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REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL

OF INDIA

FOR THE YEAR ENDED 31 MARCH 1987

NO. 14 OF 1988

UNION GOVERNMENT

(OTHER AUTONOMOUS BODIES)

KHADI AND VILLAGE INDUSTRIES COMMISSION

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PREFATORY REMARKS

This Report of the Comptroller and Auditor General of India containing a review on 'Khadi and Village Industries Commission', has been prepared for submission to the President under Article 151 of the Constitution of India.

2. The points mentioned in the review are those which came to the notice in the course of test audit under the various provisions of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

S/208 C&AG/88—2

OVERVIEW

This Audit Report contains a review on 'Khadi and Village Industries Commission'. The significant Audit findings, as a result of test check of records, are summarised below :

The Commission, with its headquarters at Bombay, was set up in 1957 to ensure proper growth and promotion of khadi and village industries in the country.

Although the term of the former Commission had expired in October 1986, the Commission was reconstituted by the Government of India in May 1988 only.

Pre-selection survey to ascertain the conditions of the artisans and availability of infrastructural facilities, raw material, marketability and feasibility of the industry to be started was inadequate.

Utilisation certificates for Rs. 116.08 crores, at the end of March 1987, were due from the State Boards and institutions out of loans and grants of Rs. 960.17 crores released by the Commission upto 1984-85 Misutilisation and diversion of funds were noticed in various State Boards/directly aided institutions. In four States, Gujarat, Madhya Pradesh, Orissa and Uttar Pradesh Rs. 2.99 crores were not utilised for the purpose for which it was granted. In nine States viz. Assam, Bihar, Gujarat, Haryana, Himachal Pradesh, Manipur, Punjab, Uttar Pradesh and West Bengal, Rs. 2.96 crores were blocked in units not yet set up or not functioning at all.

In 139 trading units, the Commission invested Rs. 41.84 crores under khadi and Rs. 6.06 crores under village industries upto March 1987, out of which 34 units involving Rs. 0.38 crore had been declared as closed/defunct.

Physical targets for production were generally not prescribed; only financial targets were prescribed. The achievements figures were mainly based on estimates and not on actuals. There was a shortfall in production with reference to the financial targets fixed.

The Commission received from the Department of Non-Conventional Energy Sources, a sum of Rs. 15.47 crores, during 1981—85, under the Bio-gas scheme. The percentage of non-working and non-existing gobar gas plants was 45, 17 and 31 in Bihar, Maharashtra and Tamil Nadu respectively as per a survey conducted by the Commission in 1984. In Madhya Pradesh, during 1982—85, 1,388 gobar gas plants were installed against a target of 5,000. It was noticed in a few selected districts in Madhya Pradesh, about 16 *per cent* of the plants were not in existence at all.

Fifty six per cent of polyvastra produced remained unsold resulting in huge accumulation of stocks.

Under Sundry Debtors, the amount outstanding, as on 31st March 1987, was Rs. 23.07 crores which included items more than ten years old. The Commission did not obtain the confirmation of balances in respect of loans given to various State Boards and institutions.

The data regarding employment of Scheduled Caste/Scheduled Tribe was not supported by detailed records. In Haryana and Pondicherry, the employment coverage of Scheduled Caste/Scheduled Tribe was very low viz., 1 to 5 per cent when compared with anticipated 30 *per cent.*

Training programmes were conducted by State Boards, but no records were generally available to ascertain the number of persons trained and employed. Test check of available records in seven States viz. Andhra Pradesh, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Uttar Pradesh and West Bengal showed that against the intake capacity of 18,329, the number of persons trained was 6,218 during a period of 3 to 7 years.

No system of evaluation or monitoring was in vogue in 13 States test checked by Audit in respect of various schemes under khadi and village industries.

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MINISTRY OF INDUSTRY

Khadi and Village Industries Commission

1. **Introduction**

The Khadi and Village Industries Commission, (hereinafter referred to as 'the Commission'), with its headquarters at Bombay, was set up on 1st April 1957 under an Act of Parliament with a view to ensuring the proper growth and promotion of Khadi and Village Industries in the country. Promotion of Village Industries was an important element because of its favourable capital output ratio and high employment intensity.

2. **Scope of Audit**

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

Certain aspects of the working of Khadi and Village Industries Commission were reviewed under para 34 of the Report of the Comptroller and Auditor General of India for 1978-79—Union Government (Civil). After considering the Audit Report, Public Accounts Committee made its recommendations vide 52nd Report (7th Lok Sabha, 1980-81). The action taken by Government on the recommendations of the Public Accounts Committee is given in its 74th Report (7th Lok Sabha, 1981-82).

A review of the operations of the schemes from 1980-81 to 1986-87 was conducted in Audit with reference to records maintained by the Commission as well as the 28 Boards in the States and Union Territories viz. Andhra Pradesh, Assam (up to 1984-85), Andaman Nicobar, Bihar, Chandigarh, Delhi, Goa Daman & Diu, Gujarat (up to 1985-86), Haryana, Himachal Pradesh, Jammu & Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Pondicherry, Punjab, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh and West Bengal.

3. **Organisational set up**

According to Sections 4 and 5 of the Khadi and Village Industries Act, 1956, the Commission consists of not less than three and not more than five members appointed by the Central Government, one of them being nominated by the Central Government to be the Chairman and the members may be either whole time or part time. The Central Government may also appoint one Vice-Chairman and the Secretary from among the members. The number of members of the Commission has been raised (July 1987) to ten comprising of eight non-official members with voting rights and two official members namely, the Chief Executive Officer and the Financial Adviser and Chief Accounts Officer without voting rights.

The term of the former Commission expired on 31st October 1986. The Chief Executive Officer was authorised in December 1986 by the Government to take decisions in consultation with the Financial Adviser, wherever necessary, and all such decisions were to be placed before the Commission as and when it was reconstituted. The new Commission was reconstituted only in May 1988.

The programme of development of Khadi and Village Industries is implemented by the Commission through State Khadi and Village Industries Boards (hereinafter referred to as the 'State Boards') and the directly aided institutions. For executing the scheme, the Central Government releases grants and loans to the Commission which, in turn, advances loans and grants to the State Boards, institutions and cooperative societies for implementation of programmes. Eeach Board has been constituted by an Act passed by the Legislature concerned/notification by Union Government. During 1986-87, the programmes were implemented through these Boards, 1148 registered institutions and 30000 cooperative societies.

4. **Highlights**

The review brings out, *inter alia,*

— **The term of the former Commission expired on 31st October 1986; thereafter the Commission was reconstituted by the Central Government in May 1988 only.**

— **Pre-selection survey conducted to find out the conditions of the artisans/availability of Infrastructural facilities, raw material, marketability and feasibility of the Industry to be started was inadequate. Out of 4.35 lakhs institutions/cooperative societies/individuals financed by the Commission to the tune of Rs. 220.27 crores, 0.6 lakh units were either defunct or not working resulting in blocking up of funds to the extent of Rs. 30.02 crores.**

— **Misutilisation and diversion of funds were noticed in various State Boards/directly aided institutions. In four States test-checked, Rs. 298.87 lakhs were reported as misutilised or diverted. In four State Boards, Rs. 167.93 lakhs out of the funds provided for development schemes by the Commis-**

sion/State Governments were diverted to meet administrative expenditure.

— The utilisation certificates for Rs. 90.44 crores were due from State Boards and for Rs. 25.64 crores from institutions out of loans and grants of Rs. 960.17 crores paid up to 1984-85. The internal audit wing of the Commission disallowed Rs. 14.76 crores under loans/grants while processing the utilisation certificates which were to be regularised/recovered.

— Physical targets for production were generally not prescribed; only financial targets were prescribed. The achievement figures reported were mainly based on estimates and not on actuals. There was a shortfall in production with reference to the financial targets fixed.

— In nine States, Rs. 295.63 lakhs were blocked in units not yet set up or not functioning at all.

— The percentage of non-working/non-existing gobar gas plants was 45, 17, 31 in Bihar, Maharashtra and Tamil Nadu respectively as observed during a survey conducted by the Commission in 1984. In Madhya Pradesh, during 1982—85, 1388 gobar gas plants were installed against a target of 5000. It was noticed in a few selected districts in Madhya Pradesh about 16 per cent of the plants were not in existance at all. The Bio-gas Research and Development Centre, Bombay, was not carrying out any of the research activities contemplated under the scheme except testing of gas apliances.

