but no such specific approval was obtained. The Board stated (November 1980) that the scheme was approved by the Planning Commission in an inter-ministerial meeting held in February 1979 in which representative of the Ministry of Finance was present; the minutes of which, however, read as "Shri..... (Member, Planning Commission)..... agreed, that it was a good idea and should be explored through a pilot scheme. He suggested that it would be of advantage to have survey of the requirement of different types of Industries/artisans all over the country, the facilities already available at various points through various organisations and identify the gaps required to be filled in. Thereafter, a few pilot schemes could be started and their impact assessed for drawing up a detailed programme". This could not, obviously, be construed as an approval. It was, at best, a clearance for starting a few pilot centres. Besides, the expenditure was on a new scheme, not contemplated in the funds voted by the Parliament and, therefore, constituted a "new service" and should not

have been met by re-appropriation of funds from other heads without the prior approval of Parliament.

The Board released (March 1979) the entire amount of Rs. 116.85 lakhs to 17 organisations/institutions required for both phases, viz. survey and setting up of 128 RMCs instead of in suitable instalments as provided under rules or for survey only. One institution, which was granted Rs. 4.64 lakhs for setting up of 5 centres, confined itself to only 2 centres and accordingly refunded Rs. 2.78 lakhs (October 1979). The remaining amount of Rs. 114.07 lakhs remained unspent with the recipient institutions as on 31st March, 1979; and out of this Rs. 12.48 lakhs were utilised during 1979-80 and Rs. 3.51 lakhs refunded (September 1980) by one institution. The balance Rs. 98.08 lakhs remained unutilised (March 1980).

Thus, the Board had apparently released the entire amount of Rs. 125.40 lakhs (including Rs. 8.55 lakhs for survey only) in the last week of March, 1979 to avoid lapse of funds. It included Rs. 64 lakhs given as seed capital, which is normally given as loan and not grant.

- (b) One institution had requested for grant of Rs. 1.03 lakhs for 1 RMC only whereas it was sanctioned and paid (March 1979) grant of Rs. 2.58 lakhs for 3 RMCs which were not set up so far (May 1980).
- (c) No norm of expenditure was laid down for each RMC for determining the amount of managerial subsidy. It had varied from Rs. 0.10 lakh to Rs. 0.32 lakh per RMC. Three institutions were also paid subsidy of Rs. 0.18 lakh, Rs. 0.35 lakh and Rs. 0.42 lakh for meeting expenses on their head office/central storage, which was not provided in the scheme.
- (d) Codal requirements, viz., maintenance of register of grants, register of block account, verification of financial soundness of the institution before sanctioning the grant, obtaining of bonds to safeguard Government interest and provision of administrative inspection to see that the money was utilised for the intended purposes, were not followed by the Board in any of these cases.

7.3 In addition to the above, the Board also sanctioned and released (March 1979) grants of Rs. 14.24 lakhs to 14 voluntary organisations, for (i) module project (Rs. 10.00 lakhs). (ii) opening of

sales counters for display and sale of handicrafts at Chandigarh and Bombay (Rs. 2.00 lakhs), (iii) training of handicrafts development organisers (Rs. 1.32 lakhs), (iv) obtaining market reaction to the newly developed/identified and lesser known handicrafts (Rs. 0.92 lakhs).

A test-check in audit revealed that:

- all the schemes excepting the scheme at (iv) above were not provided in the annual plan of the Board, but were financed by re-appropriation of funds from other heads;
- the grant in respect of scheme mentioned at (ii) above included Rs. 1.20 lakhs as working capital;
- out of the grants of Rs. 1.32 lakhs at (iii) above given to 4 institutions at Rs. 0.33 lakh each, one of the institution started the training programme in August, 1979 for 6 months and utilised only Rs. 0.14 lakh up to March, 1980, one institution had not made any progress in the scheme whereas another institution had refunded the grant of Rs. 0.33 lakh in August, 1980; the position of the fourth institution was not available; and
- in none of the cases mentioned above, matching contributions by the institutions as required under rules were insisted upon.

According to the criteria laid down in the General Financial Rules of Government for grants-in-aid to voluntary organisations, the grant-in-aid for administrative expenditure on pay and allowances should not exceed Rs. 0.10 lakh in each case. Contrary to this provision, grants of Rs. 1.22 lakhs and Rs. 1.16 lakhs were paid in August 1979 and August 1980 respectively to the institution of Bombay for meeting administrative expenses.

8.0 *Publicity and propaganda*

8.1. *Exhibitions*—For popularising and stimulating demand in India and abroad, the Board had organised/participated during 1974-75 to 1978-79 in 39 exhibitions in India (33) and abroad (6) and the total expenditure incurred was Rs. 33.92 lakhs.

