

SEVENTY-FOURTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(1981-82)

(SEVENTH LOK SABHA)

KHADI AND VILLAGE INDUSTRIES COMMISSION

MINISTRY OF RURAL RECONSTRUCTION

[Action Taken by Government on the recommendations of the Public Accounts Committee contained in their 52nd Report (Seventh Lok Sabha)]



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Laid in Rajya Sabha on

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PUBLIC ACCOUNTS COMMITTEE

(1981-82)

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3. Shri K. K. Sharma—*Senior Financial Committee Officer*

*Ceased to be a Member of the Committee consequent on his appointment as a Deputy Minister w.e.f. 15-1-1982.

**Ceased to be a Member of the Committee consequent on his appointment as a Minister of State w.e.f. 15-1-1982.

INTRODUCTION

1. I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this 74th Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 52nd Report (Seventh Lok Sabha) on Khadi and Village Industries Commission.

2. In this Report the Committee have recommended that the Model Bill drafted on the basis of the recommendation which emerged from the Conference of State Ministers of Industry and Rural Development in January, 1981 to regulate and streamline the functioning of the State Khadi and Village Industries Boards should be finalised and placed on the Statute Book as early as possible in order to facilitate better functioning of the Khadi and Village Industries Commission as well as to place the relationship between the Commission and the State Boards on a sound footing.

3. In their 52nd Report (Seventh Lok Sabha) the Committee had *inter alia* observed that in respect of grants and loans disbursed to the State Khadi and Village Industries Boards and institutions upto 1977-78, utilisation certificates for Rs. 16.81 crores were outstanding as on 30 November 1980, the major part of which was from the State Boards. In this Report, the Committee have reiterated their earlier recommendation that the Khadi and Village Industries Commission should discontinue grant of further assistance to the State Boards and institutions which are not in a position to account for the moneys given to them and to produce utilisation certificates.

4. The Committee considered and adopted this Report at their sitting held on 1 February, 1982. Minutes of the sittings form Part II of the Report.

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

(vi)

6. The Committee place on record their appreciation of the assistance rendered to them in this matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;
9 February, 1982
20 Magha, 1903 (S)

SATISH AGARWAL
Chairman
Public Accounts Committee.

CHAPTER I

REPORT

1.1 This Report of the Committee deals with the action taken by Government on the recommendations and observations of the Committee contained in their 52nd Report (Seventh Lok Sabha) on Khadi and Village Industries Commission which was presented to the Lok Sabha on 30 April, 1981.

1.2 Action Taken *Notes on all the recommendations contained in the Report have been received from the Government and these have been categorised as follows:—

(i) *Recommendations or observations that have been accepted by Government:*

Sl. No. 1—7, 19—21, 28—31 and 35.

(ii) *Recommendations or observations which the Committee do not desire to pursue in the light of the replies received from Government:*

Sl. Nos. 8, 14—18, 22—27, 32—34 and 37.

(iii) *Recommendations or observations replies to which have not been accepted by Committee and which require reiteration:*

Sl. Nos. 9—11, 13 and 36.

(iv) *Recommendations or observations in respect of which Government have furnished interim replies:*

Sl. No. 12

1.3 The Committee desire that final reply to the recommendation in respect of which only interim reply has been furnished so far will be submitted expeditiously after getting it vetted by Audit.

1.4 The Committee will now deal with action taken on some of the recommendations.

*Not vetted by Audit.

Relationship between the Khadi and Village Industries Commission and State Khadi and Village Industries Boards

1.5 While examining the Khadi and Village Industries Commission, in paragraph 14 their 52nd Report (Seventh Lok Sabha) the Committee had found that the relationship between the Commission and the State Khadi and Village Industries Boards which are the real implementing agencies of the Commission continued to pose some problems. It was also observed that while the development funds for running the State Boards were provided by the Khadi and Village Industries Commission, their administrative control continued to vest with the State Government. The Government had informed the Committee during the course of examination that a number of complaints were received by them about the poor performance of the Khadi and Village Industries Boards in some of the States. In this connection, the Committee had drawn attention to their recommendations in 49th Report (Third Lok Sabha) (1965-66) and 8th Report (Fourth Lok Sabha) (1967-68) on Khadi and Village Industries Commission stressing the need for defining the relationship between the Commission and the State Khadi and Village Industries Boards and putting them on proper footing. The Committee were informed by the Ministry of Rural Reconstruction that a recommendation had been made by the Conference of State Ministers of Industry and Rural Development in January, 1981 to draft a Model Bill to regulate and streamline the functioning of the State Khadi and Village Industries Boards which would be circulated to all the State Governments for their views. In the Bill, provisions were to be made for closer association of Khadi and Village Industries Commission with the functioning of the State Boards with a view particularly to developing professional competence, making optimum use of resources mainly financial, taking the village industries to all the nooks and corners in the country side and monitoring regularly and effectively the progress of the programmes in the Khadi and Village Industries sector. Emphasising the need for the Khadi and Village Industries Commission to play an effective role in improving the economic conditions of the much neglected village artisans and unemployed people, the Committee had recommended that the proposed Model Bill on the subject should be finalised expeditiously and circulated to all concerned and further action to put the provision of the Bill on Statute Book be taken without any loss of time.

1.6 In their action taken note furnished on 30 November, 1981, the Ministry of Rural Reconstruction have stated:

“Model Bill as recommended by the conference of State Ministers of Industry and Rural Development has been drafted

and is being circulated to State Governments/Union Territories to elicit their views. After the views of the State Governments have been received, this Bill will be given a final shape in consultation with Law Ministry."

1.7. The Ministry of Rural Reconstruction have also *inter alia* stated:

"The Khadi & Village Industries Commission had drafted a Model Bill to regulate the relationship between the State Boards and the Commission, as early as in 1964. This Bill had also been circulated by the Commission to all the State Governments but the response of the State Governments was not very encouraging.....a new Model Bill has now been drafted as a result of the views reflected in Conference of the Chairmen of State Khadi and Village Industries Boards and the Ministers incharge of the KVI programmes in States. Giving KVIC an effective control over the State Boards is a difficult proposition in view of **the fact that the State Boards are created under acts of State Legislatures; but Government have been seriously thinking to solve this problem. It is hoped that the proposed Model Bill will give the Commission necessary powers and authority to regulate the functioning of the State KVI Boards without interfering with their independent character.**"

1.8 The Committee had pointed out that unless the relationship between the Khadi and Village Industries Commission and its implementing agencies viz. the State Khadi and Village Industries Boards was clearly defined and put on proper footing, the effectiveness of the Commission in improving the economic conditions of the much neglected village artisans and unemployed people would be considerably weakened. The Committee had, therefore, desired that the recommendation which emerged from the Conference of State Ministers of Industry and Rural Development in January, 1981 to draft a model Bill to regulate and streamline the functioning of the State Khadi and Village Industries Boards should be finalised expeditiously. The Ministry of Rural Reconstruction have in their action taken note now stated that a Model Bill as recommended by the Conference of State Ministers of Industry and Rural Development has been drafted and is being circulated to State Governments/Union Territories to elicit their views. According to the Ministry the Bill would be given a final shape in consultation with the Ministry of Law after the views of the State Governments were received. The

Ministry have also stated that a Model Bill to regulate the relationship between the State Boards and the Commission was drafted and circulated by letter to all the State Governments as far back as in 1964 but the response of the State Government was not very encouraging. The Committee hope that the present Model Bill would not meet the same fate as of the one that was drafted and circulated in 1964 as the present Bill is stated to have been drafted on the basis of the views reflected in the Conference of the Chairmen of State Khadi and Village Industries Boards and the Ministries-in-charge of the Khadi and Village Industries programmes in States. The replies to the recommendations contained in the 52nd Report of the Committee (1980-81) have brought out that several issues (e.g. the question of sharing of irrecoverable amounts in the case of defunct institutions between the Commission and the State Boards vide Sl. Nos. 16—18) will get settled once the relationship between the Khadi and Village Industries Commission and the State Boards outlined in the Model Bill are implemented. The Committee therefore desire that the Model Bill should be finalised and placed on the Statute Book as early as possible in order to facilitate better functioning of the Khadi and Village Industries Commission, as well as to place the relationship between the Commission and State Boards on a sound footing. The Committee would also like to be informed of the further progress in the matter. ...

Submission of utilisation certificates

(Paras 39 and 40—Sl. Nos. 9 and 10)

1.9 In para 36 of their 52nd Report (1980-81), the Committee had observed that out of Rs. 436.39 crores of loans and grants disbursed upto 1977-78, by the Khadi and Village Industries Commission to the State Khadi and Village Industries Boards and institutions, utilisation certificates for Rs. 50.68 crores were awaited till September, 1979 and out of grant and loans of Rs. 157.77 crores disbursed to State Boards upto 1977-78, utilisation certificates for Rs. 20.71 crores were awaited till December, 1979. The Committee were informed that out of Rs. 50.68 crores, outstanding utilisation certificates as on 30 November, 1980 for the payments made upto 31 March, 1978 stood at Rs. 16.81 crores the major part of which was from the State Boards. Commenting on the delay in the submission of Utilisation Certificates by the institutions and State Khadi and Village Industries Boards, the Committee in para 40 of their Report had *inter-alia* observed:—

“The Committee would like the Commission to take serious view in regard to grant of further assistance to the State

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

1.10 In their action taken note dated 30 November, 1981, the Ministry of Rural Reconstruction, have *inter-alia* stated as under:—

"Regarding State Boards, it may be stated that if further financial assistance was denied to them on the ground that they had failed to submit utilisation certificates in respect of some of the earlier disbursements made to them, even institutions under the Boards, whose performance in respect of submission of utilisation certificates to the State Boards was good, would unjustifiably be denied the financial assistance which they should legitimately get.

The Commission has been making vigorous efforts to ensure timely submission of utilisation certificates both by the State Boards and the institutions in respect of disbursements made to them. This aspect is kept in view at the time of sanctioning them further financial assistance. The recommendation of the PAC that if a particular State Board or Institution persistently defaults in rendering proper accounts or furnishing utilisation certificates, further assistance to the State Boards or Institutions should be discontinued, has been noted. It may, however, be mentioned that a very strict enforcement in this regard would deprive some State Boards catering to a large population of financial assistance when actually their need for such assistance would be more. A discriminatory attitude in respect of such State Board would therefore be necessary. The PAC's desire that the KVIC should make

vigorous efforts to obtain utilisation certificates and to get the backlog cleared at an early date has been noted.”