— Fifty six per cent of polyvastra produced remained unsold resulting in huge accumulation of stock. Unspent balance of Rs. 81.53 lakhs was also recoverable from the institutions.

— The working results of a few of the Khadi and Village Industry units financed by five State Boards (Haryana, Jammu & Kashmir, Karnataka, Madhya Pradesh, Punjab) showed losses to the extent of Rs. 113.30 lakhs.

— In 139 trading units, the Commission invested Rs. 4184 lakhs under Khadi and Rs. 606 lakhs under Village Industries. Out of these trading units, 34 units involving Rs. 38.47 lakhs had been declared as closed/defunct.

— Under Sundry Debtors, the amount outstanding, as on 31st March 1987 under Khadi was Rs. 2020.72 lakhs and Rs. 286.76 lakhs under Village Industries which included items more than ten years old.

— Out of the total loans of Rs. 733.47 crores paid by the Commission to the State Boards and other implementing agencies from its inception from 1957-58 to 1986-87, a balance of Rs. 544.42 crores (74.2 per cent) was outstanding in March 1987. The loans fallen over due for recovery were Rs. 5.51 crores from 22 State Boards (March 1987) under Khadi and Rs. 29.41 crores from 20 State Boards under Village Industries (March 1986). One hundred and nine institutions under Khadi and 312 institutions under Village Industries involving outstanding loans of Rs. 2.39 crores were either under liquidation or legal action had been initiated for recovery of loans outstanding against them (March 1987).

— Confirmation of balances was awaited from State Boards and Institutions (March 1987) in respect of loans amounting to Rs. 221.02 crores under Khadi and Rs. 223.64 crores under Village Industry out of loans paid up to March 1986.

— Figures of employment of Scheduled Caste/Scheduled Tribe were not supported by detailed records. In Haryana and Pondicherry, the employment coverage of Scheduled Caste/Scheduled Tribe was very low (1 to 5 per cent) compared with the anticipated 30 per cent.

— Training programmes were conducted by State Boards, but no records were generally available to ascertain the number of persons trained, employed, etc. Test check of available records in seven States showed that against the intake capacity of 18329, the number of persons trained was 6218 during a period 3 to 7 years.

— Internal inspection parties of the Commission pointed out that overpayments of Rs. 40.42 lakhs on account of rebate and subsidy paid to various certified Khadi institutions remained unrecovered till the end of March 1987.

— No system of evaluation or monitoring was in vogue in 13 States (test-checked) in respect of various schemes under Khadi and Village Industries.

5. Summary of Accounts

The accounts of the Commission are to be maintained in the form prescribed under para 23 of the Khadi and Village Industries Commission Act, 1956, and Rule 21 of the Khadi and Village Industries Commission Rules 1957.

Summary of the receipts and payments of the Commission (excluding those pertaining to loans raised from

banks) since 1957-58 (inception of the Commission) to 1986-87 is given below :

(Rs. in crores)

Receipts	1957-58 to 1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
1. Opening Balance	0.57	20.95	22.78	32.70	49.69	56.62
2. Loans from Government	627.77	80.29	99.15	161.45	147.18	135.50
3. Grants and interest subsidy from Government	467.50	63.55	75.30	85.22	102.90	116.80
4. Repayment/refund of loans and unutilised grants by State Boards and institutions	175.63	11.00	9.00	10.35	9.70	17.57
5. Miscellaneous Receipts	19.62	3.35	3.22	4.02	4.43	6.76
Total :	1291.09	179.14	209.45	293.74	313.90	333.25
Payments						
1. Repayment of loans to Government	299.11	37.04	48.45	101.23	82.83	73.54
2. Loans to State Boards and institutions	443.72	48.89	44.49	57.67	67.86	70.84
3. Grants to State Boards and institutions	261.82	33.10	33.76	36.72	53.16	58.71
4. Interest on Government loans	146.44	26.66	30.55	34.06	41.59	49.92
5. Administrative expenses	71.28	7.60	8.76	9.69	11.52	14.40
6. Miscellaneous payments	47.77	3.07	10.74	4.68	0.32	8.49
7. Closing balance	20.95	22.78	32.70	49.69	56.62	57.35
Total :	1291.09	179.14	209.45	293.74	313.90	333.25

It was noticed in Audit that bank reconciliation in respect of Non-Plan Administration Account has not been done since April 1982. Similarly, under Plan funds, the figures of balances as per records of the State Boards did not agree with the Commission's figures.

6. Selection of industrial units and identification of industries

The village industries coming under the purview of the Commission were grouped under 26 different categories. While developing these industries emphasis was to be laid on more programmes benefitting the weaker sections of society, particularly Scheduled Castes, Scheduled Tribes and inhabitants of hill and border areas.

No pre-selection survey was conducted in most of the States so as to find out the conditions of artisans, availability of infrastructural facilities, raw materials, marketability and feasibility of the industries to be started in most of the cases selected for assistance. It was noticed that the beneficiaries in general did not possess the requisite training and infrastructure to commence production.

In reply to the Audit remarks, Ministry stated in April 1987 that technical feasibility study was conducted in respect of each unit proposed to be assisted in Andhra Pradesh, Karnataka, Kerala, Pondicherry and Rajasthan. The position, however, obtaining in these States regarding defunct units and the amounts blocked up in these units showed that proper survey was not done before selecting the beneficiaries. Out of 4.35 lakhs institutions/cooperative societies/individuals financed by the Commission to the tune of Rs. 220.27 crores, 0.6 lakh units were either defunct or not working resulting in blocking up of funds to the extent of Rs. 30.02 crores.

It was observed from the Commission's indepth study report that no strategy was adopted in communicating the details of the programme to the target groups. Further, the facilities of the mass media were not used to inform the public about the approved village industries for the establishment of which the financial assistance and technical guidance was available.

7. Utilisation of funds

7.1 *Misutilisation*

One of the main conditions governing payment of loans and grants is that funds should be utilised for

the specific purpose for which they were sanctioned. But, misutilisation of funds was reported in the following States.

Name of the State where Board/Institution exists	Date of release of funds	Amount released (Rs. in lakhs)	Nature of misutilisation/non-utilisation
1. Gujarat	March 1982	26.80	Amount earmarked for Khadi was fully invested by two institutions in fixed deposits and savings bank account in November 1982 (Rs. 13.24 lakhs) and in April 1982 (Rs. 13.56 lakhs).
	September 1979	3.00	Amount was utilised for the purpose of manufacturing silicate which was not an approved programme. Commission recovered the amount in February 1986 after a lapse of 7 years.
2. Madhya Pradesh	*NA	3.98	Out of Rs. 1.42 lakhs, only Rs. 0.47 lakh was utilised and remaining funds released for bee-keeping and Rs. 2.56 lakhs released for Khadi units were neither utilised for the purpose for which it was given nor refunded.
3. Orissa	NA	24.71	The funds were released for few co-operative societies for development of village industres; out of that Rs. 17.16 lakhs were misutilised/diverted and only Rs. 0.13 lakh was refunded.
4. Uttar Pradesh	NA	247.93	The funds released to various institutions were reported as misutilised.

*NA stands for 'Not Available'.

7.2 *Non-utilisation*

The Commission places imprests at the disposal of the State Boards, based on the annual approved industry-wise budget. The State Boards, in turn, sanction financial assistance in the form of loans and grants according to the approved pattern of assistance. On issue of sanction, a cheque for the sanctioned amount would also be drawn by debiting the industry's budget head of account concerned. The sanctions being conditional till the terms and conditions attached thereto were fulfilled, the cheques were retained with the Board. Where the beneficiary was not able to fulfil the conditions, the cheques were cancelled and the amounts refunded to the Commission after several years. Out of 451 cheques amounting to Rs. 57.81 lakhs drawn during the period 1982-83 to 1985-86 in West Bengal, cheques for Rs. 19.13 lakhs were cancelled and the amount refunded to the Commission belatedly as the beneficiaries failed to furnish the legal documents to secure loan. As the funds were shown as spent in all such cases, though in effect they were not, the Commission was not in a position to divert such funds to other State Boards for their programmes

7.3 *Diversion of funds to meet administrative expenditure*

The administrative expenditure of the State Boards is required to be met out of the non-plan grants received from the respective State Governments. However, it was observed during the period from 1979-80 to 1985-86 that funds provided by the Commission/State Governments for development of Khadi and Village Industries under Plan heads of account were utilised to meet administrative expenditure in Himachal Pradesh (Rs. 44.27 lakhs), Manipur (Rs. 11.66 lakhs), Punjab (Rs. 47.19 lakhs) and in Uttar Pradesh (Rs. 64.81 lakhs).