A test-check in audit revealed that:

- the Board had an exhibition branch which had organised/participated in various exhibitions in the past; however, in

1978-79, the Board sanctioned Rs. 11.30 lakhs (out of which Rs. 5.83 lakhs were paid in 1978-79) to 7 State Handicrafts Corporations and voluntary institutions to organise exhibitions on behalf of the Board. No agreements regarding items of the work to be done were, however, entered into with these organisations;

- the submission of vouchers in support of the expenditure on the exhibition organised on behalf of the Board was dispensed with and the expenditure was admitted on the basis of the statement of accounts certified by Chartered Accountants. The expenditure incurred on these exhibitions was not, thus, susceptible of audit by the Comptroller and Auditor General.

8.2 The Board had participated in National Small Industries Fair held in New Delhi during November-December 1978. The participation in the above exhibition was also arranged through the HHEC, for which the Board sanctioned (October 1978) Rs. 2.35 lakhs. The HHEC further entrusted part of the work to a trust for execution at Rs. 1.75 lakhs and submitted a copy of the agreement to the Board. The following points were noticed in a test-check in audit.

- the Board had not entered into any agreement with the HHEC for the above work and many changes were made in the original assignments and against the original sanction of Rs. 2.35 lakhs, the actual expenditure had risen to Rs. 6 lakhs (Rs. 3.48 lakhs paid to the HHEC and Rs. 2.52 lakhs incurred by the Board direct).
- Rs. 0.35 lakh on account of supervisory charges were included by the Trust in its estimates/accounts. A similar payment of Rs. 0.42 lakhs on account of supervision charges was also made to the HHEC. Thus, the Board, had paid supervisory charges to 2 agencies.

8.3 *Exhibition stores*

Remnants costing Rs. 8.40 lakhs had accumulated from various exhibitions held from time to time which were normally not used in subsequent exhibitions. These had not been disposed of despite Government instructions on the subject, resulting in blocking of Government money as well as space. The stores had also not been

physically verified during the last 10 years. The possibility of losses and/or deterioration of these articles in storage cannot also be ruled out. One hundred ninety-four exhibits valuing Rs. 0.67 lakh sent for display in foreign exhibitions were still awaited (April 1980). Exhibits valuing Rs. 0.35 lakh sent to the Indian National Exhibition held at Moscow in 1978 were either lost or damaged and a claim was yet to be preferred (May 1980) on the insurance company.

9.0 *Surveys and studies*

9.1 The Board had a separate and regular research and planning division to look after its study and research programmes. According to the annual report of the Board for the year 1978-79, no research study was made in the past 10 years. During 1978-79, a number of surveys and studies were initiated by the Board through selected research institutions. The records made available to audit (July-September 1979) revealed that the Board, in addition to about 200 surveys sanctioned under the scheme of RMCs had sanctioned Rs. 16.56 lakhs for survey and study projects mostly in March, 1979 and the amount was paid to 20 institutions in the form of grants-in-aid (Rs. 12.51 lakhs) and service charges (Rs. 4.05 lakhs). The following points were noticed in audit:

- The projects were not included in the annual plan of the Board and the expenditure on them was met by re-appropriation of funds from other heads.
- Full amount (Rs. 16.56 lakhs) was paid in advance to most of the institutions without providing for any safeguards against possible misuse of funds released and delay/non-submission of the study/survey reports.
- The Board does not have a financial hand-book.

9.2 A registered institution in Karnataka was paid grants-in-aid of Rs. 2.40 lakhs (March 1979) for financial support of 9 Engineering Colleges for their student project programmes concerning engineering goods. The work in these projects was to be taken up by the students as a part of their normal educational and field service training programme and none of the subjects taken up related to handicrafts. A further grant of Rs. 3.60 lakhs was also sanctioned (February 1980). No utilisation account had been received so far (October 1980) for the 2 grants (Rs. 6 lakhs).

10.0 *Development of specific crafts*

10.1 *Musical instruments*

A development centre for musical instruments was set up at Madras in January 1956 to impart training in the making of musical instruments, to improve upon the existing instruments and to design new instruments and also to utilise various indigenous materials in the making of musical instruments. An expenditure of Rs. 17.19 lakhs had been incurred on the centre from 1961-62 to 1978-79. Between 1956 and 1967, training was imparted to 226 trainees in the manufacture of primarily 11 instruments. The training programme was discontinued in November 1967.

In the proposal for a plan scheme for "intensive training for manufacturing concert instruments", submitted by the centre to the Board (January 1976), it was stated that due to lack of proficiency, the persons trained earlier did not follow the vocation of making instruments. Hardly one or two had stuck to this profession.