1.11 In paragraph 36 of their 52nd Report (Seventh Lok Sabha) the Committee had observed that in respect of grants and loans disbursed to the State Boards and institutions upto 1977-78, utilisation certificates for Rs. 16.81 crores were outstanding as on 30 November, 1980, the major part of which was from the State Boards. The Committee are not satisfied with the reply of the Government that if further financial assistance was denied to the State Khadi and Village Industries Boards on the ground that they had failed to submit utilisation certificates in respect of some of the earlier disbursements made to them, even institution under the Boards, whose performance in respect of submission of utilisation certificates to the State Boards was good, would unjustifiably be denied the financial assistance which they should legitimately get. The Committee feel that if a particular State Board or an institution persistently defaults in furnishing utilisation certificates, it has no moral right to expect any further assistance. The Committee would point out that as the Commission has been receiving enormous amounts from the Government by way of grants, they should not be a party to squandering of tax payers money. The Committee therefore reiterate their earlier recommendation that the Commission should discontinue grant of further assistance to the State Boards and institutions which are not in a position to account for the moneys given to them and to produce utilisation certificates.

Publishing names of defaulting Institutions

(Para 41—Sl. No. 11)

1.12 In paragraph 41 of their Report, the Committee had recommended:—

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

1.13. In their action taken note dated the 30 November, 1981, the Ministry of Rural Reconstruction have replied as follows:—

“The names of the institutions, which are under liquidation or against which legal action has been initiated by the Commission for recovery of Commission’s dues have already been published in an Annexure to their Annual Accounts. As at the end of 31-3-1980, there were as many as 114 institutions in respect of Khadi and 349 institutions in respect of village industries belonging to this category. Since the names of such institutions have already been published in the Annual Accounts of the Commission every year, their repetition in the Annual Reports of the Commission may not be necessary.

As regards publishing the names and addresses of the Chief Executives, including the treasurers by whatever names called, it is considered that a part form making the Annexure now being annexed to the Annual accounts, a cumbersome/voluminous statement, there would be problem regarding the names of such functionaries that should be published as to whether they should be only the present or even the past functionaries who were managing in a defunct institutions.”

1.14. In para 41 of their Report, the Committee had desired that the Commission should publish in its Annual Report the names of institutions as also the names and addresses of chief executives and treasurers of those institutions which had stopped functioning and had not submitted utilisation certificates. The Ministry have informed the Committee that the names of institutions which are under liquidation or against which legal action has been initiated by the Commission for recovery of dues, are published in the Annual Accounts of the Commission every year. The Ministry have, however, stated that there would be problems regarding the names of such functionaries that should be published as to whether they should be only present functionaries or even the past functionaries who were managing any defunct institutions. As the names of defunct institutions which have defaulted are already being published in the Annual Accounts of the Commission, the Committee feel that there should be no difficulty in publishing the names and addresses of their chief executives, treasurers and other office bearers also so that the public is kept informed of such institutions and their promoters. The Committee therefore reiterate their earlier recommendation. They also expect the Commission to publish names of such persons in the regional newspapers.

Delay in reconciliation of refunds (Para 47—Sl. No. 13)

1.15. Dealing with the delay in reconciliation of grants and loans by the State Boards with the accounts of the Commission, the Committee had in Paragraph 47 of the Report observed as follows:—

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

1.16. In their Action Taken Note dated 30 November, 1981 the Ministry of Rural Reconstruction have *inter alia* observed as under:

“These refunds/recoveries relate to a large number of payments made to the State Boards for different industries in different areas and as such unless each refund reported to have been made by the State Board is linked to that very refund in Commission’s books of accounts, the veracity of the information supplied by the State Board in their utilisation certificates cannot be established.”

1.17. The Committee had drawn attention to outstanding amount of Rs. 15.32 crores (loans) and Rs. 3.51 crores (grants) stated to have been refunded by the State Boards which had remained unreconciled with the figures as per Commission’s books of accounts. The Committee would like the Commission to expedite reconciliation of all outstanding refunds of loans and grants and ensure that reconciliation of accounts is not allowed to pile up in future.

*Delay in finalisation of accounts of closed/transferred trading units
(Paragraph 98—Sl. No. 35)*

1.18. Dealing with the non-finalisation of accounts of trading units either closed down or transferred to various private institutions by Khadi and Village Industries Commission, the Committee, in paragraph 98 of their 52nd Report had observed:—

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

1.19. In their action taken note furnished on 30 November, 1981, the Ministry of Rural Reconstruction have stated:—

“As mentioned in the 93rd Report of the PAC out of four units which were transferred to the different institutions, the accounts of two units have been finally settled (i.e. Jari Silk Centre, Surat and Khadi Gramodyog Bhawan, Madras). In respect of Khadi Gramodyog Bhawan, Bangalore, the entire amount which was due from the transferred institution has been recovered and adjusted. Some items pertaining to old sundry debtors/creditors etc. are outstanding which the Commission has to clear directly. Every effort is being made to clear the outstanding items and thus to realise the capital of Rs. 1.84 lakhs presently locked up in this closed unit. In respect of production and sales centres in Andhra Pradesh i.e. the fourth

unit, the amounts which were due from the transferees (the State Board and different institutions) consequent on transfer of the Commission's trading activities have been recovered from these agencies. The capital amount of Rs. 13.70 lakhs which remains locked up in this unit is primarily covered by the A/T Section of the Commission in the accounts of Kakinada trading activities (since closed). It has not been possible to clear this item as the amounts due by A/T Section to various suppliers of Khadi against A/T orders are reckoned by A/T Section on the basis of rates finalised by the Teams of Cost Accounts Officers of the Ministry of Finance, as the A/T orders placed by the DGSD on the Commission from 1 April, 1964 till recently were provisional subject to such finalisation, whereas the Kakinada unit of the Commission, like other institutions supplying Khadi against A/Ts has been raising debits in the account of the A/T Directorate at the certified rates which happened to be higher than the finalised rate. The matter is being further looked into with a view to sorting out this long outstanding issue. These items being very old, our own units find it very difficult to reconcile and as such, delay in finalising these items.

It may be seen that out of 30 closed units involving an amount of Rs. 47 lakhs, there are 5 units in which an amount of Rs. 37 lakhs, is locked up. These are as under:—

Sl. No.	Name of unit	Capital outstanding
		Rs. in lakhs
1	Director of Trading Activities, Calcutta	12.05
2	Endi Production Centre, Rampur	4.0
3	Khadi Gr. Bhawan, Bangalore	1.84
4	Processing of Cereals & Pulses Sonapur	4.91
5	Production & Sales Centres in A.P.	13.70
		36.59

The remaining amount of Rs. 10 lakhs is locked up in other closed units. In respect of TDA, Calcutta where capital of Rs. 12.05 lakhs is involved, of this major amounts are due from the following:

1 Bihar Khadi & Village Board	4.42 lakhs
2 Bihar Khadi Gramodyog Sangh	4.83 lakhs
3 Abhoy Ashram, Birati	2.40 lakhs

The amount due from Abhoy Ashram, Birati was included in the demand notice issued to the Ashram when recovery action was taken against the Ashram. Subsequently the Ashram has been allowed to continue their activities under special arrangement for revival of their activities. The question of recovery of this amount from the Ashram would be pursued within the framework of this special arrangement. Similarly, the matter is being vigorously pursued with the Bihar State Board and Bihar Khadi Gramodyog Sangh to reconcile and pay to the Commission the amounts due from them. There also appears in the accounts a closing stock of about Rs. 2 lakhs. Commission had tried to auction this stock, but could not succeed. In respect of Endi Production Centre, Rampur in which an amount of Rs. 4.09 lakhs is involved, an amount of Rs. 2.10 lakhs is due from Assam State Board and institutions. An amount of Rs. 1.80 lakhs has already been recovered and adjusted from Commission's other units. As on today, this capital has been brought down to Rs. 2.29 lakhs. Regarding Khadi Gramodyog Bhawan, Bangalore, as has already been stated above, the entire amount due from the institution to whom the Bhawan was transferred has been received and adjusted. The outstanding amount of Rs. 1.84 lakhs pertains to the recoveries to be effected from others. Regarding the amount of Rs. 4.91 lakhs involved in processing of Cereals and Pulses at Sonapur, it may be stated that the entire amount is locked up with 5 cooperative societies against whom legal action has already been initiated. In respect of Production and Sales centres in Andhra Pradesh the capital involved is Rs. 13.70 lakhs. The major part of this amount is locked up as due from Commission's other units. The position about these dues has already been dealt with in the earlier para.

It may be reiterated here that the amounts and stocks which were transferred to Andhra Pradesh State Board as well

as other institutions have been fully recovered and adjusted. The amount of Rs. 13.70 lakhs is the balance amount on which the Commission is separately taking action. The amount of Rs. 47 lakhs capital locked up in these 30 closed units has now come down to (as on 30 September, 1981) to Rs. 42.91 lakhs. As stated in the para, a separate Cell for clearance of these items is already at it and it is hoped that it would be appreciated that due to inherent difficulties, it may take some time to finally settle these accounts."

1.20 The Committee had desired to be apprised of the progress made by the Khadi and Village Industries Commission in the finalisation of accounts of about 30 trading/processing units either closed down or transferred to various private institutions by Khadi and Village Industries Commission involving a total capital investment of Rs. 47 lakhs as on 31 March, 1979. The respective years of closure/transfer of 6 such cases reported in the Audit paragraph involving a total capital investment of Rs. 36.79 lakhs had ranged between 1962 and 1974. The Committee find from the action taken note furnished by the Ministry of Rural Reconstruction that the amount of Rs. 47 lakhs capital locked up in 30 closed units has now come down to Rs. 42.91 lakhs (as on 30 September, 1981) only. While assuring the Committee that the separate Cell created in the Internal Audit Wing for clearance of these items is already at work, the Ministry have stated: "it would be appreciated that due to inherent difficulties, it may take some time to finally settle these accounts." The Committee cannot but express their dissatisfaction over the slow progress made by the Commission in the finalisation of accounts and fail to understand the inherent difficulties attributed by the Ministry for their inordinate delay. The fact that the accounts of trading units whose closures/transfers took place 15 or 20 years earlier remain yet to be settled, seems to indicate that the special Cell created for this purpose has woefully failed to achieve the objective for which it was set up. The Committee recommend that the Khadi and Village Industries Commission should look into the reasons for this slow progress made by the separate Cell of the Internal Audit Wing in the finalisation of accounts of the closed/transferred units and take concerned measures to see that all the outstanding accounts are finalised and settled expeditiously.

CHAPTER II

RECOMMENDATIONS OR OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

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

[S. No. 1, Appendix-I, Para 14 of Fifty-Second Report of PAC
(Seventh Lok Sabha)].

Action Taken

Model Bill as recommended by the conference of State Ministers of Industry and Rural Development has been drafted and is being

circulated to State Governments/Union Territories to elicit their views. After the views of the State Governments have been received, this Bill will be given a final shape in consultation with Law Ministry.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI(II) dated 30-11-1981].