7.4 *Utilisation Certificate*

In respect of financial assistance provided by the Commission by way of loans/grants amounting to Rs. 960.17 crores disbursed to the institutions and State Boards since inception of the Commission up to 1984-85, utilisation certificates for Rs. 116.08 crores comprising of Rs. 90.44 crores in respect of State Boards and Rs. 25.64 crores of institutions were still outstanding, as on 31st March 1987.

Utilisation certificates to the tune of Rs. 28.93 crores were under process and Rs. 14.76 crores were disallowed by the Commission from time to time while processing the utilisation certificates for loans and grants paid to the institutions. But, this amount was yet to be regularised/recovered, as on 31st March 1987, as given below :

Year	Loan	Grant	Total
	(Rs. in crores)		
Upto 1979-80	6.45	1.88	8.33
1980-81	1.05	0.50	1.55
1981-82	1.91	0.05	1.96
1982-83	0.96	0.13	1.09
1983-84	1.26	0.05	1.31
1984-85	0.49	0.03	0.52
Total :	12.12	2.64	14.76

Ministry accepted (February 1987) the position and stated that concerted efforts were being made to clear the backlog of wanting utilisation certificates.

7.5 *Non-refund of unutilised amounts by State Boards*

Out of the total loans of Rs. 662.63 crores and grants of Rs. 418.56 crores released up to March

1986 to various State Boards and institutions, the total unutilised amount to be refunded to the Commission was Rs. 55.55 crores under loans and Rs. 7.64 crores under grants (March 1988).

Loans and grants were released by the Commission to various institutions through the respective State Boards. The unutilised amounts of Rs. 4.31 crores repaid by the institutions to the twelve State Boards (Andhra Pradesh, Bihar, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Rajasthan and West Bengal) prior to 1983-84 were not credited back to the Commission.

8. **Targets and achievements**

8.1 The physical targets fixed for different activities were not available in Commission's records. The figures of financial targets and achievements regarding production and employment under Village Industries were compiled by the Commission from the progress reports received from the State Boards as well as the institutions. The State Boards in turn were obtaining the information from the assisted units.

Based on the available records of the Commission, the position of targets and achievements for the last five years was as under :

Year	Production		Employment	
	Target	Achievement	Target	Achievement
	(Rs. in crores)		(persons in lakhs)	
1981-82	505.18	542.37	21.29	20.69
1982-83	649.53	620.60	21.61	20.73
1983-84	687.66	722.16	22.16	21.92
1984-85	809.48	807.06	22.95	24.84
1985-86	924.73	929.03	24.34	25.56

A test check during Audit, however, indicated that in fourteen States/Union Territories (Assam, Bihar, Chandigarh, Delhi, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh, Maharashtra, Manipur, Orissa, Pondicherry, Punjab) the progress reports sent by the respective Boards were not based on reports received from the assisted units. A test check of records of the State Boards of Assam indicated that the reports of performance were based on random sample survey instead of actuals. In respect of Ropar and Patiala districts in Punjab, performance reports had been sent by only five units, one unit and 23 units during the years 1984-85, 1985-86 and 1986-87 though there were 4200, 4700 and 7428 units assisted respectively. In Andhra Pradesh and Karnataka, the reports were received from 11 *per cent* of the units by the State Boards. It was also observed that though the Commission's record in regard to production, employment and earnings showed an upward trend in all states, except Bihar and Kerala, from the information made available to Audit by various State Boards and institutions, there was a shortfall in production with reference to the targets fixed.

8.2 A test check during audit in 12 other States/Union Territories however, revealed that there was shortfall in achievement with reference to the targets fixed as shown below :

Chandigarh	In production and sales, during the period 1979-80 to 1985-86, the percentage of achievements to targets fixed showed a declining trend. In employment, the percentage declined from 110.4 in 1979-80 to 56.1 in 1984-85. Board had not analysed the reasons for shortfall.
Delhi	The gramshilpa was not able to achieve the targets of sales fixed by the Commission during the years 1981-82 to 1986-87.
Gujarat	From 1981-82 to 1985-86, the production and employment declined with reference to levels obtained in 1979-80 and the targets were not achieved. The shortfall was attributed to the unsatisfactory working of the units.
Himachal Pradesh	Shortfall in sales increased from 19 *per cent* in 1982-83 to 34.8 *per cent* in 1985-86 and shortfall during 1986-87 was 12 *per cent*.
Jammu & Kashmir	Targets were not achieved and the reason attributed was delayed receipt of funds from the Commission.
Madhya Pradesh	The percentage of shortfall in production and sales varied from 30 to 99 and 41 to 99 respectively in various industries. The reason for shortfall was due to non-receipt of machines, raw material, power shortage, etc.
Maharashtra	From the data available it was observed that the investment was increasing every year and the output on each additional investment of Rs. 1 lakh had come down from Rs. 5.17 lakhs in 1980-81 to Rs. 1.75 lakhs in 1984-85.
Manipur	During 1979-80 to 1985-86, against the target of Rs. 22.65 lakhs of silk, muslin and cotton khadi, the production was only worth Rs. 2.17 lakhs. As on 31st March 1985, the Bhavans of the Board had incurred a cumulative loss of Rs. 28 lakhs.
Orissa	The Board could not achieve the target under Khadi during 1980-81, 1981-82 and 1984-85, the percentage of shortfall in production being 65, 21 and 26 respectively. In directly aided institutions, the shortfall in production was 24 and 56 *per cent* in the years 1982-83 and 1983-84 respectively. Under Village Industries, during the period 1980 to 1985, shortfall in achieving the targets ranged from 3 to 99 *per cent* in production and 5 to 97 *per cent* in employment in respect of 11 industries.
Pondicherry	Shortfall in production and sales of Khadi varied from 35 to 100 *per cent* during 1982-83 to 1985-86 and under Village Industries, the production and sales were far below the targets.

Rajasthan	There was shortfall in production and sales to the extent of 20.35 and 14.78 *per cent* respectively during the period 1979-80 to 1985-86.
West Bengal	In Khadi Sector, shortfall in investment varied from 21.05 to 39.58 *per cent*. Under Village Industries, the shortfall in investment was 58.5 *per cent*, production fell short by 7 *per cent* and sales by 1.49 *per cent*.

It was also observed that the figures of production and sales available from the records of the State Boards of Gujarat, Himachal Pradesh, Uttar Pradesh, West Bengal, Chandigarh during 1981-82 to 1984-85 varied from the figures reported in the reports of the Commission in the respective years to the extent of 10 to 50 *per cent*.

8.3 The figures of production and employment reported by the Commission in respect of four industries, as under, showed that there was no co-relation between production and employment.

Name of the industry	Year	Production (value in lakhs of rupees)	Employment (persons in lakhs)
(i) Cane, sugar and Khandasari	1983-84	8808	1.34
	1984-85	7779	1.42
(ii) Non-edible oil and soap	1981-82	2188	2.01
	1984-85	3141	1.11
(iii) Bee-keeping	1981-82	959	1.86
	1983-84	759	1.99
(iv) Gum and resin	1982-83	227	1.46
	1983-84	283	0.82

It will be observed from the serial number (i) and (iii) above that, while there was increase in the number of persons employed in the industry, production decreased and vice versa.

9. Production, employment and earnings

9.1 As seen from statistical details in the Commission's records, comparative position of investment employment ratio (investment per person employed), investment output ratio (output per rupee investment) and employment output ratio (output per unit employment) before and at the end of Sixth Five Year Plan, as well as during 1985-86 was as under.

A. Khadi	1979-80	1984-85	1985-86
1. Investment employment ratio	2131	3056	3391
2. Investment output ratio	0.59	0.60	0.64
3. Employment output ratio	1259	1824	2191
B. Village Industries			
1. Investment employment ratio	778	1233	1364
2. Investment output ratio	4.11	3.96	3.86
3. Employment output ratio	3201	4896	5263

The Commission stated in January 1988 that no norms for the ratios have been fixed as the nature, structure and character of production activities varied from industry to industry and from scheme to scheme. However, in the absence of such norms, it is not clear how the Commission could ensure favourable capital output ratio or high employment intensity in respect of industries/schemes concerned.

