

**PUBLIC ACCOUNTS COMMITTEE  
(1976—77)**

(FIFTH LOK SABHA)

**TWO HUNDRED AND THIRTY-SIXTH REPORT**

**CASH ASSISTANCE**

**MINISTRY OF COMMERCE**

[Action taken by Government on the recommendations of the Public Accounts Committee contained in their 174th Report (Fifth Lok Sabha)]



**LOK SABHA SECRETARIAT  
NEW DELHI**

*October, 1976 / Kartika, 1898 (S)*

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PUBLIC ACCOUNTS COMMITTEE

(1976-77)

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SECRETARIAT

Shri N. Sunder Rajan—*Officer on Special Duty.*

## INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Two Hundred and Thirty sixth Report on the action taken by Government on the recommendations of the Public Accounts Committee contained in their Hundred and Seventy fourth Report (5th Lok Sabha) on 'Cash Assistance'. Commented upon in Paragraphs 30 and 31 of the Report of the Comptroller and Auditor General of India for the year 1972-73, Union Government (Civil).

2. On 5 June, 1976 an 'Action Taken Sub-Committee,' consisting of the following Members, was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports.

1. Shri H. N. Mukerjee      CHAIRMAN

2. Shri N. K. Sanghi      CONVENER

3. Shri Dinen Bhattachary	}	MEMBERS
4. Shri Chandulal Chandrakar		
5. Shri Raja Kulkarni		
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7. Shri Priya Ranjan Das Munshi		
8. Shri Sardar Amjad Ali		
9. Shri Indradeep Sinha		
10. Shri Omprakash Tyagi		

3. The Action Taken Sub-Committee of the Public Accounts Committee (1976-77) considered and adopted the Report at their sitting held on 14 October, 1976. The Report was finally adopted by the Public Accounts Committee on 25 October, 1976.

4. For facility of reference the conclusions/recommendations of the Committee have been printed in thick type in the body of the Report.

(vi)

For the sake of convenience, the conclusions/recommendations of the Committee have also been appended to the Report in a consolidated form.

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

NEW DELHI ;  
October 26, 1976

Kartika 4, 1898 (Saka)

H. N. MUKERJEE,  
Chairman,  
Public Accounts Committee.

## CHAPTER I

### REPORT

1.1 This Report of the Committee deals with the action taken by Government on the Committee's recommendations/observations contained in their 174th Report (Fifth Lok Sabha) on 'Cash Assistance' commented upon in paragraphs 30 and 31 of the Report of the Comptroller and Auditor General of India for the year 1972-73, Union Government (Civil).

1.2 The Committee's 174th Report was presented to the Lok Sabha on 30 April 1976 and contained 15 recommendations/observations. According to the time schedule, prescribed in the Committee's 5th Report (Fourth Lok Sabha), for the submission of Action Taken Notes on the Committee's recommendations/observations, the Notes indicating the action taken on the recommendations/observations, contained in the 174th Report were required to be furnished by 31 October 1976. The Ministry of Commerce had, however, been requested, on 4 June 1976, to furnish the relevant Notes latest by 31 August, 1976. While most of the Action Taken Notes relevant to this Report had been furnished to the Committee in accordance with revised schedule, the Note on the recommendation contained in paragraph 1.49 of the Report was made available on 29 September 1976.

1.3 The Action Taken Notes received from Government\* have been broadly categorised as follows:

- (i) *Recommendations/observations that have been accepted by Government:*  
Sl. Nos. 1, 2, 4, 5, 7, 8, 9, 10, 11, 12 and 13.
- (ii) *Recommendations/observations which the Committee do not desire to pursue in the light of the replies received from Government:*  
Sl. No. 15.
- (iii) *Recommendations/observations replies to which have not been accepted by the Committee and which require reiteration:*  
Sl. Nos. 3 and 6.
- (iv) *Recommendations/observations in respect of which Government have furnished interim replies:*  
Sl. No. 14.

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\*Action taken notes on the recommendations/observations contained in paragraph 2.10 to 2.15 of the 174th Report (Sl. Nos. 10 to 15) have not been vetted in Audit.