Recommendation

The Khadi and Village Industries Commission came into being about 24 years back. It was clearly known to all concerned that the implementing agencies of the programmes of the Commission would mainly be the State Boards/Institutions. It was reasonable to expect that the relationship between the Commission and the implementing agencies would be defined and clearly laid down in order to facilitate proper execution of the programme of the Commission. As early as April 1966 the Public Accounts Committee in their 49th Report (Third Lok Sabha) had expressed their surprise that the relationship between the Commission and the State Boards had neither been defined nor put on proper footing. While large amounts of funds were being advanced to the State Boards and through them to the institutions both by way of grants and loans without adequate control or scrutiny. The Committee had then desired that this state of affairs should be remedied forthwith and adequate safeguard and controls should be provided in the scheme of financial assistance given to them. Again, in 1967, the Committee expressed their unhappiness over the fact that Government had not taken any definite action to define the relationship between the State Boards and the Commission (PAC 8th Report—Fourth Lok Sabha).

[S. No. 2, Appendix-I, Para 15 of Fifty-Second Report of PAC (Seventh Lok Sabha)].

Action taken

The Khadi & Village Industries Commission had drafted a Model Bill to regulate the relationship between the State Boards and the Commission, as early as in 1964. This Bill had also been circulated by the Commission to all the State Governments but the response of the State Governments was not very encouraging. As has been stated with reference to recommendation at para 14, a new Model Bill has now being drafted as a result of the views reflected in Con-

ference of the Chairman of State Khadi & Village Industries Boards and the Ministries in-charge of the KVI programmes in States. Giving KVIC an effective control over the State Boards is a difficult proposition in view of the fact that the State Boards are created under acts of State Legislatures; but Government have been seriously thinking to solve this problem. It is hoped that the proposed Model Bill will give the Commission necessary powers and authority to regulate the functioning of the State KVI Boards without interfering with their independent character.

Regarding providing adequate safeguards and controls for the funds made available by the Commission to the State KVI Boards, the Commission has made the following arrangements:—

- (a) Before advancing the funds to any State Board or institution, the Commission examines the past performance, the financial position, availability of technical man-power and other facilities for implementation of the schemes proposed to be taken up by these agencies.
- (b) The terms and conditions attached to these grants and loans provide for submission of accounts and reports.
- (c) The Commission has the right to inspect and audit the accounts. As a result of these inspections, the Commission can insist for the refund of unutilised portion of grant and loan; and
- (d) There is a provision for submission of utilisation certificates by the implementing agencies. It is a fact that many State Boards do not submit utilization certificates in time. Steps are being taken in this direction also.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI(II) dated 30th November, 1981]

Recommendation

The Committee would like to emphasise that the proposed Model Bill on the subject should be finalised expeditiously and circulated to all concerned and further action to put the provision of the Bill on statute book be taken without any loss of time. The Committee feel that unless the relationship between the Commission and

implementing agencies is clearly defined and put on proper footing, the effectiveness of the Commission which has to dole out crores of rupees in the fond hope of improving the economic conditions of the much neglected village artisans and unemployed people will be considerably weakened. The Committee would like the Government to give top priority to this aspect of the matter.

[S. No. 3 Appendix-I Para 16 of Fifty-Second Report of PAC
(Seventh Lok Sabha)]

Action Taken

Comments on this aspect have already been given against recommendation at para 14.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI(II)
dated 30th November, 1981]

Recommendation

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

[S. No. 4 Appendix-I Para 17 of Fifty-Second Report of PAC
(Seventh Lok Sabha)]

Action taken

It is not that only 5 out of 25 State K.V.I. Boards had been inspected by the Khadi and Village Industries Commission upto 1st December, 1979. In fact, this information relates to the inspections conducted during the years 1978-79 and 1979-80. These five inspection reports were considered by the Commission in its meeting held in April, May and October, 1979. During the years 1970-71 to 1974-75 as many as 20 State Boards were inspected (some of these

State Boards were also inspected in the earlier years) as detailed below:

Sl. No.	State Boards	Inspection Undertaken
1	Andhra Pradesh	September, 1974.
2	Assam	12th January, 1973.
3	Bihar	10th September, 1973.
4	Chandigarh	18th September, 1974.
5	Gujarat	4th July, 1974.
6	Himachal Pradesh	10th February, 1974.
7	Haryana	13th April, 1972.
8	Jammu & Kashmir	20th February, 1974.
9	Madhya Pradesh	4th May, 1970.
10	Manipur	12th January, 1973.
11	Maharashtra	28th January, 1975.
12	Karnataka	22nd December, 1972.
13	Kerala	December, 1973.
14	Orissa	6th July, 1973.
15	Punjab	15th February, 1974.
16	Rajasthan	25th September, 1974.
17	Tripura	12th January, 1973.
18	Tamilnadu	December, 1973.
19	Uttar Pradesh	14th May, 1973.
20	West Bengal	June, 1974.

No inspection was conducted during the subsequent three years as the form was under revision. However, these have again been started from 1978-79. The observations of the Committee regarding the need for these inspections have been noted and it would be ensured that such inspections are continued.

As regards the Committee's recommendation that the quarterly reporting be made more effective so as to enable the Commission to

evaluate properly the progress of implementation of its programmes, it may be stated that the Commission has recently issued instructions to the State Boards and its State offices regarding the constitution, working and functions of the Monitoring Boards. However, the constitution of such Monitoring Boards and their efficient and effective functioning would largely depend on the State Government's readiness to provide the required financial assistance to the State Boards towards the expenditure on staff that may be required to be specially recruited for manning such Boards. In the Conference of the State Industries Ministers the representatives of various State Boards/State Governments urged that the Central Government through the KVIC should provide funds for this important activity. This, however, does not seem to be a feasible proposition in view of the specific recommendations of the PAC in this very Report in para 38 reiterating earlier recommendations made in para 2.21 of their 49th Report (3rd Lok Sabha) that such charges should be met by the State concerned and not by the Commission. In these circumstances, the early establishment of the monitoring boards at state level will largely depend on State Government providing the required financial assistance to the State Boards concerned.

As regards quarterly reporting, the Commission has introduced a system of surprise test checks, on a regular basis, of institutions in respect of which information is sent through the quarterly reports. It is expected that such test checks would improve the accuracy of reporting and ensure the Commission better control on the working of the institutions financed by the Boards.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI(II)
dated 30th November, 1981]

Recommendation

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

[S. No. 5 Appendix-I Para 18 of Fifty-Second Report of PAC
(Seventh Lok Sabha)]

Action taken

Comments on this aspect have already been given against Recommendation at Para 17.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI(II)
dated 30th November, 1981]

Recommendation

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

[S. No. 6, Appendix-I, Para 36 of Fifty-Second Report of PAC
(Seventh Lok Sabha)]

Action taken

Out of Rs. 436.39 crores of loans and grants disbursed upto 1977-78 to the State Boards and institutions, utilisation certificates for Rs. 14.22 crores are outstanding as on 30th June, 1981 (as follows):

Statement showing outstanding U.C. position as

(Rs. in crores)

on 30-6-1981

Year	Total outstanding as on 30-11-80	Outstanding as on 30-6-1981			U.Cs. account for from Nov. 80 to June 1981. 8
		Institutions	State Boards	Total	
Upto 1960-61	0.15	0.03	0.12	0.15	Nil
From 1961-62 to 1976-77	9.40	0.41	7.88	8.29	1.11
For 1977-78	7.26	0.31	5.47	5.68	1.48
TOTAL	16.81	0.75	13.47	14.22	2.59

It may be seen therefrom that utilisation certificates to the extent of nearly 97 per cent of the total disbursements made upto 31-3-1978 have been obtained leaving a balance of about 3 per cent only. Even out of Rs. 14.22 crores outstanding, Rs. 13.47 crores are from

State Boards and Rs. 0.75 crores only are from institutions. Commission is making vigorous efforts to procure the remaining utilisation certificates from the State Boards by various means as already explained earlier.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI(II)
dated 30th November, 1981]

Recommendation

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

[S. No. 7 Appendix-I Para 37 of Fifty-Second Report of PAC
(Seventh Lok Sabha)]

Action taken

The proposal of the Commission about acceptance of utilisation Certificates prepared on the basis of collateral evidence is still at the examination stage. It is yet to be cleared by the audit. The Commission, however, does not propose to adopt this procedure as a matter of course and make it applicable to every grantee. This procedure will be adopted only in selective cases, where it is found necessary and justified.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI(II)
dated 30th November, 1981]

Recommendation

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

[S. No. 19 Appendix-I Para 57 of Fifty-Second Report of PAC
(Seventh Lok Sabha)]

Action Taken

Recommendation contained in this para have been brought to the notice of the State Governments of Andhra Pradesh, Tamil Nadu and West Bengal by the KVIC with the request to furnish guarantee to the Commission for the amounts uncovered.

The Tamil Nadu Government have informed that orders are being issued for giving the required guarantee to the Commission.

Government of West Bengal have given guarantee for loans worth Rs. 94.86 lakhs leaving a balance of Rs. 90.14 lakhs still to be covered by guarantees.

Government of Gujarat have also since given the guarantee for the balance amount of Rs. 0.76 crores.

Ministry of Rural Reconstruction have also requested all the State Governments and Union Territories to ensure that suitable guarantee is given in all cases without delay.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI(II)
dated 30th November, 1981]

Recommendation

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

[S. No. 20 Appendix-I, para 59 Fifty-Second Report of PAC
(Seventh Lok Sabha)].

Action Taken

Commission has already decided not to release funds to the institutions who have not executed equitable mortgages of their immovable properties in favour of the Commission, save in very exceptional cases where the Commission is convinced about the genuine difficulties of institutions who are otherwise ready and willing to create mortgage of their properties.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-
KVI(II) dated 30-11-1981].

Recommendation

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

[S. No 21 Appendix-I para 60 of Fifty-Second Report of the PAC
(Seventh Lok Sabha)].

Action Taken

Comments on this aspect have already been given against Recommendation at para 59.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-
KVI(II) dated 30-11-1981].

Recommendation

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

[S. No. 28 Appendix-I para 79 of Fifty-Second Report of the PAC
(Seventh Lok Sabha)].

Action Taken**Noted.**

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI(II) dated 30-11-1981].

Recommendation

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

[S. No. 29 Appendix-I Para 80 of Fifty-Second Report of the PAC (Seventh Lok Sabha)].

Action Taken**Noted.**

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI(II) dated 30-11-1981].

Recommendation

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

[S. No. 30 Appendix-I para 81 of Fifty-Second Report of the PAC (Seventh Lok Sabha)].

Action Taken**Noted.**

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI(II) dated 30-11-1981].

Recommendation

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

[S. No. 31 Appendix-I Para 80 of Fifty-Second Report of the PAC (Seventh Lok Sabha)].

Action Taken

Noted. All possible steps will be taken to remove hurdles coming in the way of development of this village industry.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI(II) dated 30-11-1981].

Recommendation

The inadequacies in maintenance of accounts of exhibitions was commented upon by the PAC as early as in 1965-66. Government had, while accepting the Committee's recommendation on the subject, assured the Committee that steps would be taken to lay down proper procedure through manual. The Committee are therefore surprised that Government have treated disbursement registers adequate and no consolidated records of evaluation, accounts reports and refunds etc. have been maintained. The Committee recommend that Commission should take immediate steps in the consultation

with C.&A.G. to put its account records in proper shape. The Committee also desire the Commission to get the pending recoveries effected from the State Boards/Institutions in respect of moneys given for holding exhibitions.