9.2 During test check of records in respect of production, employment and earnings from the various State Boards during 1982-83 to 1985-86, it was noticed that performance reports/progress reports on the working of institutions/cooperative societies and individuals as prescribed had not been received regularly.

In Andhra Pradesh, during 1979-80 to 1985-86, performance reports were received from only 2467 out of 18470 beneficiaries. In Chandigarh, out of ten approved Village Industries, the Board concentrated only on carpentry and blacksmithy and distributed 90 *per cent* funds during 1979-80 to 1985-86. In Gujarat, variations in production, employment and investments were noticed in respect of various industries. In Haryana, it was noticed during audit that out of 63203 units financed, reports had been received only from 3541 units.

Most of the Boards, except Haryana, Himachal Pradesh, Karnataka and Jammu and Kashmir, had not reported the average annual earnings during the period 1979-80 to 1986-87. Test check of records of some State Boards and institutions revealed that per-capita income under village industries during 1981-82 to 1985-86 varied between Rs. 204 and Rs. 4000 *per annum*, lowest being in Assam and highest in Tamil Nadu. In Orissa, per capital income of artisan (spinners) under Khadi worked out to Rs. 1.20, Rs. 1.55 per day during 1982-83, 1983-84 respectively and the earning was less than a rupee during 1985-86 against the minimum wage of Rs. 7.50 per day fixed during the Sixth Five Year Plan period.

It was stated that the income of artisans under the scheme was only a supplemental income. However, the exact information in this regard was not available with the Commission (April 1988). Further, in many cases the State Boards had not prescribed any procedure to verify the correctness of the returns or submission of audited accounts.

Ministry had accepted the fact that progress reports were not being received from the village industries, institutions/societies, individuals either due to lack of the necessary educational background or for want of time. Therefore, a rough estimate close to the realistic figure has been worked out in respect of production, employment and earnings Ministry also stated in April 1987 that the decrease in the employment was due to the introduction of modern techniques like new model Charkha in Khadi industries, power ghani in village oil, haulers in processing of cereals and pulses industry, etc.

10. **Blocking of funds in defunct/weak units**

10.1 A review of records relating to various State Boards indicated that a number of cooperative societies/institutions and individuals financed by the Commission/State Boards were either defunct, weak or grossly inefficient or had not commenced production.

A test check of village industries in various States revealed that out of 4.35 lakhs institutions/cooperative societies/individuals financed to the tune of Rs. 220.27 crores by the Commission/Boards up to March 1987, 0.6 lakh units were either defunct of were not working, resulting in blocking of funds to the tune of Rs. 30.02 crores.

At the end of March 1987, there were defunct units under processing of cereals and pulses industry (37 *per cent*) Carpentry and blacksmithy (46.4 *per cent*) Fibre (35.2 *per cent*) Village oil (30.4 *per cent*) Leather (33.7 *per cent*) Non-edible oil and soap (68 *per cent*) Cottage Match (78 *per cent*).

10.2 The following are a few of the more important cases of blocking of funds in various States :

Name of the State	Amount blocked (Rs. in lakhs)	Remarks
(1)	(2)	(3)
(i) Assam	45.43	Money was kept outside the general accounts of the Board between 1979-80 and 1984-85 and shown, as expenditure in Board's cash book. The amounts were either transferred to Chief Executive Officers' Reserve Account between March and November 1984 (Rs. 33.87 lakhs) or to the cash book between April and June 1985 (Rs. 11.55 lakhs).
(ii) Bihar	3.45	Amount was advanced by the Commission in March 1984 for supply of cement to a factory for construction of gobar gas plants. No cement was supplied and the factory was closed in July 1984 and the construction of gobar gas plants was not done.
(iii) Gujarat	8.29	Stocking loan of Rs. 8.29 lakhs was paid in excess to 10 institutions and no action was taken to recover the excess (August 1986).
(iv) Haryana	196.26	During the period 1980—85, funds released to Cottage match and other Village Industries remained blocked as they had not gone into production and the amounts were not refunded.
(v) Himachal Pradesh	12.02	Amount released (Rs. 13.02 lakhs) for Village Industries and Training programmes remained unutilised and was not refunded to the Commission except recovery of Rs. 1 lakh (July 1986).
(vi) Manipur	10.97	Funds released to 13 departmental units were blocked as either the units did not start or ceased functioning (1979-80 to 1983-84).
(vii) Punjab	5.45	Out of funds released by the Commission and State Government (Rs. 8.02 lakhs during February 1976 to December 1981), Rs. 5.45 lakhs remained unutilised.
(viii) Uttar Pradesh	13.02	Funds released (Rs. 23.36 lakhs) for setting up of 400 units for processing of cereals and pulses, had not been utilised by 309 beneficiaries; Rs. 10.34 lakhs were recovered resulting in blocking up of Rs. 13.02 lakhs (1979-80 to 1985-86).
(ix) West Bengal	0.74	Funds were advanced by the Board in 1982 for setting up a lympo unit. Neither the unit was set up nor the amount was refunded (July 1986).

Ministry stated in April 1987 that the position of blocking of capital with various beneficiaries, which were reported to have been defunct, was being reassessed for initiating necessary action for recovery of funds from them and that revenue recovery proceedings had already been taken in several cases.

11. **Bio-gas scheme**

11.1 *Grants from Department of Non-conventional Energy Sources (DNES) for Bio-gas Scheme*

During 1979-80 and 1980-81, the Bio-gas Scheme was implemented out of the Commission's funds. From 1981-82, the DNES has been providing funds to the Commission to meet the expenditure under Bio-gas Programme. From 1981-82 to 1984-85, Rs. 1546.56 lakhs were received from DNES under this Scheme and the expenditure incurred was Rs. 1526.36 lakhs. Utilisation certificates have not been sent by the Commission to DNES (March 1988) for the expenditure incurred. An amount of Rs. 20.20 lakhs was lying with the Commission as unspent since 1985-86 and was not refunded to DNES (March 1988). In addition, an amount of Rs. 13.50 lakhs received from DNES during 1984-85 for mobile repair units and repair work of defective gas plants was also lying with the Commission as unutilised (March 1987).

11.2 *Non-existence of gobar-gas plants*

During 1984, the Commission ordered survey of Bio-gas plants in 14 districts in 3 States viz., Bihar, Maharashtra and Tamil Nadu. The result of the survey was as follows :—

State	No. of plants covered	Working Plants	Non-working plants	Non-existing plants
		(percentage)		
Bihar	3938	55	29	16
Maharashtra	7299	83	15	2
Tamil Nadu	1979	69	26	5

The Standing Finance Committee of the Commission in September—October 1985 decided that serious action should be taken against persons responsible for the non-existence of plants. No action has been taken by the Commission against the officials except calling for their explanations (September 1987).

11.3 *Gobar Gas programme in Madhya Pradesh*

During 1982-83 to 1984-85, the Commission provided finance to the extent of Rs. 51 lakhs under bio-gas programme in the State of Madhya Pradesh. Government of Madhya Pradesh had also provided finance to the extent of Rs. 63 lakhs. The target fixed for the installation of bio-gas plants was 5000 during 1982—1985 and the achievements reported for the aforesaid period as per records showed only 1388 plants.

From the records available, it was found that out of total payment of Rs. 37.65 lakhs disbursed as subsidy by the Commission during 1982—85, a sum of Rs. 27.71 lakhs was considered objectionable by the Commission itself due to serious deficiencies, irregularities and administrative lapses in the matter of release of subsidies.

On a sample verification carried out by the Commission in Jhabua district of Madhya Pradesh, it was found that out of 130 plants for which 60 *per cent* subsidy was released, not a single plant was fulfilling the requisites prescribed for the purpose viz., availability of cows/buffalos, necessary infrastructure, etc.

As per the independent survey conducted from 1984 onwards by the Commission, it was noticed that in a few selected districts in Madhya Pradesh, about 16 *per cent* of the plants were not in existence at all.

The Commission decided in 1984 that serious action should be taken against persons responsible for the non-existence and non-working of the plants after coducting an enquiry. On receipt of enquiry report, two officers were charge-sheeted in September 1985 and March 1986.

11.4 *Bio-gas Research and Development Centre, Bombay*

The Bio-gas Research and Development Centre had been started at Borivli, Bombay in 1962.