During 1974-75 to 1976-77, the centre produced 15 experimental instruments and incurred an expenditure of Rs. 3.16 lakhs. These instruments were kept in the gallery as exhibits and no other efforts were made to popularise these instruments and introduce them in the market. Since 1976-77, no research programme was under-taken. The objects, for which the centre was established, thus, remained largely unfulfilled though Rs. 17.19 lakhs had been spent.

10.2 *Tribal crafts*

Two developmental centres for tribal crafts of North Eastern region and Himachal Pradesh were set up at Jorhat (now at Gauhati) and Kulu in February 1975 and February 1976 respectively. These centres were to continue throughout the Fifth Plan Period (up to 1978-79) and their continuance was to be received thereafter. The records of the centre at Kulu test checked in audit (February 1980) revealed that:

- expenditure of Rs. 0.70 lakh was incurred up to March 1979 on rent of the building and pay and allowances of one officer only, but no developmental activities were undertaken by the centre; and
- no review about the utility and continuance of the centre was done as envisaged.

11.0 Common facility service centres

11.1 The Board introduced a number of schemes for setting up common facility service centres in different crafts at different places. Two such centres for hand-printed fabrics at Farrukhabad and Ahmedabad were approved towards the end of 1977-78 at an estimated cost of Rs. 4.63 lakhs. The centres were set up in 1978-79, but had not started functioning so far (November 1980) because the requisite machinery and equipment had not been received. During 1978-79 and 1979-80, expenditure on pay and allowances of the staff and contingencies was Rs. 0.80 lakh and Rs. 1.00 lakh respectively.

The Board sanctioned Rs. 13.53 lakhs (March 1979) in favour of 3 voluntary organisations for setting up common facility service centres for development of (i) handicrafts in agate stone at Banda (Rs. 7.50 lakhs), (ii) rural pottery at Pondicherry (Rs. 2.00 lakhs) and (iii) woollen carpet project for clipping and flower cutting, washing and drying, dyeing of yarn and designing and market intelligence (Rs. 4.03 lakhs) at Nagpur.

- (a) No project proposal for the common facility centre for agate stone was on record, but the amount of grant-in-aid (Rs. 7.50 lakhs) was paid (March 1979). The centre had not been set up so far (November 1980); the institution was asked (May 1980) refund the amount alongwith interest, but the refund was still awaited (October 1980).
- (b) For setting up the common facility centre mentioned at (ii) above, a registered society projected (1978-79) an estimated cost of Rs. 1.25 lakhs on machinery and requested for financial assistance of that amount. The Board, however, sanctioned Rs. 2.00 lakhs (Rs. 1.25 lakhs for machinery and Rs. 0.75 lakh for kiln). As per the project proposal, the cost of kiln was to be met by the society itself. The entire grant was paid in March 1979; Rs. 0.99 lakh only including advances (Rs. 0.42 lakh) were utilised upto March 1980. The centre had not been set up so far (October 1980).
- (c) Regarding the grant at item (iii) above, the institution had intimated (January 1980) that two centres, viz. for washing and dyeing of carpets and for clipping and flower cutting were set up in October 1979. The remaining two centres were yet to be set up (October 1980). No utilisation account of the grant was received (October 1980).

12.0 Other miscellaneous schemes

12.1 Flood relief

In October, 1978, Government sanctioned Rs. 25 lakhs for providing relief to flood affected craftsmen in various States. The relief measures consisted of purchasing directly from the craftsmen and artisans, ready stocks of craft products which they had been able to save from flood damages as well as articles produced by them during the next 3 months. Out of Rs. 25 lakhs released during 1978-79, Rs. 11.86 lakhs were spent (March 1979) and Rs. 10.38 lakhs were refunded (up to October 1980); the refund of balance Rs. 2.76 lakhs was still awaited (November 1980). Out of Rs. 11.86 lakhs utilised in purchase of craft products, Rs. 4.50 lakhs were spent on preparation of 0.10 lakh handicraft calendars for 1979 for sale; out of these, only 900 calendars were sold for Rs. 0.41 lakh and the remaining calendars were given free leaving an uncovered cost of Rs. 4.09 lakhs. Sale proceeds of Rs. 0.49 lakh were received from one institution in Haryana. Information regarding the amount realised by the other institutions by sale of articles purchased (Rs. 6.87 lakhs) under the scheme and the loss, if any, was awaited (November 1980) from the Board.

12.2 Grant-in-aid of Rs. 1.80 lakhs was given to a voluntary organisation in March 1979 for organising a credit campaign to popularise the flow of credit to artisans from the nationalised banks in 6 States. This organisation in turn transferred Rs. 1.20 lakhs to 4 of its member agencies during August to November 1979. The accounts of the grants released had not been rendered (November 1980) and therefore, actual utilisation thereof for the purpose for which it was given was not known to the Board.