[S. No. 35 Appendix-I Para 97 of Fifty-Second Report of the PAC
(Seventh Lok Sabha)].

Action Taken

The Dy. Director of Audit (Commerce, Works and Miscellaneous) Bombay has been requested to help the Commission with his valuable suggestions regarding maintaining of the consolidated records in respect of Exhibitions as desired by the PAC.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-
KVI(II) dated 30-11-1981].

CHAPTER III

RECOMMENDATIONS OR OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT

Recommendation

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

[S. No. 8 Appendix-I Para 38 of Fifty-Second Report of the PAC
(Seventh Lok Sabha)].

Action Taken

With reference to the PAC's recommendation contained in Para 2.21 of their 49th Report (Third Lok Sabha) that the arrangement and understanding that establishment charges of the State Boards shall be met by the State Governments concerned should be adhered to strictly, the PAC was informed that system of having F.A. & C.A.D. and their nucleus establishment for each State Board had been introduced to safeguard the interest of the Commission's funds and their proper utilisation. Except for these grants for State Boards, miscellaneous establishment grants had been stopped and that State Governments and State Boards had accordingly suitably advised by the Commission. Similarly, with reference to recommendation contained in Para 4.46 of their 49th Report that Commission should make full payment of the committee expenditure by the State Government a condition precedent to the payment of any grant or loan to the State Boards, PAC was informed that these Paras related to the responsibility of the State Governments to meet the committed expenditure of the State Boards and that the position in this regard had been explained while giving information about Para 2.21. In view of the above position, it is hoped that the PAC would have no objection to the Commission continuing to meet the expenditure on F.A. & C.A.O. and their nucleus establishment in the State Board as also the expenditure on the additional staff that may be appointed during the

Plan period, since only the expenditure on staff in position as at the end of previous Plan period is to be considered as committed expenditure to be borne by the State Governments from their non-Plan budget.

The institution of F.A. & C.A.Os. in the State Boards has helped considerably in improving the position about maintenance of accounts, procurement, processing and timely submission of utilisation certificates and ensuring proper utilisation and security of Commission's funds as also pre-disbursement scrutiny and post-disbursement follow-up of the financial assistance provided by the State Boards to their implementing agencies. It would be unfortunate if the State Boards are required to do away with the useful institution for want of required financial support from their State Governments. The position regarding the need of providing financial assistance towards expenditure on essential technical personnel to the State Boards is not much different. The PAC has already recommended at length on the unsatisfactory position regarding the working and finances of the State Boards. The Government are, therefore, very apprehensive about the adverse effect, the discontinuance of much needed financial assistance would have on the satisfactory working and finances of the State Boards.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI(II) dated 30-11-1981].

Recommendation

As regards confirmation of loans by the borrowing bodies, Commission is stated to have "prescribed submission of confirmation of loan balances outstanding at the end of proceeding year as a condition precedent for the release of imprest for the current year" and in cases where confirmation has not been received for more than two years, legal action, if necessary, is initiated, if special efforts to obtain confirmation or refund of loan fail". The Committee have been informed that the portion of the balance outstanding, particularly in respect of village industries loan to be confirmed is accounted for by the State Boards. The Committee do not consider this a justifiable reason for non-receipt of confirmation. This state of affairs has created an impression on the Committee's mind that financial procedure are not being followed by the State Boards. The Commission is stated to be facing difficulty in getting confirmation from defunct institutions or institution under legal action or such institutions which do not approach the Commission for further financial assistance. The Committee desire that, besides taking action permissible under the law

against the defaulting institutions, the details of loan together with the names of such institutions and those of their Chief Executives promoters should be published in the Annual Reports of the Commission. This will, at least, invite public attention to such institutions/individuals and possibly deter other institutions to fall in line with defaulting institutions.

[S. No. 14 Appendix-I Para 48 of Fifty-Second Report of the PAC
(Seventh Lok Sabha)].

Action Taken

The position regarding loan balances as on 31-3-1979 still to be confirmed (position as on 30-6-1981) by the borrower institutions and State Boards is as follows:—

(Rs. in crores)

	Village Ind.		Khadi		Total	
	No.	Amount	No.	Amount	No.	Amount
State Boards	3	6.03	2	2.28	5	5.31
Major Institutions	4	0.36	6	16.82	10	17.18
Other Institutions	194	2.46	140	8.02	334	10.4
TOTAL	201	8.85	148	27.12	349	32.97

From the above table it could be seen that there has been considerable improvement in the position by the end of June 1981 as compared in the position as at end of 30-9-1980 appearing in the report.

Regarding the non-confirmation of the loan balances by the State Boards which is observed in the report, it is stated that the state of affairs has created an impression on the Committee's view that financial procedures are not followed by the State Boards. It is true that the position with respect to maintenance of accounts etc. in the State Boards needs considerable improvement. At the same time it has to be conceded that there has been discernible improvements in this respect during last few years, particularly in some of the State Boards.

Regarding the suggestion of the PAC that the names of the institutions which have not confirmed their loan balances, alongwith Chief Executives/promoters and the details of such balances should be published in the Annual Report of the Commission, which would

possibly deter other institutions to fall in line with the defaulting institutions, it may be stated that the Annual Reports of the Commission are not sent to all institutions. These reports are laid before each House of the Parliament as required under Section 24(2) of the KVIC Act and they contain such particulars as are prescribed in Rule 32 of KVIC Rules. In addition these reports are sent to all the offices of the Commission. As such, publishing of the names of defaulting institutions and their office-bearers in the Annual Report of the Commission is not likely to have the desired effect on other institutions.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI(II) dated 30-11-1981].

Recommendation

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

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

[S. No. 15, Appendix-I, Para 52 of Fifty-Second Report of PAC (Seventh Lok Sabha)].

Action Taken

In the reply referred to, the Ministry had dealt with the practical aspect of the problem. The fact is that the State Boards do not have any other source to repay the loan instalments as they fall due except the amount recovered from their borrowers. If the State Governments were to provide some ways and means advance to the State Board, this would have enabled the State Boards to repay loan instalments in time pending the receipt from their borrowers.

Unfortunately, however, the State Governments have not only not provided accommodation to meet such contingency but despite Commission's persistent efforts, the State Governments have not readily come forward to make good the depletion in the resources of

the State Boards (Loan Funds of the Commission) caused due to losses in their trading activities. The position is not expected to improve much unless the State Governments evince more interest in the working of State Boards and provide them required financial assistance. Commission, however, takes up with State Boards regarding recovery of Board's dues from their borrowers at the time when they come up to Commission for budget discussions and it will be fully impressed upon the State Boards that it is their responsibility to recover loans from the institutions.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI (II) dated 30-11-1981].

Recommendation

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

[Sl. No. 16—Appendix I of Para 53 of the Fifty-Second Report of PAC (Seventh Lok Sabha)]

Action Taken

At present KVIC shares with the State KVI Boards the losses that may arise on account of non-recovery of loans for stocking raw-materials and of working capital loans advanced by them in accordance with the rules governing re-lending of funds by State Boards out of the funds loaned to them by the Khadi and Village Industries Commission in the ratio of 3 : 1. This has been done to provide some degree of protection to financing institutions against possible losses in respect of advances granted by them to the small borrowers. It is a concomitant feature of shift in emphasis in the lending operations of the financing institutions from the credit-worthiness of the borrower to the credit-worthiness of the purposes for which the borrowing is resorted to. This is necessary for rectifying the indefensible disparities in income and for enlarging the employment opportunities for weaker sections of the community. This system is in vogue even in schemes where loans are advanced by cooperative banks and other financing institutions to small

industrial units where the guarantee-cover extends as much as to 90 per cent of the amount in default. The Reserve Bank of India also provides guarantee cover upto 75 per cent of the loans advanced by financing institutions to the small scale industrial units subject to certain limits. A similar scheme is operated by the Credit Guarantee Corporation of India.

The Khadi and Village industries play a very important role to provide bare means of sustenance to the rural poor and the registered institutions or the State Boards will not come forward to provide loans to the poor artisans unless their risk is covered in one way or the other. The risk can be covered either through guarantees provided by the Central Government or the State Governments. At present the situation is that the State Boards cannot build adequate reserves for want of required assistance from the State Governments even to the extent of 25 per cent. The State Governments are being persuaded in all possible ways to play a more active role in the KVI sector. A conference of all the State Ministers Incharge of KVI programmes in the States and heads of KVI Boards was held in January this year only with this end in view. Letters have been sent at the level of Minister to all the State Governments to make some provision for the KVI programmes in their State budgets. A model bill to govern the relationship between the KVIC and the State Boards as well to provide for satisfactory performance of the State Boards has been drafted and is proposed to be circulated to the State Governments for their views very soon.

Government are fully aware that a major snag in the effective functioning of the KVI programmes is the fact that State KVI Boards are created under Acts of State Legislatures. All possible efforts are being made to involve State Governments in the KVI programmes but as stated above, the feeling of the Government is that till such time as the State Governments provide assistance to the State KVI Boards for building up adequate reserves; KVI programmes will suffer if absolutely no guarantees are provided by the Commission in respect of the losses suffered by the State KVI Board in respect of loans advanced by them to registered institutions/small artisans.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI(II)
dated 30 November, 1981]

Recommendation

The Committee also note that as early as in 1962, the Commission had taken up the matter of building up reserves by the State Boards

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

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

[Sl. No. 17—Appendix I Para 54 of the Fifty-Second Report of PAC (Seventh Lok Sabha)]

Action Taken

Comments on this aspect have already been given against Recommendation at para 53.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI-(II) dated 30 November, 1981]

Recommendation

For implementing the programmes of development of Khadi and Village Industries, it requires investment of enormous amount of funds which the States, with their revenue resources, may not have financial capacity to invest. Therefore the Central Government places annually funds in the hands of the Commission which in turn are disbursed to the State Boards for implementing Khadi and Village Industries development programmes. The Committee feel that it is mainly in the interest of the States to see that these funds are properly utilised. The Committee do not find any reason to make a distinction between *de facto* and *de jure* liability of the State Boards to repay loans according to prescribed terms and conditions.

[Sl. No. 18—Appendix I, Para 55 of the Fifty-Second Report of PAC (Seventh Lok Sabha)]

Action Taken

Comments on this aspect have already been given against Recommendation at Para 53.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI-(II)
dated 30 November, 1981]

Recommendation

The Committee note from the foregoing that the production of khadi went up to a peak level of 848.54 lakh square metres of cloth in 1965-66, but there was a sharp decline in production to 557.19 lakh square metres in 1973-74. The production of khadi rose to 715.05 lakh square metres in 1978-79, but this was still lower than the production level achieved in 1965-66. To arrest the decline in production, the Commission introduced new model charkhas (NMCs) of which 3 lakh units were to be introduced by 1973-74; but only 1.15 lakhs NMCs were actually introduced upto 1978-79. In addition, the khadi industry already had 0.87 lakh traditional and 3.78 lakhs amber charkhas distributed by the Commission during 1953-54 to 1962-63.