Although no target was fixed for the Centre during the period 1976-77 to 1980—83, very little work was done. In June 1983, the Centre was directed to concentrate on the research work connected with the fuel technology, more specifically the testing of gas appliances. Funds released by the Commission from 1982-83 onwards were of recurring nature i.e. rent, electricity and maintenance and up-keep of the assets already created. No funds were granted for research activities as the Centre was not carrying out any of the research work except testing of gas appliances.

The cessation of research and development activities from June 1983 onwards had the following effects:

(a) Idleing of infrastructure (Rs. 0.85 lakh).

(b) Idleing of machinery and equipment (Rs. 2.94 lakhs).

(c) Non-disposal of scrap material (Rs. 0.30 lakh).

(d) Idle manpower and infructuous expenditure on pay and allowances (Rs. 2.37 lakhs) from June 1983 to March 1986.

12. **Polyvastra Industry**

The polyvastra scheme was started by the Commission from April 1979. The Commission was rendering financial assistance to the institutions in the form of loan for capital expenditure, working capital, construction of sheds, etc. on an ad hoc basis.

As on 31st March 1988, utilisation certificates for Rs. 189.23 lakhs were outstanding for the period 1979-80 to 1986-87. Out of the total release of Rs. 584.57 lakhs, utilisation certificates actually received were for Rs. 313.81 lakhs and unspent balance to be refunded to the Commission was Rs. 81.53 lakhs.

During 1980-81 to 1984-85, there was total production of Rs. 626.24 lakhs worth of polyvastra whereas the sale for the above period amounted to Rs. 271.61 lakhs only, resulting in accumulation of huge stock, which showed that more than 56 *per cent* of production was lying unsold. Even though the Commission was having a marketing infrastructure to keep sales of Khadi and Village Industry products and funds were sanctioned for various marketing development programmes, there was accumulation of stock.

13. **Development of New Model Charkha scheme**

Four hundred twelve Charkhas of various types manufactured prior to 1981-82 costing Rs. 2.02 lakhs were stored in the godown of Khadi Ashram, Panipat. As per available records, it was seen that these Charkhas which were supposed to be distributed by the instrumentation section of the Commission to various units had not been distributed (March 1987). It was not verifiable from the records whether the requirements/needs of the institutions had been ascertained before manufacturing the Charkhas.

Bal Nal Kanta K.G. Mandal, Ranipur, Gujarat had been asked to manufacture 500 woollen charkhas for supply to various institutions during 1980-81. All the 500 charkhas had been manufactured for which an amount of Rs. 3.92 lakhs was paid to the Mandal. As per the Commission's instructions only 100 charkhas had been supplied to the institutions concerned. The balance 400 charkhas were lying idle as they were not in demand by the institutions. It was not clear from the records whether before placing the order with the manufacturer, the Commission had taken the consent of the institutions for whom the woollen charkhas were intended. The Commission stated in October 1987 that these charkhas were not obsolete and efforts were in progress to utilise them.

An amount of Rs. 8.00 lakhs had been paid to Ambar Saranjam Bhandar, Ahmedabad, in October 1981 for procuring spare parts for woollen charkhas. However, the spare parts had not been supplied by the Bhandar (March 1987). The Commission stated in October 1987 that a sum of Rs. 2.80 lakhs was recovered leaving a balance of Rs. 5.20 lakhs for which efforts were on hand.

14. **Working Results of some of the State Boards and their units**

14.1 Many of the Khadi and Village Industry units financed by State Boards suffered substantial losses. A few cases are given below :

(i) Haryana	Loss of Rs. 8.58 lakhs incurred by two units under cottage match and handmade paper industries (1976-77 to 1985-86).
(ii) Jammu & Kashmir	Kashmir Destkan Anjuman Institute incurred accumulated loss of Rs. 17.64 lakhs up to March 1984.
(iii) Karnataka	Thirty two institutions were given Rs. 101.33 lakhs. Units were closed in batches, 8 prior to 1965, 15 in 1965, 6 in 1975 and the remaining 3 during 1982-83, resulting in a cumulative loss of Rs. 21.32 lakhs upto the end of March 1985.
(iv) Madhya Pradesh	Out of 107 trading units, 49 units incurred a loss of Rs. 58.87 lakhs during the period 1979-80 to 1985-86.
(v) Punjab	Loss of Rs. 6.89 lakhs incurred by Khadi Seva Sangh till March 1984.

In bee-keeping industry at Mount-Abu in Rajasthan, the total expenditure incurred under establishment and contingent charges from 1979-80 to 1985-86 was Rs. 3.19 lakhs against production worth Rs. 1.81 lakhs showing unsatisfactory performance.

14.2 *Bhagyanagar Khadi Samiti, Hyderabad--Loss due to fire to the cotton bales*

On 28th March 1985, cotton bales valued provisionally at Rs. 15.50 lakhs stocked at Saroornagar godown belonging to Bhagyanagar Khadi Samiti, Hyderabad were burnt due to a fire caused by a thunderbolt and the resultant loss could not be got reimbursed from insurance company due to non-renewal of insurance policy.

The value of cotton lost in the fire was finally computed at Rs. 12.72 lakhs. The stock for Rs. 374 lakhs was available with the Samiti as on 31st March 1987. Thus, as against the recoverable amount of Rs. 12.72 lakhs, reducing the value of stock available, a sum of Rs. 8.98 lakhs was due from the Samiti towards cotton lost by fire; out of which Rs. 0.75 lakh had been recovered and the balance Rs. 8.23 lakhs was proposed to be recovered by the Commission in February 1987 in four annual instalments from 1987-88 onwards.

15. **Trading units**

15.1 There were 139 trading units in March 1987 spread over the country which were directly financed by the Commission. The capital invested in these units was Rs. 4184 lakhs under Khadi and Rs. 606 lakhs under Village Industries. Out of 139 units, only 105 units were working during 1986-87 and the remaining 34 units had been declared as closed/defunct (involving Rs. 38.47 lakhs). The accounts of 10 of these closed units involving a capital of Rs. 35.80 lakhs had not yet been finalised by the Commission (March 1987).

15.2 *Performance*

The position of sales, gross profit and net profit/loss in respect of 139 departmental trading units during 1984-85 to 1986-87 was as under :

	Khadi			Village Industries		
	1984-85	1985-86	1986-87	1984-85	1985-86	1986-87
				(Rs. in lakhs)		
Sales	2903.88	3365.82	3692.77	679.66	666.60	605.46
Gross Profit	143.79	163.02	182.26	61.74	61.62	60.47
Net Profit(+)/Loss(−)	(+)8.15	(+)12.77	(−)1.07	(−)5.48	(+)8.73	(+)11.92

Ministry stated in February 1987 that the Commission's activities in hilly and backward areas are not being conducted on strictly commercial lines, but they were all promotional activities started with the intention of creating an infrastructure and give employment to local people. In order to dispose of the products, outlets have been created. However, to boost the poor sales, a Committee was constituted in June 1986 by the Chairman of the Commission for going into the various problems of the trading units. Report of the Committee is still awaited.

15.3 *Excess closing stock*

The Public Accounts Committee (5th Lok Sabha) in their 93rd Report had suggested that the closing stock should not be allowed to exceed the requirement for 8 months.

From the accounts of few units test checked, it was observed that during 1985-86, the under mentioned trading units were in possession of closing stock much in excess of their requirement for 8 months :

Name of the Unit	Total sale	Average monthly sale	Closing stock of finished product	Number of months in which closing stock can be disposed off
1	2	3	4	5
		(Rs. in lakhs)		
(A) Khadi				
(1) Regional Office Port Blair	1.18	0.09	3.08	34
(2) Gram Shilpa Darjeeling	5.46	0.45	6.76	15
(3) Regional Office, Jabalpur	7.25	0.60	7.68	13
(4) State Office, Agartala	18.48	1.54	44.38	29
(5) Six spindle trading unit State office, Calcutta	14.91	1.24	19.47	16
(6) Regional Office, Pithoragarh	8.95	0.75	12.53	17
(B) Village Industries				
(1) Bee-keeping Kuzhithura	0.37	0.03	1.02	34
(2) Regional Office, Rishikesh	17.65	1.47	19.77	13
(3) Regional office, Pithoragarh	0.10	0.01	0.41	41

15.4 *Sundry debtors*

The position of sundry debtors at the end of each year from 1982-83 to 1986-87 was as under:

Year	Khadi	Village Industries	Total
	(Rs. in lakhs)		
1982-83	1790.72	283.91	2074.63
1983-84	1676.78	288.95	1965.73
1984-85	1816.37	386.22	2202.59
1985-86	1261.89	262.79	1524.68
1986-87	2020.72	286.76	2307.48

It was observed that as on 31st March 1987,

(a) yearwise details of sundry debtors had not been worked out for 48 out of 105 functioning departmental trading units;

(b) confirmation of balances had not been received from the parties concerned;

(c) in respect of the 34 departmental trading units which were closed/defunct during the period 1962-63 to 1984-85, the amount involved was Rs. 38.47 lakhs; and

(d) a test check of accounts of 47 departmental trading units revealed that Rs. 87.71 lakhs were outstanding for more than three years. No yearwise analysis was available with the Commission. It was, however, noticed that several items were more than ten years old.