1.4 The Committee will now deal with the action taken by Government on some of their recommendations/observations.

*Ad-hoc payment of Cash Assistance for export of Walnuts.* (Paragraph 1.46—Sl. No. 3).

1.5 Reviewing the circumstances in which cash assistance for the export of walnuts during the 1969-70 season had been paid, the Committee, in paragraph 1.46 of the Report, had observed, *inter alia*, as follows:

“The Committee, therefore, apprehend that Government were unduly alarmed by the decline in exports during 1969-70 and cash assistance was resorted to on an *ad hoc* basis without a scientific evaluation of the costs and f.o.b. realisations. Even conceding that there could be some justification for cash assistance, the Committee are of the view that since the quantum of assistance had been linked to f.o.b. realisations, Government ought to have proceeded on the basis of a precise cost-benefit analysis. In the absence of such an analysis, it is not clear to the Committee how the need for cash assistance had been ascertained by Government. It is also not clear why the quantum of assistance had been fixed at 10 per cent of the f.o.b. realisation for February-March 1970 and subsequently extended, in January 1971, at 5 per cent of the f.o.b. realisation in respect of the exports made during October 1969-January 1970.”

1.6 In their Action Taken Note dated 25 August, 1976 on the above observations, the Ministry of Commerce have stated:

“The factors which weighed with the Government in satisfying itself of the need for grant of cash assistance have been briefly stated already in the ‘Action Taken Notes’ for para 1.44. The later decision to extend it retrospectively for the period October 1969-January 1970 was based on the logic that walnut being a seasonal crop, denial of any cash assistance for the exports already effected during part of the season, pending a Government decision regarding announcement of cash assistance, would not have been fair.”

1.7 In regard to the Committee’s observations contained in paragraph 1.44 of the Report, referred to in the Ministry’s Action Taken Note, the following have been enumerated as the main factors which had weighed with the Government in granting cash assistance for walnut exports effected during 1969-70 (1 October 1969 to 31 March 1970):

- (i) a steep decline in the country’s exports as compared to the previous year;

- (ii) re-emergence of stiff competition from China;
- (iii) increased internal demand and rise in internal prices on account of lesser imports of dry fruits from Afghanistan; and
- (iv) substantial increase in State Government taxes on walnut, cost of packing, freight rates, etc. affecting the export prices from India.

**1.8. The Committee find that the reply now furnished by the Ministry of Commerce does not meet the specific points raised in paragraph 1.46 of their 174th Report (Fifth Lok Sabha). The said points appertained to the bases on which the need for and the quantum of cash assistance for the export of walnuts during the 1969-70 season had been determined by Government. The rationale for fixing the quantum of assistance at 10 per cent of the f.o.b. realisation in respect of the exports effected during February-March 1970 and at 5 per cent of the f.o.b. realisation during October 1969—January 1970, which had been specifically enquired into by the Committee, have also not been adequately explained. Even if the circumstances then prevailing warranted the grant of cash assistance, the quantum of such assistance ought to have been determined, as has been repeatedly stressed by the Committee, after a scientific valuation and analysis of the costs and f.o.b. realisations. The Committee fear that the rate of cash assistance sanctioned in respect of the exports effected from October 1964 to June, 1966 had been somewhat mechanically, and in an ad hoc manner, made applicable to the exports made during February-March 1970, without a precise cost-benefit analysis. This is regrettable, and the Committee would ask Government to ensure that such negligence does not recur.**

*Need for a concurrent review of the relevant factors affecting cash assistance. (Paragraph 1.49—Sl. No. 6).*

1.9. Emphasising the need for devising a suitable machinery for concurrently evaluating and reviewing various factors influencing cash assistance, the Committee, in paragraph 1.49 of the Report, had recommended:

“The basic defect in the system of granting cash assistance seems to be that there is no effective machinery available with Government to concurrently evaluate and review the market trends, the f.o.b. realisations and the impact of various kinds of assistance given for export promotion, so that necessary changes and adjustments could be effected promptly as soon as wide fluctuations came to notice. Consequently, the assistance given from

time to time has had little or no relevance to the realities of the situation at a given point of time and more often than not, such assistance proved to have been not only a drag on the exchequer but in the result infructuous. The Committee, therefore, desire that a suitable machinery for a concurrent review of the relevant factors should be devised so as to ensure that the trade does not derive undue benefits from the fact that all the relevant information may not be readily available to the administrative Ministry concerned."