[Sl. No. 22—Appendix I Para 68—Fifty-Second Report of the
PAC (Seventh Lok Sabha)]

Action Taken

The decline in khadi production during the years 1965-66 to 1973-74 and thereafter has been mainly due to the following reasons:

In the year 1965, the spinning wages on both traditional and ambar charkhas were raised by 100 per cent and 30 per cent respectively. With the increase in spinning wages and the cost of other inputs of production such as raw material and management expenses, the share of standard weaving wages prescribed by the Commission, in the total cost of production went on reducing in course of time. Consequently, the price of khadi to the consumer went on increasing correspondingly and this created some problems for sale of khadi. Similarly with effect from 1 April, 1964, rebate was replaced by weaving subsidy. This was done in the fond hope that since spinners will not have to bear weaving charges for their clothing, crores of villagers will take to spinning to meet their requirement of cloth. This, however, had a negative effect

on the consumers who under the weaving subsidy scheme were deprived of the psychological satisfaction of getting rebate on purchases of khadi since khadi was being sold to them at the market price (which of course was arrived at after reducing the amount of weaving subsidy received by the khadi producing institutions).

Before the introduction of the weaving subsidy scheme, the institutions which arranged for weaving of cloth for Vastra Swavalambi (self-sufficiency spinners) were entitled to management subsidy of 15 naya paise per metre of cloth. On introduction of weaving subsidy, continuance of this subsidy or its replacement by the revised production and sales subsidy proposed by the Commission was not approved by the Government. Consequently the production of self-sufficiency khadi suffered a considerable set back, after introduction of weaving subsidy scheme. Similarly it was a practice among khadi spinners to get their yarn exchanged for khadi cloth of their choice. This type of barter transaction was known as 'Badlon'. Formerly the cloth given to such persons in exchange of 'Badlon' enjoyed concession in respect of rebate. After the introduction of weaving subsidy scheme, Commission had proposed subsidy on such Badlon transactions. This was also not approved by the Government. Absence of this subsidy adversely affected production and sale of khadi.

So far as introduction of NMCs is concerned, the Commission could introduce only 1.15 lakhs NMCs upto 1978-79 as against the target of 3 lakh units by 1973-74 primarily due to the fact that workshop facilities for manufacture of sufficiently large number of charkhas were not available. The khadi institutions were not equipped to manufacture all NMC sets and the private machinery manufacturers did not evince any interest in this programme.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI-(II)
dated 30 November, 1981]

Recommendation

The Committee see from Audit para that information about the extent of utilisation of these charkhas was not available with the Commission. However, according to a study conducted by the Indian Institute of Management, Ahmedabad in April, 1976. "the

charkhas and looms in the khadi sector were utilised at levels not higher than 30 per cent". The Commission had stated in December, 1979 that due to steep rise in cost, it became necessary to contain production in "less sufficient and less traditional charkhas" and to switch over to the improved models of charkhas and that the switch-over had, necessarily, to be gradual.

[Sl. No. 23—Appendix I Para 69 of the Fifty-Second Report of PAC (Seventh Lok Sabha)]

Action Taken

The report of the Indian Institute of Management, Ahmedabad though presented in April, 1976 was based mainly on field studies conducted by them in 1972-73 and related mostly to traditional and wooden Ambar Charkhas. Subsequently, a study was conducted by the Khadi Development Committee, appointed by the Commission in 1976. According to them, the extent of utilization of NMCs in 1975-76 was as follows:—

(a) Working at full capacity	..	67 per cent
(b) Working at 50% capacity	..	28 „ „
(c) Working at less than 50% capacity	..	1 „ „
(d) Not working	..	4 „ „

In this connection it may also be pointed out that normal working life of a traditional charkha is found 5 years and that of Wooden Ambar Charkha from 5 to 10 years. During first and second Plan periods, mostly the traditional charkhas were distributed and during second and third plans the charkhas distributed were mainly of Wooden Ambar variety. For all practical purposes, their constructive life was over by 1976. In spite of this, in 1978-79 as many as 45,602 Ambar Charkhas were in operation mainly because of renovation etc. The reasons for decline in production of khadi have already been indicated against recommendations made in paras 68/70. It would not be absolutely correct to assume that the Commission had not been able to mobilise necessary organizational infrastructure for increasing production of khadi. As against 20,000 institutions, cooperatives etc. engaged in khadi and village industry activities in 1965-66, there were as many as 28,000 such organizations in the field in 1977-78. It has, however, to be admitted that with the passing away of old generation of spinners and weavers, the young generation did not find khadi programme very attractive due

to the low income it provided to those engaged in this activity. Government are now trying to put up more polyvastra units where the earnings are higher.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI-(II)
dated 30 November, 1981]

Recommendation

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

[Sl. No. 24—Appendix I Para 70 of the Fifty-Second Report
of PAC (Seventh Lok Sabha)]

Action Taken

Comments on this aspect have already been given against the Recommendation at Para 68.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI-(II)
dated 30 November, 1981]

Recommendation

The Committee regret to note that in reply to a pointed question directed to elicit reasons for sharp decline in production of khadi and employment of persons in 1973-74 *vis-a-vis* 1972-73, the

Ministry, instead of stating the causes has endeavoured to narrate comparative facts about production and employment by comparing khadi production with mill-made cloth and also appear to draw comfort from the fact that although there was decline in term of value, the production reflected an increase.

[Sl. No. 25—Appendix I Para 71 of the Fifty-Second Report of PAC (Seventh Lok Sabha)]

Action Taken

Comments on this aspect have already been given against Recommendation at Para 69.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI-(II) dated 30 November, 1981)]

Recommendation

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

In this context, the Committee note that the Commission had decided to contain production in "less efficient and less remunerative traditional charkhas" even when it could not provide projected number of improved models of charkhas. The Committee has also been told that the Commission did not even possess any information about the percentage utilisation of charkhas and looms in khadi industry. The Committee do not know at what level and in what background the decision to contain production on traditional charkhas was taken. The Committee are not averse to the utilisation of the improved varieties of charkhas, but the real causes for the limping development of khadi industry should be gone into and identified.

[Sl. No. 26—Appendix I, Para 72 of the Fifty-Second Report of PAC (Seventh Lok Sabha)]

Action Taken

The production of traditional charkhas was slowed down as a result of the recommendations of the Khadi and Village Industries Committee, popularly known as Ashok Mehta Committee which submitted its report in 1968. The relevant recommendation on the Committee in this regard is reproduced below. This recommendation was accepted by the Government.

“In regard to new khadi programme, i.e. further expansion of khadi production, the basic approach and purpose can be considered separately for (a) traditional including ambar khadi, and (b) khadi produced from new model charkha. As regards traditional khadi, the approach should be that the whole of the new production taken up in future is on self-sufficiency basis. Regarding khadi from new model charkha, the approach should be to develop it on commercial basis. The element of Government grants, particularly by way of subsidy, should be very small (paras 2.20, 2.21, 2.22)”.

The causes that led to decline in production of khadi have already been given while decline with the observations of the Committee contained in para 68. Introduction of new model charkhas on a big scale and technological improvements in pre-processing such as adoption of semtcher and cards etc. have helped not only to arresting the declining trend in production of khadi but have in fact helped reverse this trend. Consequently production of khadi had reached on level of 894 lakh sq. metres (provisional) in 1980-81.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI(II)
dated 30th November, 1981]

Recommendation

So far as the promotion of employment is concerned the Committee note that the level of employment of 18.95 lakh persons in 1965-66 was the highest but there was a steep fall in employment to 8.04 lakh persons in 1973-74. According to target fixed for the Fifth Plan it was proposed to increase employment to 10.20 (10.23) lakh persons by 1977-78. However the number of persons actually employed in 1977-78 was 9.22 lakhs only. Again in 1977-78 the actual employment was 10.34 lakhs only as against the target of 11.28 lakhs. Since the employment opportunities on khadi are directly related to actual production of khadi, the Committee would once again stress the need for going into the reasons for shortfall.

in production and taking appropriate measures to remove whatever hurdles are in the way.

[Sl. No. 27—Appendix I, Para 73 of the Fifty-Second Report of
PAC (Seventh Lok Sabha)]

Action Taken

Comments on this aspect have already been given against Recommendations at Paras 68 and 72.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI(II)
dated 30th November, 1981]

Recommendation

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

[Sl. No. 32—Appendix I, Para 86 of the Fifty-Second Report of
PAC (Seventh Lok Sabha)]

Action Taken

While judging the performance of the Commission in the field of gobar gas programme for the period up to 73-74, it may be necessary to recognise the fact that it was only during and after 74-75 that there has been all round recognition about the importance of gobar gas programme due to and as a result of energy crisis following steep and sudden rise in price of petroleum products given effect to by the petroleum exporting countries in 1974. It is only then

that public attention was directed with new vigour towards exploring alternative or additional sources of energy, such as, solar, wind, gobar gas etc. It was, thus during the 5th Plan period that the gobar gas programme had attracted the attention of the Agricultural Ministry which had some resources available under the Head "Development of Local Manural Resources", which they thought of using for development of gobar gas programme. The target of construction of one lakh gobar gas plants during the 5th Plan was set by the Ministry of Agriculture and not by the Commission and this programme was planned to be implemented, not only through the Khadi and Village Industries Commission and its field agencies, but also through the State Governments and other agencies at state level, such as Agro-Industries Corporation. In the circumstances, it may not be correct to consider that Commission alone was responsible for lower performance as compared with the target (construction of 64000 plants during 74-75 to 78-79 against the programme of installation of one lakh plants by all agencies in the country during this period). In fact, the only organisation in the country which has pioneered the Gobar Gas programme since 61-62 has been the Commission. It is the Commission which has built a cadre of trained personnel who can supervise/take up construction of gobar gas plants and their after-installation service. The Commission has also been constantly engaged even before 74-75 in finding solutions to various problems faced in the construction and maintenance of gobar gas plants, such as reduction in the cost of construction by exploring the use of alternative materials as also change in the design of plants, experimenting different materials for use in the fabrication of gobar gas holders which may help improve its life by overcoming the problem of corrosion etc. It is a different matter that, of late, when gobar gas programme has attracted world-wide attention, many more agencies have come forward to show their interest in this programme.

While judging the performance of the programme during 1979-80 it may be necessary to take note of the consequent on transfer of substantial resources from Centre to the States following the recommendations of the Sixth Finance Commission. the Gobar Gas programme was one of the schemes transferred to the States and all the State Governments did not evince equal interest in the implementation of this programme. As such there has been some set back to the programme due to this change as well.