15.5 *Provision and Reserves*

The Commission made provision for bad and doubtful debts under Khadi for Rs. 15.94 lakhs (0.78 *per cent*) against sundry debtors of Rs. 2020.72 lakhs and for Village Industries Rs. 0.35 lakh (0.12 *per cent*) against the sundry debtors of Rs. 286.76 lakhs as on 31st March 1987 without making an analysis of bad and doubtful debts. Only a negligible amount of Rs. 1735 was written off as bad and doubtful debts during 1986-87.

15.6 *Capital*

On 31st March 1987, there was a net difference of Rs. 58.44 lakhs in the figures of capital provided by the Commission to 67 of its trading units and the amount of capital shown as received by them as detailed below :

Name of industry	No. of units	(Amount of difference) Less than the Commission figures	More than the Commission figures
		(Rs. in lakhs)	
Khadi			
Functioning	26	94.31(14)	110.86(12)
Closed/transferred/defunct	9	5.48(5)	7.09(4)
Village Industries			
Functioning	27	77.38(19)	1.84(8)
Closed/transferred	5	1.12(3)	0.06(2)
Total :	67	178.29(41)	119.85(26)

(Note : Figures in the bracket show the number of units).

Reconciliation statements in respect of all the units have not been prepared and difference in respect of 12 units closed/transferred during March 1960 to January 1974 remained to be adjusted for more than 13 years.

15.7 *Departmental Units*

The Annual Report of the Commission for the year 1985-86 stated that the departmental trading units of the Commission taken as a whole showed a net surplus of Rs. 12.76 lakhs in Khadi and Rs. 8.73 lakhs in Village Industries.

However, a test check of records in various States indicated that the departmental centres run by the Commission as well as the State Boards were running in loss. A few examples are given below :

Andhra Pradesh	The State Board invested Rs. 51.59 lakhs up to March 1985 in 16 departmental units. Out of these, 11 units had become defunct by March 1978 involving Rs. 9.75 lakhs and incurred accumulated losses of Rs. 2.32 lakhs over the years. One oil crushing unit at Tirupati with a capital investment of Rs. 2.28 lakhs suffered a loss of Rs. 1.83 lakhs up to 1984-85.
Haryana	Two departmental trading units were set up during 1976-77; one under Cottage Match Industry run by the Commission and the other by the State Board under hand-made paper industry. The accumulated loss was Rs. 7.88 lakhs in both the units, against an investment of Rs. 14.36 lakhs up to March 1986.
Madhya Pradesh	Upto March 1985, Rs. 527.21 lakhs capital was invested in departmental trading units. Out of these 49 units covering 14 Village Industries with a total capital investment of Rs. 25.78 lakhs were closed down with an accumulated loss of Rs. 9.50 lakhs.
Manipur	There were 6 departmental units run by the State Board. Out of these, three units ceased operations blocking up Rs. 7.56 lakhs during 1979-80 to 1985-86.
West Bengal	The State Board invested Rs. 58.94 lakhs in two hand-made paper units during 1982-86. The accumulated losses worked out to Rs. 62 lakhs (1985-86).

16. **Loans**

16.1 The total aasistance paid by the Commission to State Boards and other implementing agencies since its inception to March 1987 was to the extent of Rs. 1210.74 crores (Rs. 733.47 crores as loans and Rs. 477.27 crores as grants) as per details given below :

	Khadi	Village Industries	Total
		(Rs. in crores)	
Loans	383.58	349.89	733.47
Grants	355.39	121.88	477.27
	738.97	471.77	1210.74

Loans paid for implementation of Khadi Programmes were interest free, while those in connection with Village Industries carried interest at the rate of 4 *per cent per annum*. Period of recoveries of loans generally ranged from six months to ten years.

Out of the loans totalling Rs. 733.47 crores paid up to 31st March 1987 for Khadi and Village Industries, balance of Rs. 544.42 crores (74.2 *per cent*) were outstanding as given below :

	(Rs. in crores)
(i) Khadi	286.60
(ii) Village Industries	257.82
Total :	544.42

16.2 *Overdue loans from State Boards/institutions*

According to the terms of loans given by the Commission, recovery was to commence at the end of second year and outstanding amounts become overdue at the end of 5 years in respect of departmental production centres and 10 years in respect of Gramodyog Bhavans. However, loans for working capital was not recoverable so long as a unit was in operation.

The Commission has not worked out the overdue instalments in respect of loans granted to State Boards. The State Boards were sending the default/overdue statements and the Commission incorporated the same in their records. There was no mechanism to check the correctness of the default statements or interest due thereon. Further, information regarding interest recoverable along with penal interest on overdue loans could not be ascertained from the Commission's records. Twenty two State Boards had sent the default statements, as on 31st March 1987, for Rs. 550.92 lakhs in the case of Khadi and 20 State Boards had furnished default statements for Rs. 2940.94 lakhs in the case of Village Industries as on 31st March 1986.

Ministry confirmed (February 1987) the figures and stated that action was in progress to recover the overdue loans.

As per the information given in the annual accounts of the Commission for 1986-87, there were 105 institutions under Khadi and 312 under Village Industries, involving outstanding loans of Rs. 239 lakhs where the institutions were under liquidation or against which legal action had been initiated for recovery of loans up to 31st March 1987. Ministry stated in February 1987 that action was in progress to recover the overdue loans.

A test check of Boards' records revealed that in Chandigarh the funds provided by the Commission were placed under short-term fixed deposits which earned interest amounting to Rs. 12.09 lakhs during 1982-83 to 1986-87. This was not remitted to the Commission even after a specific request from the latter. Out of the interst of Rs. 12.09 lakhs, an amount of Rs. 10.22 lakhs was utilised for payment of various advances to the staff.

In Punjab, during 1970-71 to 1983-84, the loan recovery due from the beneficiaries, recoverable by the Board, amounting to Rs. 355.07 lakhs, was not returned to the Commission. It was noticed that interest of Rs. 15.99 lakhs, which was earned by the Board and was to be remitted to the Commission was taken as miscellaneous receipts of the Board and utilised for defraying expenses of the Board.

16.3 *Confirmation of Balances*

Balances to be confirmed in respect of loans granted up to 31st March 1986 from State Boards/Institutions were as given below :

	Total loan	Confirmation outstanding
	(Rs. in crores)	
Khadi	273..9	221.02
Village Industries	246.60	223.64

Inspite of instructions given by the Commission in the budget meetings, the Boards had not adopted the practice of obtaining confirmation of balances from the loanees at the end of each financial year. In a large number of cases overdue recoveries were effected by adjustment at the time of further release of financial assistance to the defaulted units and voluntary payment of instalment was very rare. Interest and penal interest on overdue loan instalments had not been worked out and intimated to the beneficiaries. In most of the cases, the units were not aware of the up-to-date outstandings against them. The reported overdue amounts, as on 31st March 1987, were not accepted and reconciled. Test check of a few State Boards *viz.* Chandigarh, Haryana, Jammu & Kashmir, Uttar Pradesh and West Bengal records indicated that loan ledgers were neither up-to-date nor agewise breakup of outstanding loans and overdue amounts with interest worked out. Boards had not evolved any procedure to enforce the terms and conditions subject to which the amount of loan was sanctioned.

Ministry stated in April 1987 that State Boards were making efforts to obtain the confirmation of balances.