12.3 According to terms of his appointment, the journeys performed by the Chairman by staff car from residence to office and back were to be treated as private. It was, however, noticed in audit that such journeys were not so treated and Rs. 0.15 lakh due to be recovered on this account from the Chairman for such journeys performed during June 1978 to June 1979 were not recovered. Similar journeys were also performed by him after June 1979 for which the amount recoverable had also to be worked out and recovered. Besides, overtime allowance paid to the driver for working beyond duty hours for such private journeys was also to be worked out and recovered.

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

- The different figures of progress in development of designs were depicted in various published reports and were not based on proper records; 20 tools were developed in the centre at Bangalore during 1974-75 to 1978-79, out of which only 7 tools were standardised. In weaving craft, after incurring an expenditure of Rs. 0.64 lakh, only 13 designs of wall hangings and table mats were produced during 10 years, which was obviously an insignificant contribution.
- 18-12-1979 crores were spent on training and extension programmes during 1974-75 to 1978-79. A grant-in-aid of Rs. 9.58 lakhs was sanctioned (March 1979) to a voluntary organisation to start 70 schemes of apprenticeship training under master craftsmen in contravention of the provisions of the scheme. Only 60 of these schemes were started in 1979-80.
- The progress of the training programme of carpet weaving launched by the Board on a massive scale in 1976-77 was not properly monitored and carpets produced by trainees (worth Rs. 71.79 lakhs in UP) had not been disposed of, resulting in blocking of Government money and space. Grants of Rs. 6.70 crores were released to the HHEC and other State Handicrafts Corporations up to March 1979 for training in carpet weaving, but no control on proper utilisation of grant was exercised by the Board. Grants were released much in excess of requirements without watching utilisation of the previous grants. Cost of assets amounting to Rs. 104.44 lakhs created out of Government grants was yet to be recovered from the grantees.
- An amount of Rs. 10.20 lakhs was spent on 14 marketing and service extension centres set up during 1975-76 to 1978-79, but no significant performance was noticed at these centres.
- In March 1979, the Board sanctioned a number of new schemes and released grants to the tune of about Rs. 200.00 lakhs. Out of this, Rs. 125.40 lakhs were released as cent per cent grants-in-aid in the last week of March 1979 to 23 organisations for implementing a new scheme of estab-

lishment of rural marketing service centres. The scheme was not specifically approved by the Planning Commission and the Expenditure Finance Committee and the expenditure though in the nature of new service, was met by re-appropriation from other heads without prior approval of the Parliament.

- One organisation at Bombay was given grants of Rs. 1.22 lakhs and Rs. 1.16 lakhs to meet salary and administrative expenses during 1979-80 and 1980-81 in contravention of the provisions of financial rules which prescribe a ceiling limit of Rs. 0.10 lakh per annum in each case.
- During 1978-79, funds were released to 7 State Handicrafts Corporations and voluntary organisations to organise exhibitions on behalf of the Board, but the submission of the vouchers in support of the expenditure was dispensed with which made the expenditure not susceptible of audit.
- Remnant exhibits worth Rs. 8.40 lakhs from various exhibitions, which were rarely used in the subsequent exhibitions, were lying undisposed of.
- The Board released Rs. 16.56 lakhs for survey and study projects, mostly in March 1979, to 20 organisations. The projects were not included in the annual plan of the Board for 1978-79.
- A registered institution in Karnataka was granted Rs. 6 lakhs for student projects of 9 Engineering colleges, which was a part of their normal educational and field service training programme and had no relevance with the development of handicrafts.
- An amount of Rs. 17.19 lakhs had been spent during 1961-62 to 1978-79 on a pilot centre for musical instruments at Madras; 226 persons were trained at the centre, but they could not take to the profession due of lack of proficiency; the other objects of the centre also remained largely unfulfilled.
- The Board paid (March 1979) Rs. 13.53 lakhs to 3 institutions for the establishment of 6 common facility service centres for different crafts. The work of setting up of 3 centres for which Rs. 9.50 lakhs were paid had not started.

—Rs. 25 lakhs were paid to 12 organisations for purchasing the handicraft articles direct from the flood affected artisans as a measure of relief which were later to be sold; Rs. 11.86 lakhs only were utilised. Out of unspent balance, refund of Rs. 2.76 lakhs from 3 organisations was awaited (November 1980). Out of Rs. 11.86 lakhs, Rs. 4.50 lakhs were spent on preparation of handicraft calendars (10,000) for 1979 for sale; out of these only 900 calendars were sold for Rs. 0.41 lakh and the remaining calendars were given free leaving an uncovered cost of Rs. 4.09 lakhs.

[Paragraph 1 of the Report of the C & AG of India for the year 1979-80, Union Government (Civil) (pp. 1—24)].