Although the Commission has been suggesting about the possibility of constructing 28.5 lakhs gobar gas plants on the basis of 5 gas

plants on an average in each of the 5.70 lakhs villages, the Commission has all along been conscious about the practical difficulties and problems that may have to be faced in achieving this target. The target of construction of 28.5 lakh plants is really gigantic and the organisational abilities and infrastructural facilities that may be required for achieving this task would be equally gigantic. But with required financial and other help becoming available from Govt. it may not be difficult to achieve this goal albeit in a phased manner. The arrangements that may have to be made for procurement, custody and distribution of scarce commodities, like cement, steel, etc. required for construction of these plants, will have to be quite elaborate and detailed and its success would largely depend on the cooperation that be forthcoming from Governmental agencies controlling supply and distribution of these commodities.

Similarly, implementation of the programme in all the 5.7 lakh villages spread over the length and breadth of the country would require an army of trained personnel which can guide and help in the construction of these plants and their post-installation maintenance and repairs. All these things would take their own time to come into being and as such, the commission had not visualised that the programme of construction of so many plants would be implemented in a short span of a quinquennium.

In this connection, it may be pertinent to note that the Department of Agriculture is at present the nodal agency for implementation of the national bio-gas programme in the country during 6th Plan period. Although the target on one million Plants as envisaged in the 6th Plan is kept in tact, the programme presently outlined by the Ministry of Agriculture is limited to 4 lakhs plants only. Similarly, the National Bio-Gas Development Board proposed to be set up by the Ministry of Agriculture is now to work as coordinating and promoting agency as also to work as supervisory and monitoring body for the implementation of the programme. In view of these developments the Commission would be implementing only that part of the Gobar Gas programme visualised in the 6th Plan as may be assigned to it by the Agricultural Ministry. It is only after the target has been fixed by the Ministry that the Commission can go ahead with procurement of material, reservation of steel etc. In the meanwhile Commission would continue to implement the Gobar Gas Programme from its own allocation as Gobar Gas continues to be one of the Village Industries listed in the schedule to Commission Act.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI(II)
dated 30th November, 1981]

Recommendation

Considering the immense importance of the gobar gas plants in the development of rural economy of the country which has been made more difficult due to oil crises and retarded growth of rural electrification, the Committee consider that the objective of setting up 28.5 lakh gas plants is not at all high. The past performance of the Commission in this field has however been very poor. (In 19 years time the number of gas plant installed was only 80.113). This shows that the Commission had not taken adequate steps in the past to enable people to instal gobar gas plants. The Reserve Bank of India has drawn attention to some of the handicaps in achieving substantial progress. The Committee consider it imperative that proper organizational abilities and infrastructural facilities be immediately provided so that the aforesaid modest objective of installing 28.5 lakh gas plants is achieved. The Committee recognise the problems faced in the implementation of schemes for installation of global gas plants as pointed out by the Reserve Bank of India in its Report. The Committee trust that the Commission would take up this programme in right earnest and get over the handicaps pointed out in the Reserve Bank Report soon.

[Sl. No. 33—Appendix I, Para 87 of the Fifty-Second Report of
PAC (Seventh Lok Sabha)]

Action Taken

Comments on this aspect have already been given against Recommendation at Para 86.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI(II)
dated 30th November, 1981]

Recommendation

The Committee find that the Commission spent Rs. 2.74 crores for organisation of exhibitions during 1957-58 to 1978-79. The audit found that consolidated records of exhibition, accounts, reports, unspent balance and accounts refunded or to be refunded were not kept by the Commission. As pointed out by Audit, accounts for Rs. 29.13 lakhs in respect of 45 exhibitions were not received by the Commission; a grant of Rs. 8.69 lakhs was given to 5 State Boards/ during 1971-72 to 1973-74 despite their failure to render any accounts for grants amounting to Rs. 15.14 lakhs given to them earlier; in 4 cases State Boards did not render any account nor refunded unspent balance amount against a grant of Rs. 1.69 lakhs paid to them;

another institution was paid a loan of Rs. 6.86 lakhs during July 1969 to October 1970 and then part of this loan amounting to Rs. 2.23 lakhs was converted into grant of loan still an amount of Rs. 2.29 lakhs remained recoverable from the institution till September 1979. To a pointed question by the Committee asking the reasons for not maintaining proper records by the Commission about the moneys spent on exhibitions, the Ministry have given an evasive reply saying that separate registers are maintained about all the disbursements made for holding exhibitions. Information about the receipt of the report and accounts in respect of each exhibition is recorded there and "the recovery of unspent balance..... is also watched through these registers..... these registers can be considered to serve the purpose of a consolidated record of accounts, reports, etc. in respect of exhibitions for which funds are disbursed by the Commission".

[Sl. No. 34—Appendix I, Para 92 of the Fifty-Second Report of PAC (Seventh Lok Sabha)]

Action Taken

(a) Regarding the 45 Exhibitions involving an amount of Rs. 29.13 lakhs accounts for 15 Exhibitions involving an amount of Rs. 16.45 lakhs have already been received and finally settled. In respect of 9 Exhibitions involving an amount of Rs. 3.65 lakhs either statements of expenditure have been received or the Internal Audit parties of the Commission have procured the utilisation certificates for these Exhibitions.

These utilisation certificates have been accepted by Government and Audit. The accounts of the remaining 21 exhibitions, involving an amount of Rs. 9.03 lakhs are yet to be received. Commission is persistently pursuing receipt of these accounts.

Then out of the total amount of Rs. 2.74 crores spent on exhibition during the period from 1957-58 to 1978-79, the accounts for Rs. 9.03 lakhs only are to be received which works out to less than 4 per cent of the amounts spent.

(b) The four State Boards from whom the accounts for Rs. 1.69 lakhs are yet to be received have been requested either to render the accounts or to refund the entire balance to the Commission immediately.

(c) As against the unspent amount of Rs. 2.29 lakhs, an amount of Rs. 0.89 lakhs has been refunded by the institution to the Commission. The remaining amount of Rs. 1.40 lakhs represents the

value of building transferred by the institution to the Ministry of Education at the instance of the Commission. The remaining amount is thus to be paid by the Ministry of Education to the Commission and the institution cannot be called a defaulter on this account.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI(II)
dated 30th November, 1981]

Recommendation

The Committee find that the balance sheets of the Commission relating to the years ending on 31st March, 69, 74 and 1979 do not give any encouraging picture about the affairs of the Commission. The Committee note that under Khadi, on capital of Rs. 591.29 lakhs invested in 1968-69 and Rs. 696.33 lakhs in 73-74, there were losses of Rs. 7.70 lakhs *i.e.* 1.30 percent & Rs. 15.77 lakhs *i.e.* 2.26 percent respectively. Again on capital of Rs. 1356.24 lakhs invested in 73-79 there was a profit of Rs. 10.31 lakhs *i.e.* 0.76 percent only. Under Village Industries also on capital of Rs. 53.99 lakhs invested in 68-69 there was loss of Rs. 0.32 lakhs *i.e.* 0.54 percent and on capital of Rs. 137.55 lakhs & Rs. 261.9 lakhs invested in 73-74 and 78-79 there was a profit of Rs. 1.39 lakhs *i.e.* 1.01 percent and Rs. 8.22 lakhs *i.e.* 3.14 percent respectively. Thus cumulatively as on 31st March, 1979, the Commission incurred a net loss of Rs. 26.08 lakhs on Khadi and net profit of Rs. 21.21 lakhs on Village Industries. The Committee do not consider it as a satisfactory financial position of the Commission while taking into account the tremendous patronage and goodwill enjoyed by the Commission both from the Private and official agencies, besides the support of general public which it receives. The Committee recommend that the Commission should give a fresh look to its financial affairs particularly in the maintenance of proper accounts and disbursement, utilisation, refunds and recovery of loans/grants and its efficiency.

[S. No. 37 Appendix-I para 99 of Fifty-second Report of the PAC
(Seventh Lok Sabha)].

Action Taken

The observation made in this para regarding the profits and losses of the direct trading activities of the Commission, it may be conceded that success or otherwise of these operations cannot be judged in terms of profits or losses when the Commission undertakes these activities more in the nature of pioneering and promotional efforts in difficult and not easily accessible areas or for trying new methods of production or products when other agencies are not prepared to take up these activities on account of the risks involved in them. Even otherwise the entire Khadi production and sale

activity not only of the Commission but also of the other agencies engaged in this activity is being conducted on no profit no loss basis. Obviously it cannot expect these activities to be conducted with profit when their sustenance largely depends on Government's rebate and other assistance. In these circumstances, the profits or losses depicted by the trading units directly run by the Commission have necessarily to be viewed as incidental surpluses or deficits which are inevitable in any standard method of costing adopted for the purpose of regulating Khadi production and sale. The position of the Village Industries is not much different from this.

In view of the above position, it may not perhaps be in order to say that these trading results are indicative of unsatisfactory financial position of the Commission. In fact, the Commission is required to undertake some of these activities particularly in Hill, border and backward areas of the Country with the full knowledge of the possibilities of incurring losses in running these activities. This is done by the Commission with the objective of improving the economic level of the living of the poor people in the hitherto neglected areas of the Country.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/31-KVI/(II), dated 30-11-1981]

CHAPTER IV

RECOMMENDATIONS OR OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

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

[S. No. 9 Appendix-I Para 39 of Fifty-second Report of the PAC
(Seventh Lok Sabha)].

Action Taken

In this Para, PAC has suggested the introduction of card system for keeping a track of (i) of all outstanding loans and (ii) their proper utilisation before subsequent loans and subsidies to such grantees are to be dealt with. In this connection it may be clarified that the Commission maintains purpose and industry-wise ledger accounts of all institutions and State Boards. In addition, a consolidated loan account for each of the borrower institution or State Board is maintained for recording disbursements and receipts in respect of loans paid for various purposes and industries. These

records are found to be adequate to know the position about outstanding loans with an institution or state board, any time. Similarly, the Commission maintains separate records for the purpose of watching the receipt of utilisation certificates in respect of various disbursements of grants and loans made to institutions and State Boards and from these records position about the receipt of utilisation certificate at any point of time can be known without much difficulty. In fact, progressive position about Utilisation certificates received and outstanding from the State boards in respect of disbursements made to them in all the previous years is being submitted to the Commission every month in its monthly meeting.

In view of what is stated above it is considered that it may not be necessary to introduce card system to know the position about outstanding loans and their proper utilisation at any point of time. The feasibility of introducing a card system as recommended by the PAC has been examined by the Commission. The card system lends itself easily for incorporation of information which is more of a permanent nature, something like a fund, and it may not be as much suitable for recording information which is of constantly changing nature—something like a flow—particularly, when such changes like the position of outstanding loan balances or utilisation certificates, are likely to occur any day and every day. If such an everchanging position is to be reflected on any information, this would, more or less, be a replica of a ledger account. In fact, when the PAC had asked for information about failure of State Board institution to submit utilisation certificates in respect of earlier assistance before asking for a fresh assistance, we had not stated that this information was not available but had only brought out that considerable time and effort should be required if this information was to be provided in respect of thousands of payments that were made during the last so many years.