16.4 *Cases under revenue recovery*

(i) According to the terms of loans given by the Commission, any default in the re-payment of principal and interest should be reported by the Chief Executive Officer to the Commission. As per the provisions of Section 19-B of the Commission's Act, notices were to be issued to the defaulting institutions through revenue authorities to recover the dues as arrears of land revenue. In 607 cases involving Rs. 4.19 crores, notices were issued under Section 19-B for arbitration proceedings (March 1988). It was noticed that revenue authorities have returned the recovery certificates in a few cases as there was no property to be attached.

(ii) Test check of 22 cases where revenue recovery notices had been issued indicated that adequate follow up action was not taken. In four cases involving Rs. 54.28 lakhs, decrees were obtained but action to execute the same had not been taken (March 1987). In one case referred to tribunal, no details were forthcoming. Details of the remaining seventeen cases are as under :

Period	No. of cases	Amount involved (Rs. in lakhs)
1973 to 1978	10	116.71
1979 to 1983	5	37.35
1984 to 1985	2	16.73

Out of these 22 cases, in 13 cases no equitable mortgage of immovable assets was executed by the institutions with the Commission, but only hypothecation deeds had been executed. Directors in the State offices of the Commission were authorised to take possession of the hypothecated goods and dispose them of. Inspite of specific direction of the Commission, the State Offices failed to takeover the hypothecated assets and remit the sale proceeds to the Commission, despite lapse of several years. Consequent on the inordinate delay in executing Commission's orders, the stock/assets of the institutions concerned were reportedly diminishing every year.

(iii) In one case (Acharya Narendra Deo Seva Sadan Kanpur, Uttar Pradesh), the entire amount of Rs. 6.49 lakhs released by the Commission during 1968-69 to 1971-72 for development of Khadi and Village Industries, was invested in equity shares in a scooter company (Uttar Pradesh Scooters). A police complaint was lodged by the State Director against the members of the Sadan, but no amount could be recovered (July 1986).

Ministry stated in February 1987 that cases were being pursued with the State Director.

16.5 *Bank Finance*

Government of India had approved a comprehensive interest subsidy scheme in 1977 for institutional financing of the Khadi and Village Industries Programme. The interest subsidy would be admissible on the funds raised for the development of Khadi and Village industries as specified in the Act. On the strength of the interest subsidy eligibility certificate issued by the Commission, the State Board/Institution/Cooperative societies would negotiate with their bankers for the required financial accommodation. The Commission would have no liability of any kind either in respect of the principal amount of loan or payment of 4 *per cent* (or at revised rate) interest to be borne by the borrower for which interest subsidy eligibility certificate had been issued. Its liability shall be restricted only to the extent of payment of interest subsidy as per the scheme and would be covered by the budget allocations made for interest subsidy to be paid to the banks.

During 1985-86 and 1986-87, interest subsidy eligibility certificate was given for Rs. 37.92 lakhs and Rs. 47.10 lakhs and the finance availed of was Rs. 18.52 lakhs and Rs. 25.14 lakhs respectively.

Thus, bank finance had been availed of by the various State Boards only to the extent of 50 *per cent* of the available provision. During 1986-87, bank finance availed by various States ranged from 23 *per cent* (Haryana) to 100 *per cent* (Maharashtra).

Under the scheme, the requirements of working capital on which interest subsidy was payable was to be calculated after deducting the cash balance available with the unit from the former. Test check of records in Rajkot showed that some units had obtained bank finance amounting to Rs. 54 lakhs during 1982-83 despite fixed deposit of Rs. 40 lakhs held by them. This resulted in excess payment of subsidy of Rs. 24.57 lakhs up to August 1986.

Similarly, one institution at Bhavnagar in Gujarat had obtained bank finance of Rs 15.48 lakhs in 1982-83 despite fixed deposit of Rs. 23.22 lakhs and cash balance of Rs. 15.82 lakhs held by it. This resulted in irregular payment of interest subsidy amounting to Rs. 5.29 lakhs to the unit up to March 1986. Apart from this, the unit did not pay to the Board the interest amount of Rs 1.90 lakhs earned by it on its fixed deposit though directed to do so by the State Board.

17. **Marketing**

17.1 The Commission has created a marketing infrastructure to help the sales of Khadi and Village Industries products. The network of sales outlets consists of six Khadi Gramodyog Bhavans, directly run by the Commission and about 13000 bhandars and gramodyog sales depots run by the State Boards and institutions and sales points at the production centres. It was seen from the Commission's records for 1986-87 that the sales of the Department Bhavans were steady during 1985-86 and 1986-87. But, Calcutta, Goa and Gramshilpa, New Delhi recorded a fall in sales (8 *per cent*) in 1986-87. Further, there was a fall in exports during 1986-87 (Rs. 2.91 crores) when compared with 1985-86 (Rs. 3.50 crores).

17.2 *Test check of records of a few States indicated the following* :

(i) The sales depots were not able to dispose of the stock, particularly in respect of Khadi. The closing stock of Khadi in Gujarat amounted to Rs. 1221.05 lakhs and Rs. 1223. 72 lakhs at the end of March 1985 and 1986 respectively. The stock of Khadi as at the end of March 1986 was worth Rs. 602 lakhs in Karnataka, Rs. 54.31 lakhs in Orissa and Rs. 37.25 lakhs in West Bengal. The reasons attributed for the heavy stocks were lack of marketing facilities and substandard quality of products. Agewise details of stock were also not kept on records.

(ii) In Orissa, under the Commission's marketing schemes, marketing cooperative societies were organised to boost up the sales. During a test check of records in the State Office of the Commission, it was seen that the retail outlets were selling non-khadi and non-village industry products like handloom fabrics, ration cloth, Janta sarees, bathing soaps like Lux and Rexona, detergents like Surf and Sunlight, coconut oil, milk powder, Dalda, etc. The total amount of Rs. 20.28 lakhs spent during 1979-80 to 1985-86 for promoting marketing of Khadi and Village Industry products did not serve the purpose for which funds were released.

(iii) *Khadi Gramodyog Bhavan, Calcutta*

During 1985-86, the Bhavan was sanctioned a working capital loan of Rs. 119.50 lakhs (total eligible working capital) by the Commission ignoring the fact that there was excess working capital loan of Rs. 37.50 lakhs including temporary loan of Rs. 10 lakhs provided during 1984-85.

Sundry debtors to the extent of Rs. 48.19 lakhs, as on 31st March 1983, were outstanding and their yearwise classification was also not worked out.

Central Sales tax to the extent of Rs. 2.05 lakhs was not recovered as the Bhavan was not in a position to produce the 'C' Form eligibility of the buyers resulting in loss to the Bhavan. It was pointed out by the Commission that the amount had been claimed and that Bhavan was following up vigorously with the State Government.

Similarly, Sales tax subsidy to the tune of Rs. 42.93 lakhs was not recovered from the West Bengal Government by the Bhavan as confirmed by Ministry in April 1987. Ministry had also pointed out that Rs. 15.52 lakhs had been received by the Bhavan as sales tax subsidy for the period 1976-77 to 1979-80.

18. **Coverage of Scheduled Castes/Scheduled Tribes beneficiaries**

The entire programme of the Commission was primarily intended for the benefit of the weaker sections of the society including Scheduled Castes/Scheduled Tribes. The Commission have stated that they have provided in the Scheme that 30 per cent of the assisted families should be from Scheduled Castes/Scheduled Tribes. As per the Commission's records, coverage of Scheduled Castes/Scheduled Tribes in the total employment under the Commission was 29.3 per cent at the end of the Sixth Plan. However, the figures of Scheduled Castes/Scheduled Tribes coverage adopted by the Commission were not supported by any detailed records maintained by the Boards.

It was reported by the Commission in their annual reports for the year 1984-85 and 1985-86 that out of the total 37.89 lakhs and 39.08 lakhs persons employed, 11.12 lakhs and 11.64 lakhs were Scheduled Castes/Scheduled Tribes respectively. However, it was observed in Audit that up-to-date information on the number of Scheduled Castes/Scheduled Tribes personnel benefited/employed under Khadi and Village Industries schemes was not readily available with any of the states except Haryana, Himachal Pradesh and Pondicherry (March 1987).

In Haryana, out of the total number of 23908 units assisted, the units belonging to Scheduled Castes/Tribes were only 1301 (5.4 *per cent*). A review of

the carpentry and blacksmithy industry revealed that the coverage of Scheduled Castes/Tribes was only 1 to 2 *per cent*.