APPENDIX II

(Vide Introduction)

Statement of conclusions/Recommendation

Recommendation

Sl. No. Para No. Ministry/Deptt.

1 2

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1 1-17 Commerce
(Textiles)

The All India Handicrafts Board was set up in 1952 as an advisory body to advise government generally on problems of handicrafts and to suggest measures for its co-ordinated development. The Board was entrusted with a number of functions including study of human, socio-economic, technical, financial, organisational and artistic aspects of handicrafts in the country and in the light thereof recommend policies for development. The Committee are, however, surprised to note that even though thirty years have elapsed, the All India Handicrafts Board has not as yet conducted any comprehensive study to collect such basic information as the number of artisans and craftsmen in the country, type of training required by them and training necessary to provide employment to them. It is beyond comprehension as to how in the absence of this basic information, the Board could take and suggest any concrete measures for development of handicraft

in the country. It is, therefore, not surprising that the Board was admittedly not in a position to suggest any measures to Government with regard to matters like technological improvement, quality control, design development, research and training etc. in the absence of a comprehensive study of these matters.

2 Commerce
(Textiles)

1-18

The primary task of the Board was to make handicrafts an effective instrument of reducing unemployment and under-employment among artisans and to promote economic independence and social status and individual dignity of craftsmen. The Committee regret that the Board has not been able to achieve any concrete results in this regard as is borne out by the Report of the Working Group on Handicrafts (1978-83) for Sixth Five Year Plan which was presided over by the Development Commissioner for Handicrafts himself. The Working Group had observed that the craftsmen were still living below the poverty line. They were not among the major beneficiaries of the banking system or of research and development and their living and working environment was unsatisfactory. While the representative of the Ministry of Commerce claimed that with the increase in exports of carpets, metalware etc., the wages of craftsmen and artisans had gone up, it was admitted that the cream of extra earnings had been taken away by the exporters and traders while the workers and the artisans had got only the crumbs. Moreover, in the absence

of any formal study in this regard, it is difficult to judge the extent to which there has been any improvement in the living standards of the artisans consequent on the setting up of the All India Handicrafts Board. Thus, even after 30 years, the very object of setting up the Board remains to be realised.

1.19 Do.

The Committee note that since its initial constitution in 1952, the Board has been reconstituted 11 times. From 1st July 1981, a Joint Board for Handlooms and Handicrafts consisting of 78 members has been set up. The Committee are unable to appreciate the rationale of setting up a Joint Board for Handlooms and Handicrafts when the problems relating to these sectors are entirely different and are in no way inter-connected. Moreover, a Board with 78 members is too unwieldy. Even the Board had a membership of less than half of the number it was not found possible to hold meetings even once in four months as laid in the rules. During a period of four years 1976 to 1979, the Board met only 4 times. The Committee would therefore like Government to examine if it would not be better to set up a compact Board exclusively for Handicrafts.

2.11 Do.

For design and technical development, four regional centres were set up in 1966 at Bombay, Calcutta, Delhi and Bangalore and a Technical Development Wing was added to each of them in December, 1974. The main objectives of the centres were to develop new designs based on demands and to render assistance to craftsmen and artisans. The Committee regret to note that these design centres have failed to fulfil the objectives for which these were set up as is clear from

the fact that the centres have not been patronised either by the artists or by exporters and the commercial acceptance of the designs developed and their dissemination to the trade was hardly 10 to 15 per cent. The Committee find that while at the time of sanction of technical wings of these centres, it was laid down that the work of these wings would be evaluated, no such evaluation has so far been done. This is regrettable.

The Committee note that some of the factors responsible for the unsatisfactory functioning of these centres are shortage of administrative and technical staff, location at fixed places and lack of publicity. The Committee recommend that an indepth study of all these centres should be taken up immediately to find out the deficiencies in these centres and measures taken to remove them. The Committee need hardly emphasise that it is only by introduction of attractive designs that our handicrafts can be popularised both in domestic as well as foreign markets.

Although samples worth several lakhs of rupees have been prepared by these design centres, these are still lying at various centres. What is really shocking is that even annual physical verification of these samples is not being done and no satisfactory record in respect of these samples is being maintained. This is a sad reflection on the working of the Board. The Committee recommend that the Board

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Commerce
(Textiles)

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should be instructed to ensure that proper records are maintained in respect of the samples produced in various design centres, annual physical verification done and concerted efforts made to dispose of these samples. The Committee would like to be informed of the concrete measures taken in this regard within six months.