Regarding State Boards, it may be stated that if further financial assistance was denied to them on the ground that they had failed to submit utilisation certificates in respect of some of the earlier disbursements made to them, even institutions under the Boards, whose performance in respect of submission of utilisation certificates to the State Boards was good, would unjustifiably be denied the financial assistance which they should legitimately get.

The Commission has been making vigorous efforts to ensure timely submission of utilisation certificates both by the State Boards and the institutions in respect of disbursements made to them. This aspect is kept in view at the time of sanctioning them further

financial assistance. The recommendation of the PAC that if a particular State Board or Institution persistently defaults in rendering proper accounts or furnishing utilisation certificates, further assistance to the State Boards or Institutions should be discontinued, has been noted. It may, however, be mentioned that a very strict enforcement in this regard would deprive some state Boards catering to a large population of financial assistance when actually their need for such assistance would be more. A discriminatory attitude in respect of such State Board would therefore be necessary. The PAC's desire that the KVIC should make vigorous efforts to obtain utilisation certificates and to get the backlog cleared at an early date has been noted.

The present position about the outstanding utilisation certificates as on 30-6-81 in respect of disbursements made by the Commission to State boards and the institutions to the end of 1977-78 is as follows:—

Year	Total Outstanding as on 30-11-80	Outstanding as on 30-6-1981			U.Cs accounted for from Nov. 80 to June 81
		Institutions	State Boards	Total	
Upto 1960-61	0.15	0.03	0.12	0.15	Nil
From 1961-62 to 1976-77	9.40	0.41	7.88	8.29	1.11
For 1977-78	7.26	0.31	5.47	5.78	1.48
	16.81	0.75	13.47	14.22	2.59

From the above Table, it would be seen that out of Rs. 436.39 crores of loans and grants disbursed upto 1977-78 by the KVIC to the State Boards utilisation certificates were outstanding only in respect of Rs. 14.22 crores, which is just three per cent of the total amount advanced by the KVIC to the State Board. The KVIC will continue to exert their utmost in ensuring early clearance by the State Boards and the Institutions of all outstanding utilisation certificates.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI (II), dated 30-11-1981]

Recommendation

The importance of furnishing the utilisation certificates by the institutions and State Boards has been stressed by the Committee in the past (*vide* 93rd Report. Fifth Lok Sabha). The Committee would like the Commission to take serious view in regard to grant of further assistance to the State Boards and institutions which are not in a position to account reasonably for the moneys given to them and to produce certificates for their proper utilisation. If a particular State Board or an institution persistently defaults in rendering proper account of furnishing utilisation certificates, further assistance to such board or Institution should be discontinued. The Committee do not agree that such discontinuance will deny financial assistance to those institutions whose performance in respect of submission of utilisation certificates has been good. Suitable assistance can be provided to such deserving institutions. The Committee desire the Commission to make vigorous efforts to obtain utilisation certificates and to get the backlog cleared at an early date. The Commission should see to it that no arrears relating to utilisation certificates are allowed to accumulate.

[S.No. 10 Appendix-I Para 40 of Fifty-second Report of the PAC
(Seventh Lok Sabha)].

Action Taken

Comments on this aspect have already been given against Recommendation at Para 39.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/31-
KVI/(II), dated 30-11-1981]

Recommendation

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

[S. No. 11 Appendix-I Para 41 of the Fifty-Second Report of
the PAC (Seventh Lok Sabha)].

Action Taken

The names of the institutions, which are under liquidation or against which legal action has been initiated by the Commission for recovery of Commission's dues have already been published in an Annexure to their Annual Accounts. As at the end of 31-3-1980, there were as many as 114 institutions in respect of Khadi and 349 institutions in respect of village industries belonging to this category. Since the names of such institutions have already been published in the Annual Accounts of the Commission every year, their repetition in the Annual Reports of the Commission may not be necessary.

As regards publishing the names and addresses of the Chief Executives, including the treasurers by whatever names called, it is considered that apart from making the Annexure now being annexed to the Annual accounts, a cumbersome/voluminous statement, there would be problems regarding the names of such functionaries that should be published as to whether they should be only the present or even the past functionaries who were managing in a defunct institutions.

[Ministry of Rural Reconstruction O.M. No. H-11021/2-81-KVI (II), dated 30-11-1981].

Recommendation

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

[S. No. 13 Appendix-I Para 47 of Fifty-Second Report of the PAC (Seventh Lok Sabha)].

Action Taken

It is not that the Commission does not have the information about the progressive position of refunds/recoveries of grants and loans by the State Boards. The availability of this information by itself however is not enough to know the correctness of the amounts shown as having been refunded by the State Boards in their utilisation certificates unless full details are provided by the State Boards about these refunds in each individual cases to enable their verification with reference to the refunds/recoveries already recorded in the Commission's books of accounts. These refunds/recoveries relate to a large number of payments made to the State Boards for different industries in different years and as such unless each refund reported to have been made by the State Board is linked to that very refund in Commission's books of accounts, the veracity of the information supplied by the State Board in their utilisation certificates cannot be established. It is, in these circumstances, that the Commission had mentioned in their earlier reply that the State Boards had been requested to furnish the details of all the amounts stated to have been refunded by them for cross checking with the records maintained in the Commission's office.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-
KVI(II), dated 30-11-1981].

Recommendation

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

Commission would now finalise all the outstanding accounts of these units without any loss of time and report to the Committee about the progress made in that direction within 3 months after the presentation of this report to the House.

[S. No. 36 Appendix-I Para 98 of Fifty-Second Report of the PAC (Seventh Lok Sabha)].

Action Taken

As mentioned in the 93rd Report of the P.A.C., out of four units which were transferred to the different institutions, the accounts of two units have been finally settled (i.e. Jari Silk Centre, Surat and Khadi Gramodyog Bhawan, Madras). In respect of Khadi Gramodyog Bhawan, Bangalore, the entire amount which was due from the transferee institution has been recovered and adjusted. Some items pertaining to old sundry debtors/creditors etc. are outstanding which the Commission has to clear directly. Every effort is being made to clear the outstanding items and thus to realise the capital of Rs. 1.84 lakhs presently locked up in this closed unit. In respect of production and sales centres in Andhra Pradesh i.e. the fourth unit the amounts which were due from transferee (the State Board and different institutions) consequent on transfer of the Commission's trading activities have been recovered from these agencies. The capital amount of Rs. 13.70 lakhs which remains locked up in this unit is primarily covered by the amount of Rs. 13.63 lakhs appearing as due from A/T Section of the Commission in the accounts of Kakinada trading activities (since closed). It has not been possible to clear this item as the amounts due by A/T Section to various suppliers of Khadi against A/T orders are reckoned by A/T Section on the basis of rates finalised by the Teams of Cost Accounts Officers of the Ministry of Finance, as the A/T orders placed by the DGSD on the Commission from 1-4-1964 till recently were provisional subject to such finalisation, whereas the Kakinada unit of the Commission, like other institution supplying Khadi against A/Ts, has been raising debits in the account of the A/T Directorate at the certified rates which happened to be higher than the finalised rate. The matter is being further looked into with a view to sorting out this long outstanding issue. These items being very old, our own units find it very difficult to reconcile and as such, delay in finalising these items.

It may be seen that out of 30 closed units involving an amount of Rs. 47 lakhs, there are 5 units in which an amount of Rs. 37 lakhs is locked up. These are as under:—

S. No.	Name of unit	Capital Outstanding
		Rs. in lakhs
1	Director of Trading Activities, Calcutta	12.05
2	Endi Production Centre, Rampura	4.09
3	Khadi Gr. Bhawan, Bangalore	1.84
4	Processing of Cereals & Pulses Sonapur	4.91
5	Production & Sales Centres in A.P.	13.70
		36.59

The remaining amount of Rs. 10 lakhs is locked up in other closed units.

In respect of DTA, Calcutta where capital of Rs. 12.05 lakhs is involved, of this major amounts are due from the following:—

	Rs. in lakhs
1 Bihar Khadi & V.I. Board	4.42
2 Bihar Khadi Gramodyog Sangh	4.83
3 Abhoy Ashram, Birati	2.40

The amount due from Abhoy Ashram, Birati was included in the demand notice issued to the Ashram when recovery action was taken against the Ashram. Subsequently the Ashram has been allowed to continue their activities under special arrangement for revival of their activities. The question of recovery of this amount from the Ashram would be pursued within the framework of this special arrangements. Similarly, the matter is being vigorously pursued with the Bihar State Board and Bihar Khadi Gramodyog Sangh to reconcile and pay to the Commission the amounts due from them.

There also appears in the accounts a closing stock of about Rs. 2 lakhs. Commission had tried to auction this stock, but could not succeed.

In respect of Endi Production Centre, Rampur in which an amount of Rs. 4.09 lakhs is involved, an amount of Rs. 2.10 lakhs is due from Assam State Board and institutions. An amount of Rs. 1.80 lakhs has already been recovered and adjusted from Commission's other units. As on today, this capital has been brought down to Rs. 2.29 lakhs.

Regarding Khadi Gramodyog Bhawan, Bangalore, as has already been stated above, the entire amount due from the institution to whom the Bhawan was transferred has been received and adjusted. The outstanding amount of Rs. 1.84 lakhs pertains to the recoveries to be effected from others.

Regarding the amount of Rs. 4.91 lakhs involved in processing of Cereals and Pulses at Sonapur, it may be stated that the entire amount is locked up with 5 cooperative societies against whom legal action has already been initiated.

In respect of Production & Sales centres in Andhra Pradesh the capital involved as Rs. 13.70 lakhs. The major part of this amount is locked up as dues from Commission's other units. The position about these dues has already been dealt with in the earlier para.

It may be reiterated here that the amounts and stocks which were transferred to Andhra Pradesh State Board as well as other institutions have been fully recovered and adjusted. The amount of Rs. 13.70 lakhs is the balance amount on which the Commission is separately taking action. The amount of Rs. 47 lakhs capital locked up in these 30 closed units has now come down to (as on 30 Sept. 1981) to Rs. 42.91 lakhs. As stated in the para a separate Ceil for clearance of these items is already at it and it is hoped that it would be appreciated that due to inherent difficulties, it may take some time to finally settle these accounts.

[Ministry of Rural Reconstruction O.M. No. H-11021/2-81-
dated 30-11-1981].

CHAPTER V

RECOMMENDATIONS OR OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

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

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

[S. No. 12 Appendix-I Para 42 of Fifty-Second Report of PAC
(Seventh Lok Sabha)]

Action Taken

The KVIC has stated that the amounts are due from a large number of institutions. The Institution-wise break-up of these amounts and the recovery, action taken in respect of amounts due from each such institution is under preparation. The specific details desired by the Committee will be furnished on completion of the aforesaid work which is in progress.

[Ministry of Rural Reconstruction O.M. No. H-11021/2/81-KVI(II),
dated 30-11-1981].

NEW DELHI;

9 February, 1982

20 Magha, 1903 (S)

SATISH AGARWAL

Chairman

Public Accounts Committee.