In Himachal Pradesh, the amount sanctioned for rebate to the extent of Rs. 6 lakhs and Rs. 3 lakhs during 1984-85 and 1985-86 respectively was to be utilised by the Board for allowing rebate on the sale of goods produced by the Scheduled Castes/Tribes, backward and tribal families. But, the Board did not sell any such goods and the amount was unutilised (July 1986).

In Pondicherry, out of 1510 artisans selected for employment, only 34 were belonging to Scheduled Castes/Tribes (2 *per cent*).

19. **Training**

The Commission's training programme consisted of imparting training in various supervisory management and artisans' courses in Khadi and Village Industries at the departmental training centres and at the training centres run by Khadi and Village Industries institutions and States Boards aided by the Commission.

During 1985-86, there were 29 training centres (12 departmental and 17 institutional) under the purview of the Directorate of Training. According to Commission's records the number of candidates trained under Khadi during the year was 988 and under Village Industries 7600. Among the candidates trained under Khadi, 77 belonged to the Scheduled Castes, 93 to Scheduled Tribes and 209 to backward communities. Similar information for Village Industry was not readily available with the Commission. The figures reported by the Commission were not supported by relevant records with the Boards as noticed during test check by Audit.

Most of the State Boards were entrusted with the work of imparting training to artisans in various Village Industries and funds were being released by the Commission under their pattern of assistance and also for Training of Rural Youth For Self Employment (TRYSEM). Under the TRYSEM scheme, sponsored by Government of India, funds were placed at the disposal of the Commission. According to the programme, the funds were to be utilised within a period of six months.

As against the amount of Rs. 234.37 lakhs sanctioned, Ministry released only Rs. 155.43 lakhs under TRYSEM during 1981-82 to 1984-85 and the Commission in turn released Rs. 153.25 lakhs to various industries/programme directors after receipt of necessary information in this regard. The industry/programme directors released Rs. 140.67 lakhs to set up 76 centres. Thus, though Government sanctioned Rs. 234.37 lakhs for strengthening infrastructure in 113 centres for 11 industries, only 76 centres were set up by the Commission.

A test check of records showed the following results in training under Khadi and Village Industries regular as well as TRYSEM schemes:

State	Number of centres	Intake capacity	Number of persons trained	Remarks
(1)	(2)	(3)	(4)	(5)
Andhra Pradesh	*NA	3700	888	In 5 years, 888 persons were trained under TRYSEM.
Haryana	4	4340	776	During the Sixth Five Year Plan period, 12682 new village industry units were established, but only 619 artisans were trained against the target of 3360 under Village Industries.
Karnataka	1	420	270	In 7 years, only 270 persons were trained incurring expenditure of Rs. 10.32 lakhs.
	1	NA	NA	Rs. 1.79 lakhs was released under TRYSEM for infrastructure, but no progress was made.
Kerala	3	70	NA	Under TRYSEM, Rs. 3.93 lakhs were allotted, but no training centre was started. The actual number of persons trained and expenditure incurred were not readily available. Fourth centre which was to be set up refunded the full amount of Rs. 0.78 lakh after three years.
Madhya Pradesh	NA	779	429	The reason for non-fulfilment of targets was due to non-availability of sufficient number of trainees.
Maharashtra	NA	315	168	In 7 years, only 168 persons were trained under hand-made paper technology and average cost per trainee varied from Rs. 5103 to Rs. 29880 during 1979-80 to 1985-86. Under silk industry, 75 farmers were trained, but only 14 had been employed by silk industry.
Uttar Pradesh	6	8100	3475	During 6 years, 3475 persons were trained against the available artisans numbering 8.75 lakhs.
West Bengal	2	675	212	In 3 years, 212 persons were trained but, only 65 were employed.

*NA stands for 'Not Available'.

20. **Other points**

20.1 *Register of assets*

The consolidated Balance Sheet of Khadi and Village Industries trading units as at the close of each year includes immovable and movable assets. The Commission is not separately maintaining any register to exhibit the assets created out of grants as required in Rule 149 of the General Financial Rules. For many assets acquired by the Commission *viz.* land and building including staff quarters, office premises, staff cars, furniture, etc., no assets register was being maintained.

The information regarding maintenance of assets register was not available in respect of Boards of eleven States and Union Territories (Andhra Pradesh, Assam, Bihar, Chandigarh, Himachal Pradesh, Maharashtra, Pondicherry, Punjab, Rajasthan, Tamil Nadu and Tripura). In the State Offices of Khadi and Village Industries Commission/Boards situated in eight States/Union Territories (Gujarat, Haryana, Jammu & Kashmir, Karnataka, Manipur, Orissa, Uttar Pradesh and West Bengal), assets registers were not maintained by the grantee institutions/Societies and Zonal offices of the Commission for the assets acquired out of the grants released by the Commission/State Boards.

Ministry stated in April 1987 that action had already been taken to maintain register of assets wherever they were not maintained earlier.

20.2 *Rebate/Weaving subsidy advance*

As per standing instructions of the Commission, all the State Offices/State Boards were given advances to give sales rebate and weaving subsidy advance with instructions to recover/adjust the outstanding weaving subsidy advance from the claims of institutions/societies. Despite these standing instructions, the weaving subsidy advance of Rs. 5.59 lakhs and Khadi rebate/subsidy advance of Rs. 377.24 lakhs were outstanding, as on 31st March 1987, against various institutions/societies of which State Office-wise accounts were only maintained by the Commission.

Internal audit recoveries

The Commission pays through its zonal offices rebates and subsidies to various certified Khadi Institutions on presentation of claims by them. These claims are subsequently subjected to internal audit by the Commission's internal inspection parties. Out of overpayments to the extent of Rs. 40.42 lakhs up to March 1987, Rs. 30.52 lakhs pertaining to the period prior to March 1979 remained to be recovered.

The Commission stated in October 1986 that the State Directors concerned were being directed to effect the recoveries by adjustment of the rebate claims wherever possible before the end of March 1987. However, the recoveries/adjustments effected in respect of the amounts outstanding for the period 1960-61 to 1978-79 were only Rs. 0.54 lakh. The amount outstanding for the same period, as on 31st March 1986, was Rs. 31.06 lakhs which had come down to Rs. 30.52 lakhs in March 1987.

While confirming the figures as given above, it was stated by the Commission in October 1987 that in respect of working institutions, dues were recovered immediately from their subsequent rebate claims and some amounts were blocked up in defunct/closed institutions and in legal recovery cases.

The internal audit of the Board of Himachal Pradesh detected shortage of stores, less billing of goods sold, misappropriation of cash, etc. amounting to Rs. 16.29 lakhs involving 110 officials. Out of this, 21 officials (Rs. 2.88 lakhs) had either retired, left service or expired. An amount of Rs. 3.70 lakhs had been recovered from the officials up to April 1986 leaving a recoverable balance of Rs. 11.85 lakhs. Purchase advances amounting to Rs. 66.34 lakhs were also outstanding from 108 officials since 1972-73 for which complete details were not available.

21. **Monitoring and evaluation**

In pursuance of the recommendations of the Public Accounts Committee (7th Lok Sabha) in its 52nd Report (1980-81), a monitoring Board was set up in each State by the Commission with the following functions :

(i) to examine the regularity of flow of information regarding the performance of units;

(ii) to review the perforamance with reference to progress reports;

(iii) to study some of the major units in relation to targets and achievements;

(iv) to study some of the selected individual units and evaluate the performance and

(v) to arrange for joint inspections of selected units with a view to assessing the performance and check the progress.

However, it was noticed during test check of records in 12 States/Union Territory (Assam, Gujarat, Haryana, Jammu & Kashmir, Karnataka, Kerala, Manipur, Orissa, Pondicherry, Punjab, Uttar Pradesh and West Bengal) that the progress in watching receipt and despatch of the reports to the Boards was not adequate. While no progress reports were being received in more than 50 *per cent* of the institutions, even in cases where reports were being received, they were based on estimates given by the Industries Promotion Officers.

The above position was supported by the indepth study conducted by the Commission during 1984-85 wherein it was reported that there were no follow-up measures adopted by the Commission to assess the feedback from the beneficiaries on the implementation of the programme.

R.V. Bansod

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Bombay
The 27 OCT 1988

Countersigned

T.N. Chaturvedi

(T. N. CHATURVEDI)
Comptroller and Auditor General of India.

New Delhi
The 16 NOV 1988

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