Under the Apprenticeship Training schemes, training was imparted by master craftsmen of repute at their own places of work. During 1974-75 to 1978-79 training under the above schemes was imparted to 1470 apprentices in different crafts under 195 master craftsmen. The Committee however, note that the All India Handicrafts Board have not undertaken any evaluation to ascertain as to how far the objectives of the schemes have been achieved and how many trainees had actually adopted the profession after the completion of their training. This is to say the least, surprising. The Committee recommend that in future as and when such a scheme is started by the All India Handicrafts Board, there should be a periodical evaluation/review of the scheme so as to ascertain if the scheme has been able to achieve the objectives for which it has been started to locate deficiencies, if any and to take timely corrective measures.

The Committee note that the All India Handicrafts Board sanctioned in March, 1979 Rs. 9.58 lakhs to Gandhi Peace Foundation, a voluntary organisation for organising 70 training schemes in gold embroidery, ivory, wood and jewellery crafts in Delhi and its surrounding areas and released in March, 1979 Rs. 5.08 lakhs for the purpose. Although upto March, 1980 only a sum of Rs. 3.98 lakhs was spent,

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the Board issued a fresh sanction in August, 1960 Rs. 4.48 lakhs. Neither the sale proceeds of goods produced were deposited with the Board nor information about the number of trainees actually trained furnished. What is still more surprising is that utilisation certificates in respect of the amount spent by the Gandhi Peace Foundation have still not been given. The All India Handicrafts Board has not conducted any survey to find out if the apprentices trained under the scheme have been gainfully employed.

9 3.13 Commerce
(Textiles)

The Committee fail to appreciate the basis on which Gandhi Peace Foundation which has no expertise or previous experience in the field of handicrafts was entrusted with the responsibility of organising these apprenticeship schemes. Moreover, after having released the money, the Board did not take any steps to ensure that the amount was properly spent and only part of the account duly audited by the Chartered Accountants has been furnished. Steps have not been taken to obtain utilisation certificates from the foundation. The Committee cannot but conclude that the All India Handicrafts Board have failed to exercise due control and supervision to ensure that the expenditure on the schemes produces the expected results. The Committee would like to be apprised of the detailed reasons for this failure on the part of the Board and the measures taken to ensure that at least now the utilisation certificates are obtained from the Gandhi Peace Foundation.

To meet the increased demand of Indian carpets in foreign markets, it was decided in 1975 that 30,000 weavers should be trained in carpet weaving during 1976 and 1979 and a massive programme of training in carpet weaving was launched in 1976-77. For this purpose, 817 centres were set up and 50 trainees were to be trained in each Centre. The Committee have been informed that although 20,500 carpets were produced at the Training Centres run directly by the Board, only 726 carpets have been disposed so far. The Committee regret to note that although some of these carpets were produced as early as in 1976 no serious efforts have been made so far to dispose them of. Some of the carpets have been found to be faded, torn or soiled due to prolonged storage resulting in considerable loss to the public exchequer. The Committee cannot but conclude that the officers of the All India Handicrafts Board have failed to exercise the requisite prudence expected of them. The Committee recommend that the Board should take immediate measures to dispose the carpets expeditiously. Moreover, the responsibility should be fixed for the failure to devise a machinery or system by which the carpets could have been disposed of as they were produced.

The Committee note that the All India Handicraft Board paid grants amounting to Rs. 6.70 crores between 1975-76 to 1978-79 to the Handicrafts and Handlooms Exports Corporation and various State Corporations to set up 361 training centres for carpet weaving. The Committee are surprised to note that although one of the conditions for grant of money to these Corporations was that the training centres would be converted into production centres, the All India

Handicrafts Board has no information regarding the number of centres so converted. While the cost of assets created out of the grants was recoverable from these institutions, the same has not actually been recovered and even the proposal that the recovery be made in the form of AIHB participation in the share capital of the grantee institution has not been agreed to by the concerned State Corporations. This is a very unsatisfactory state of affairs.

Commerce
(Textiles)

12

3-31

Although the Operational Assistance Cell at the Headquarters of the Board was responsible for overall supervision of training centres, this cell did not maintain any consolidated record showing the number of trainees enrolled in each centre, the number of trainees who completed their training and the number who were absorbed in such centres and in other production centres. The Committee consider it to be a serious lapse on the part of the All India Handicrafts Board. The Committee are not convinced with the argument of the Board that as the cell had a limited staff and had been undertaking a number of other functions, it was not possible for the cell to undertake the monitoring of the training centres. The Committee feel that if the Board was convinced about the inability of the cell to undertake the monitoring function due to limited staff then either timely steps should have been taken to augment the staff or some other alternative arrangements should have been made for monitoring the scheme. The Committee expect the Board to ensure that such lapses do not recur.