1.10. In their Action Taken Note dated 29 September 1976, the Ministry of Commerce have replied as follows:

"The observations of the Committee have been noted. It may, however, be submitted that cash assistance rates for different export products were hitherto being determined on the basis of an examination of representative cost of production and f.o.b. realisation. There have been varied types of difficulties in determining the marginal cost of production for an industry as a whole even when full information regarding cost of production from all the units in an industry is available. In practice, the information was available only from a few units and their cost efficiency and scale of production varied from unit to unit as well as from time to time. Further, unless a particular export production activity had an excess capacity and that excess capacity was also due to lack of effective internal demand, the determination of cash assistance on the marginal cost principle did not neutralise the disadvantages sought to be removed by the assistance.

In view of the above facts, the question of reorganising the scheme of cash assistance primarily to make it an effective vehicle of export promotion has been considered afresh. A decision has now been taken by the Government that (a) the rates of cash compensatory support should not be based entirely on any mechanical application of a rigid formula like the difference between the f.o.b. price realisation and the marginal cost of production; and (b) the requirement of cash assistance for any particular product will be examined from a number of angles on the basis of a balanced judgement of several criteria such as export potential, domestic availability, domestic value added, cost of entry into a new market, etc. In other words, all the disadvantages suffered by an industry are now taken into account in fixing the cash assistance rate so that the exporter may be helped to overcome the disadvantages to the extent possible. It

has also been decided that export activity should be made reasonably profitable particularly for products where we face disadvantages that cannot be fully neutralised by supplying inputs at international prices and this factor is also taken into account while fixing cash assistance rate. Further appreciating the need for some stability to the level of export benefits, it has also been decided that cash assistance should be fixed for a period of one year and should not be reviewed more than once in a year. A scheme for giving further stability to cash assistance rates for a period of 3 years is also under consideration.

Government have set up a high level Inter-Ministerial Committee for determining the cash assistance rates on the basis of the revised principles.

In the light of the above, Government are of the view that there does not appear to be any need for devising any other machinery for a concurrent review of the market trends and f.o.b. realisations of various export products. However, the inter-Ministerial Review Committee will take into account the revised criteria and all the relevant factors at the time of initial determination of rates of cash compensatory support and their continuance beyond the prescribed period."

**1.11 While certain decisions, aimed at making cash assistance an effective instrument for export promotion, have now been taken by Government, the Committee find it difficult to appreciate the Commerce Ministry's reluctance to act upon their recommendation that a suitable machinery should be devised for a concurrent evaluation and review of the market trends, f.o.b. realisations and other relevant factors which have an impact on the cash assistance scheme. In view of the fact that the criteria, such as export potential, domestic availability, domestic value added, international prices, etc., which are proposed to be taken into account for determining the rates and quantum of cash compensatory support, are variable factors, subject to fluctuation from time to time, the Committee are unable to understand how the impact of these criteria would be evaluated and quantified in the absence of an adequate machinery for the purpose. The Committee are thus constrained to reiterate their earlier recommendation in this regard and would ask Government to act upon it without loss of time.**

*Measures for increasing walnut production and regulating internal consumption. (Paragraph 1.51—Sl. No. 8).*

1.12 In paragraph 1.51 of the Report, the Committee had recommended:

“Viewed in retrospect, it would appear that the main factors contributing to the fall in exports of walnuts were lower internal production, deterioration in the quality of Indian walnuts and the increase in internal consumption. In such circumstances, cash assistance could hardly make any impact. Unfortunately, no steps had apparently been taken to increase production and regulate suitably the internal market. In determining the quantum of assistance, the internal profitability should have also been taken into account. A policy of promoting exports at any cost without taking the necessary corresponding steps to control internal prices and consumption and to increase production does not appear sound. What is required is an integrated and coordinated approach to the entire question and not a propensity towards ad hoc and piecemeal fiats.”