PART II**MINUTES OF THE SITTING OF THE PUBLIC ACCOUNTS
COMMITTEE (1981-82) HELD ON 1 FEBRUARY, 1982.**

The Committee sat from 15.00 to 19.15 hrs.

PRESENT

Shri Satish Agarwal— <i>Chairman</i>	}	<i>Members</i>
Shri Tridib Chaudhuri		
Shri Ahmed Mohammed Patel		
Shri Hari Krishna Shastri		
Shri K. P. Unnikrishnan		
Smt. Purabi Mukhopadhyay		
Smt. Maimoona Sultan		
Shri Patitpaban Pradhan		
Shri Indradeep Sinha		

Representatives of the Office of the C&AG

Shri K. C. Das—Addl. Dy. C&AG.
 Shri R. S. Gupta—Director of Receipt Audit
 Shri S. R. Mukherjee—Director of Audit, Commerce, Works
 & Misc.
 Shri M. L. Malhotra—Joint Director
 Shri N. C. Roy Choudhury—Joint Director
 Shri R. H. Chhayya—Joint Director

SECRETARIAT

Shri D. C. Pande—*Chief Financial Committee Officer.*
 Shri K. C. Rastogi—*Senior Financial Committee Officer.*
 Shri K. K. Sharma—*Senior Financial Committee Officer.*

* * * *

After the conclusion of evidence on paragraph 34 of the C&AG's Report for 1979-80 (Civil) regarding Kandla Port Trust, the Committee considered and adopted the following draft Reports with the modifications as shown in Annexures I, II & III*—

(1) 74th Action Taken Report of PAC (7th Lok Sabha) on

*Not printed.

action taken by Government on the recommendations contained in 52nd Report of PAC(7th Lok Sabha) relating to Khadi & Village Industries Commission.

- (2) 73rd Report of PAC (7th Lok Sabha) relating to Remodelling of Mughalsarai Marshalling Yard.
- (3) 72nd Action Taken Report of PAC(7th Lok Sabha) on action taken by Government on the recommendations contained in 27th Report of PAC (7th Lok Sabha) relating to Union Excise Duties.

The Committee also agreed to incorporate certain typographical errors/verbal changes as suggested by Audit.

The Committee then adjourned.

ANNEXURE I

Amendments/Modifications made in the draft 74th Report of the Public Accounts Committee (7th Lok Sabha) on action taken on 52nd Report (7th Lok Sabha) relating to Khadi and village industries Commission.

Page	Para	Line(s)	For	Read
1	1-8	1 from bottom	After "footing" add "The Committee would also like to be informed of the further progress in the matter".	
9	1-11	1	Before "The Committee" add "In paragraph 36 of their 52nd Report (Seventh Lok Sabha) the Committee had observed that in respect of grants and loans disbursed to the State Boards and institutions upto 1977-78, utilisation certificates for Rs. 16.81 crores were outstanding as on 30 November 1980, the major of which was from the State Boards".	
9	1-11	14	Before "right" add "moral"	
9	1-11	14-15	Delete from "and" to "discontinued."	
9	1-11	15	Before "The Committee" add "The Committee would point out that as the Commission has been receiving enormous amounts from the Government by way of grants, they should not be a party to squandering of tax payers money".	
9	1-11	17	"take a serious view in regard to"	"discontinue"
9	1-11	2 from bottom	Delete "reasonably"	
11	1-14	4 from bottom	"and treasurers"	"treasurer and other office bearers"
11	1-14	1 from bottom	After "recommendation" add "They also expect the Commission to publish names of such persons in the regional newspapers".	
17	1-120	4	After "trading" add "6 processing "	
17	1-20	8	5	6
17	1-20	6 from bottom	After "accounts" add "and fail to understand the inherent difficulties attributed by the Ministry for this inordinate delay".	
19-21	1-21-1-22		Delete paragraphs 1-21, 1-22 and 1-23	

APPENDIX

Conclusions/Recommendations

S. No.	Para No.	Ministry /Deptt. concerned	Conclusion/Recommendations
1	2	3	4
1	1.3	Ministry of Rural Recons- truction	The Committee desire that final reply to the recommendation in respect of which only interim reply has been furnished so far will be submitted expeditiously after getting it vetted by Audit.
2	1.8	do.	The Committee had pointed out that unless the relationship between the Khadi and Village Industries Commission and its implementing agencies, viz., the State Khadi and Village Industries Boards was clearly defined and put on proper footing, the effectiveness of the Commission in improving the economic conditions of the much neglected village artisans and unemployed people would be considerably weakened. The Committee had, therefore, desired that the recommendation which emerged from the Conferenc of State Ministers of Industry and Rural Development in January, 1981 to draft a model Bill to regulate and streamline the functioning of the State Khadi and Village Industries Boards should be finalised expeditiously. The Ministry of Rural Reconstruction have in their action taken note now stated that a Model Bill as recommended by the Conference of State Ministers of Industry and Rural Development has been drafted and is being circulated to State Goverments/Union Territories in elicit their views. According to the Ministry, the Bill would be given a final shape in consultation with the Ministry of

Law after the views of the State Governments were received. The Ministry have also stated that a Model Bill to regulate the relationship between the State Boards and the Commission was drafted and circulated by latter to all the State Governments as far back as in 1964 but the response of the State Governments was not very encouraging. The Committee hope that the present Model Bill would not meet the same fate as of the one that was drafted and circulated in 1964 as the present Bill is stated to have been drafted on the basis of the views reflected in the Conference of the Chairmen of State Khadi and Village Industries Boards and the Ministers-in-charge of the Khadi and Village Industries programmes in States. The replies to the recommendations contained in the 52nd Report of the Committee (1980-31) have brought out that several issues (e.g., the question of sharing of irrecoverable amounts in the case of defunct institutions between the Commission and the State Boards *vide* S. Nos. 16—18) will get settled once the relationship between the Khadi and Village Industries Commission and the State Boards outlined in the Model Bill are implemented. The Committee (therefore, desire that the Model Bill should be finalised and placed on the Statute Book as early as possible in order to facilitate better functioning of the Khadi and Village Industries Commission as well as to place the relationship between the Commission and State Boards on a sound footing. The Committee would also like to be informed of the further progress in the matter.

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In paragraph 36 of their 52nd Report (Seventh Lok Sabha) the Committee had observed that in respect of grants and loans disbursed

to the State Boards and institutions upto 1977-78, utilisation certificates for Rs. 16.81 crores were outstanding as on 30 November, 1980, the major part of which was from the State Boards. The Committee are not satisfied with the reply of the Government that if further financial assistance was denied to the State Khadi and Village Industries Boards on the ground that they had failed to submit utilisation certificates in respect of some of the earlier disbursements made to them, even institutions under the Boards, whose performance in respect of submission of utilisation certificates to the State Boards was good, would unjustifiably be denied the financial assistance which they should legitimately get. The Committee feel that if a particular State Board or an institution persistently defaults in furnishing utilisation certificates, it has no moral right to expect any further assistance. The Committee would point out that as the Commission has been receiving enormous amounts from the Government by way of grants, they should not be a party to squandering of taxpayer's money. The Committee, therefore, reiterate their earlier recommendation that the Commission should discontinue grant of further assistance to the State Boards and institutions which are not in a position to account for the moneys given to them and to produce utilisation certificates.

3

tutions as also the names and addresses of chief executives and treasurers of those institutions which had stopped functioning and had not submitted utilisation certificates. The Ministry have informed the Committee that the names of institutions which are under liquidation or against which legal action has been initiated by the Commission for recovery of dues, are published in the Annual Accounts of the Commission every year. The Ministry have, however, stated that there would be problems regarding the names of such functionaries that should be published as to whether they should be only present functionaries or even the past functionaries who were managing any defunct institutions. As the names of defunct institutions which have defaulted are already being published in the Annual Accounts of the Commission, the Committee feel that there should be no difficulty in publishing the names and addresses of their chief executives, treasurers and other office bearers also so that the public is kept informed of such institutions and their promoters. The Committee, therefore, reiterate their earlier recommendation. They also expect the Commission to publish names of such persons in the regional newspapers.

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The Committee had drawn attention to outstanding amount of Rs. 15.32 crores (loans) and Rs. 3.51 crores (grants) stated to have been refunded by the State Boards which had remained unreconciled with the figures as per Commission's books of accounts. The Committee would like the Commission to expedite reconcilia-

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tion of all outstanding refunds of loans and grants and ensure that reconciliation of accounts is not allowed to pile up in future.

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Ministry of Rural
Reconstruction

The Committee had desired to be apprised of the progress made by the Khadi and Village Industries Commission in the finalisation of accounts of about 30 trading/processing units either closed down or transferred to various private institutions by Khadi and Village Industries Commission involving a total capital investment of Rs. 47 lakhs as on 31 March, 1979. The respective years of closure/transfer of 6 such cases reported in the Audit paragraph involving a total capital investment of Rs. 36.79 lakhs had ranged between 1962 and 1974. The Committee find from the action taken note furnished by the Ministry of Rural Reconstruction that the amount of Rs. 47 lakhs capital locked up in 30 closed units has now come down to Rs. 42.91 lakhs (as on 30 September, 1981) only. While assuring the Committee that the separate Cell created in the Internal Audit Wing for clearance of these items is already at work, the Ministry have stated: "it would be appreciated that due to inherent difficulties, it may take some time to finally settle these accounts." The Committee cannot but express their dissatisfaction over the slow progress made by the Commission in the finalisation of accounts and fail to understand the "inherent difficulties" attributed by the Ministry for this inordinate delay. The fact that the accounts of trading units whose closures/transfers took place 15 or 20 years

earlier remain yet to be settled, seems to indicate that the special Cell created for this purpose has woefully failed to achieve the objective for which it was set up. The Committee recommend that the Khadi and Village Industries Commission should look into the reasons for this slow progress made by the separate Cell of the Internal Audit in the finalisation of accounts of the closed|transferred units and take concerted measures to see that all the outstanding accounts are finalised and settled expeditiously.

20. Atma Ram & Sons,
Kashmere Gate,
Delhi-6.
21. J. M. Jaina & Brothers,
Mori Gate, Delhi.
22. The English Book Store,
7-L, Connaught Circus,
New Delhi.
23. Bahree Brothers,
188, Lajpatrai Market,
Delhi-6.
24. Oxford Book & Stationery
Company, Scindia House,
Connaught Place,
New Delhi-1.
25. Bookwell,
4, Sant Narankari Colony,
Kingsway Camp,
Delhi-9.
26. The Central News Agency,
23/90, Connaught Place,
New Delhi.
27. M/s. D. K. Book Organisations,
74-D, Anand Nagar (Inder Lok),
P.B. No. 2141,
Delhi-110035.
28. M/s. Rajendra Book Agency,
IV-D/50, Lajpat Nagar,
Old Double Storey,
Delhi-110024.
29. M/s. Ashoka Book Agency,
2/27, Roop Nagar,
Delhi.
30. Books India Corporation,
B-967, Shastri Nagar,
New Delhi.

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