13 3.42 Do. 463 Carpet Weaving Centres are being run directly by the All India Handicrafts Board in different States. Between 1975-76 and 1980-81, 87,300 persons had been trained in carpet weaving in these centres. The Committee are, however, surprised to note that the All India Handicrafts Board is not maintaining any statistics regarding the number of trainees who have actually taken up the profession of carpet weaving after completion of their training nor the Board has conducted any survey to collect statistics in this behalf. The Committee feel that the collection of this feed back information is very necessary in order to judge the efficacy or otherwise of the scheme. The Committee, therefore, recommend that the All India Handicrafts Board should immediately conduct surveys in different carpet weaving centres/areas to find out how far the trainees who have completed their training have been absorbed in the profession and the extent to which the training received by them has contributed to increasing their earnings as well as in improving the quality of their products.

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14 3.43 Do. The Committee have come across a large number of complaints regarding the working of the carpet weaving training centres run by the All India Handicrafts Board. When asked about these complaints, the representative of the Ministry of Commerce (Department of Textiles) admitted before the Committee "I received complaints. The impression is that all is not well.....In my own inspection, I have found that the systems are defective." In the case of one centre, it has been brought to the notice of the Committee that although the trainees were paid a stipend of Rs. 60/- each per month, only Rs. 30/- was given to them and the remaining amount was mis-

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appropriated by the concerned officers. What is really shocking is that although such complaints which involved defalcation and misappropriation of Government money had come to the notice of the All India Handicrafts Board also, no substantial punishment appears to have been awarded to the guilty persons. The Committee cannot but express their displeasure at the attitude of the Department where officials involved in such irregularities have been allowed to go practically scot-free. The Committee would like the matter to be thoroughly investigated and deterrent punishment awarded to officers involved in such malpractices. The Committee would also like the All India Handicrafts Board to examine in depth the working of the various Training Centres, find out deficiencies in their working and take necessary remedial measures.

The Committee are surprised to note that the complaints sent by a member of Parliament regarding the working of the Training Centre at Fatehpur were not replied to by the All India Handicrafts Board. The reply of the Board that the letters were not traceable in the records of the Board, clearly shows that complaints received in the office of the Board are not being handled with the requisite care. The Committee would like this situation to be remedied immediately.

3

Commerce
(Textiles)

3-44

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In March, 1979, the All India Handicrafts Board introduced a scheme for establishment of rural marketing and service centres (RMCs) at block level for village artisans and village industries with the object of providing an effective link with the market. The scheme was to be implemented in two phases viz. phase I for Survey and phase II for implementation. Phase II i.e. establishment of the centres was to take place only if the survey clearly established the need and scope therefor. The Committee, however, regret to note that in as many as 128 blocks, grants were sanctioned and released for both survey and setting up of the centres without establishing the need for such centres. This was a clear and flagrant violation of the provision of the scheme. The Committee would like responsibility for this lapse to be fixed.

The Committee are surprised to note that although the Rural Marketing centres scheme involved expenditure of Rs. 1.25 crores and required the approval of the Planning Commission, and the Expenditure Finance Committee, no such approval was actually taken before launching the scheme. This is a serious irregularity. The Committee are not convinced with the reply of the Ministry that a composite approval to the scheme was obtained at an inter-ministerial meeting under the chairmanship of Member, Planning Commission. It is seen from the minutes of the meeting that the member of the Planning Commission had agreed that it was a good scheme and should be explored through a pilot scheme. It was therefore suggested that a few pilot schemes could be started and their impact assessed for drawing up a detailed programme. The

Committee fail to understand how this could be construed as a formal approval of the scheme. The Financial Adviser of the Ministry of Commerce also admitted before the Committee that "The Inter-Ministerial discussion of that nature was not in the form of sanction. For the purpose of sanction, the procedure has to be followed, namely, the Standing Finance Committee or the Expenditure Finance Committee or the Public Investment Board has to examine and scrutinise the proposal". From this, the Committee cannot but conclude that the present stand of the Ministry is only an afterthought and a feeble attempt to justify a serious irregularity. The Committee would expect the Ministry to be more careful in future and to ensure that proper procedure for establishing feasibility and obtaining sanction is invariably followed.

Commerce
(Textiles)

4.16

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Another serious irregularity in the release of funds for the RMCs brought to the notice of the Committee is that while the grants were to be released in suitable instalments, the entire amount of Rs. 116.85 lakhs was released to 17 organisations/institutions in March, 1979. The manner in which the funds were released towards the lag end of the financial year clearly shows that these grants were released just in order to avoid surrender of funds. The indiscriminate manner in which the grants were distributed is clear from the fact that while

one institution (Orissa Gram Vikas Foundation) had requested for grant of Rs. 1.03 lakh for 1 RMC only, the institution was sanctioned and paid a grant of Rs. 2.58 lakhs for 3 RMCs which were not set up till May, 1980 i.e. after more than one year of the payment of the grant. Even the codal requirements viz. maintenance of register of block account, verification of financial soundness of the institution etc. were not followed by the Board. No record regarding actual turnover of these Rural Marketing Centres has been maintained. The Board simply washed off its hands after releasing the grants without making any effort to find out whether the objectives of setting up these centres had actually been fulfilled. The Committee cannot but conclude that the All India Handicrafts Board has shown total disregard of Financial Rules and common prudence in starting the scheme as well as release of grants.

Commerce
(Textiles)

4-23

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For popularising and stimulating demand in India and abroad, the All India Handicrafts Board had organised/participated in 33 exhibitions in India and 6 exhibitions abroad. A total expenditure of Rs. 33.92 lakhs was incurred on these exhibitions. The Committee are surprised to note that although the Board had an exhibition branch which had organised/participated in various exhibitions in the past, the Board sanctioned Rs. 11.30 lakhs to 7 State Handicrafts Corporations and voluntary institutions to organise exhibitions on behalf of the Board. The Committee are not convinced with the reply of the Ministry that these institutions were considered better suited to hold these exhibitions as the Board has not furnish-

ed any ground for the same. The Committee are of the view that since the All India Handicrafts Board had got its own exhibition branch, organisation/participation in exhibitions should as far as possible be arranged through its own branch. If the Board has to entrust the work to some other Corporation/Voluntary organisations, for any compelling reason the same should be clearly spelt out.

Commerce
(Textiles)

4-24

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The Committee note that remnants costing Rs. 8.40 lakhs had accumulated from various exhibitions which were not used in subsequent exhibitions and no serious effort has been made, to dispose of these remnants. Moreover, the stores of the exhibitions have not been verified for the last 10 years. This is regrettable. The Committee recommend that immediate steps should be taken to dispose of the remnants on an urgent basis and to conduct physical verification of the stores. Steps should also be taken to ensure that such lapses do not recur.

Commerce
(Textiles)

5-73

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The All India Handicrafts Board introduced a number of schemes for setting up common Facility Service Centres at different places. The Committee however, note with dissatisfaction that there has been inordinate delay in the setting up of these centres. In many cases, although the grant for setting up these centres were released

in 1979, these centres have not yet been set up. For example Rs. 7.50 lakhs were released to U.P. Development Systems Corporation Ltd. for setting up a common facility centre at Banda. The Centre was not however set up and the unutilised amount of Rs. 7,28,496 was realised back in 1981. Similarly, the centre for rural pottery at Pondicherry for which Rs. 2 lakhs were released in 1979 has not yet been set up. This has resulted not only in the money remaining blocked, but the artisans have also been deprived of the intended benefits for all these years. Moreover, while the society which was to set up the centre at Pondicherry had asked for financial assistance of Rs. 1.25 lakhs, a sum of Rs. 2 lakhs was released to the society. This clearly betrays the casual manner in which the All India Handicrafts Board distributed grants to the parties concerned without ascertaining the capacity of the parties to undertake the work. In most of the cases, utilisation certificates have also not been received from the concerned parties. Another glaring irregularity that has come to light is that after releasing grants the Boards did not even care to ensure that the money was actually spent for the purpose for which it was meant as is seen from the case of the Association of Voluntary Agencies for Rural Development, New Delhi. After receiving the grant-in-aid for Rs. 1.80 lakhs for conducting intensive survey of flow of credit to artisans in the States of Maharashtra, U.P., West Bengal, Manipur, Kerala and Haryana the Association did not render any account or utilisation certificate. The organisation has now been asked to refund the entire amount with interest. The Committee would

like to be informed of the circumstances in which this organisation was selected for implementing this programme and why the Board did not pursue the matter with the organisation for all these years to ensure that the amount was being spent for the purpose for which it was given.

Commerce
(Textiles)

6-1

From the foregoing paragraphs, it is clear that the functioning of the All India Handicrafts Board has been most unsatisfactory. Not only has the Board failed to fulfil the objectives for which it was set up, it has also failed to observe the financial discipline expected of it. On the contrary, it has violated financial rules with impunity. Grants amounting to crores of rupees were distributed at the fag end of the financial year without ensuring that the organisations would be able to serve the purpose. After paying the grants, no efforts were made to ensure that the money was spent for the purpose for which it was intended and that it produced the desired results. Accounts and utilisation certificates have not been rendered in a number of cases. The Committee would like to express their deep distress at this callous attitude towards taxpayers' money and the interests of ultimate beneficiaries. They would like that the Ministry of Commerce should appoint a high powered Committee to

evaluate the working of the Board, fix responsibility for various lapses and suggest necessary corrective measures to tone up the working of the Board so that the Board may actually function as a powerful catalytic agency for development of handicrafts in the country and for improving the lot of artisans.

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