1.13 The Action Taken Note dated 25 August 1976, furnished in this regard by the Ministry of Commerce, is reproduced below:

“It is true that the quantum of internal production, which has been stagnating within a range of 10,000 to 15,000 tonnes, together with a rising trend in demand for internal consumption has led to high internal prices as well as a shortfall in exportable surplus. In fact, this is one important reason that has also weighed usually with the Government, in extending cash assistance to the export of this commodity so as to serve as an incentive to the trade in not ignoring exports when sale for local consumption could be alluring. The quality of our walnuts is also a factor conditioning our exports. Our walnuts are inferior in quality to those produced by our competitors, but there is nothing to show that the quality of Indian walnuts, has undergone any further deterioration.

The Government is conscious of the need for increasing the production of walnuts in the country and the problem of low production had been recognised as far back as in 1970-71. The major constraint identified was the reluctance on the part of cultivators to take up walnuts cultivation when alternative crop, such as apple would offer them quicker and higher economic returns.

The Ministry of Agriculture, therefore, took up concrete measures for stepping up the production of walnuts in the country and a Centrally Sponsored Scheme with the following objectives when taken up in the Fourth Plan:

- (i) subsidising the planting material of high yielding and true to type trees both of seedlings and grafted walnuts;

- (ii) increase the area ideally suited for the cultivation of fruit for export purposes;
- (iii) popularising the use of pesticides through subsidised distribution;
- (iv) provision of fencing material at subsidised rates.

The scheme made a steady beginning and an area of nearly 1500 Ha. was covered under this scheme in the IV Plan. The scheme has been continued in the V Plan with a target of 5,000 ha. in the States of J&K, U.P. and H.P. It is hoped that the scheme will help the placement of cultivation of walnut on a sound and systematic footing and also step up the production of walnut both for internal market and export. Further the State Governments are also being advised to take measures for improved production and marketing of walnuts.

Regulation of internal consumption of walnuts, which is the only moderately priced dry fruit available in the country, is a very difficult proposition. An indirect approach, which has been tried already, is by making exports a commercially viable proposition through cash assistance. The Government have also considered the possibility of centralising the procurement through the agency of the State Government and canalising the exports through a Central Government trading corporation. This arrangement could enable the State and Central agencies in between them to exercise a check on the quantities to be released for internal consumption. The proposal has not, as yet taken concrete shape as this involves involvement and shouldering of responsibility by the State Government of Jammu and Kashmir, especially in the matter of procurement and processing of walnuts. The proposal is being pursued with the Government of Jammu and Kashmir.

The other observations made by the Committee in this para have been noted."

**1.14 The Committee note that certain 'concrete measures' are stated to have been taken, as far back as in 1970-71, by the Ministry of Agriculture for stepping up the production of walnuts in the country, under a centrally sponsored scheme, in the Fourth Plan period. The scheme is also stated to have been continued in the Fifth Plan. They would like to be apprised, in some detail, of the actual achievements so far under the scheme and the impact of these measures on availability and prices.**

**1.15. With a view to exercising a check on the quantities of walnuts to be released for internal consumption, a proposal to centralise the procurement of walnuts through a State Government agency and to canalise exports through a Central Government trading corporation is also stated to be under Government's consideration. The Committee trust that with these measures**

**the need for Government subsidies for the export of walnuts would be considerably minimised, if not altogether eliminated, and that the production and marketing of walnuts would be placed on a sound and systematic footing. They would be watching with interest the outcome and impact of these steps.**

*Verification of export performance of jute mills granted ad hoc cash assistance.*

*(Paragraphs 2.10 and 2.11—Sl. Nos. 10 and 11).*

1.16. Dealing with the failure to have the modalities for the grant of cash assistance for imports of raw jute fibre worked out in detail and the delay on the part of the Jute Commissioner in verifying the export performance of jute mills which had been granted ad hoc cash assistance, the Committee, in paragraphs 2.10 and 2.11 of the Report, had recommended:

“2.10. The Committee are perturbed over the delay on the part of the Jute Commissioner in verifying the export performance of 57 jute mills which had been granted ad hoc cash assistance to the extent of Rs. 694.94 lakhs on the imports of raw jute or mesta made by them between June 1966 and March 1967 and also in furnishing the requisite utilisation certificates to Audit even after the lapse of six to seven years. Apparently, the jute mills could not comply with the procedure prescribed for the submission of necessary evidence of export performance on the basis of AR-4 forms duly completed and authenticated by the Central Excise and Customs authorities, in view of the fact that 70 per cent of the mills did not even directly export the goods manufactured. It was only after simplifying the procedure, in July 1974, that the Jute Commissioner appears to have been in a position to issue utilisation certificates in full in respect of 27 of the 57 mills and partly in respect of 18 other mills. The Committee are unable to condone the apparent failure to have the modalities worked out in all essential details before the grant of cash assistance. Further, the Committee would like to know why it had taken Government some eight years to revise, with only partial success, the procedure in this regard.

2.11. The Committee are doubtful how far the simplified procedure could be considered adequate, especially in the light of the lapse of a considerable time after the imports and the reliance now laid on the certificates of Chartered Accountants who have been entrusted with the task of verifying the particulars furnished by the individual jute mills. It is clear to the Committee that

sufficient care had not been exercised to devise initially a fool-proof system of verifying the export performance of the mills which had been paid cash assistance on their imports. The Committee, therefore, desire that the circumstances leading to the predicament under review should be examined in detail forthwith and responsibility fixed for the failure to safeguard adequately the interests of Government."

1.17. In their Action Taken Note\* dated 31 August 1976 on the above recommendations, the Ministry of Commerce have informed the Committee as follows :

"With reference to the observation of the Committee that there has been considerable delay in the verification of the export performance of the jute mills who were granted cash assistance, the circumstances under which the delay appears to have occurred are set out below.

A very large number of applications were received by the Jute Commissioner from the mills claiming subsidy. As detailed scrutiny of these documents was taking a long time, the Jute Commissioner was authorised by Government to release payment to the jute mills to the extent of 80 per cent of the entitlement of the subsidy, on an ad hoc basis. Each application had thus to be examined twice over and this kept Jute Commissioner busy till 1971-72 in complying with all pre-payment conditions.

Thereafter when the question of verifying the post-payment conditions was taken up, the Audit party took up the examination of the mills' records and raised a number of points for clarification. This kept the Office of the Jute Commissioner entirely preoccupied till the end of 1973. Even during this period, a procedure was evolved in September 1969 to verify the exports made by the mills so that the utilisation certificates could be issued as required. However, before the procedure could be put into practice, the Central Excise authorities pointed out that it could not be implemented because of the sudden changes brought about in the system of clearance of excisable goods. After a great deal of consultation, a satisfactory scheme was evolved for verification of exports with reference to entries in R.G.I.

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\*Not vetted in Audit.



Register, on the basis of which Chartered Accountants were to certify the statements furnished by the mills in this behalf.

Admittedly, there had been considerable delay in evolving a satisfactory scheme, however, this was the first time that a cash subsidy scheme of any kind was introduced for the jute industry; and as such, there were no earlier precedents, experience or even expertise to fall back upon. The delay did not result in any abuse of the scheme by the grantee mills.

Government feel that the simplified procedure which was evolved was quite adequate. Lapse of time has not led to any difficulty in verification by the Chartered Accountants in as much as the R.G.I. Register is a permanent Register.

Admittedly, considerable time was taken to disburse the cash subsidy and it took even longer to formulate a workable procedure, which was quite satisfactory, for verification of the exports of Jute goods within the reference period. The scheme was a new one, the volume of work was stupendous and the problems were too many. All these factors contributed to the delay.

At every stage the local Audit was kept apprised of the position and it would not have been possible to complete the work but for their advice and cooperation.

However, the Government propose to cause an enquiry to examine in detail the circumstances leading to the situation as mentioned in the paragraphs, with a view to fixing responsibility."

**1.18. The Committee note that Government propose to cause an Enquiry to examine in detail the circumstances leading to the failure to have the modalities worked out in all essential details before the grant of cash assistance for the import of raw jute fibre and the delay in verifying the export performance of jute mills which had been granted ad hoc cash assistance totalling Rs. 694.94 lakhs as also the delay in furnishing the requisite utilisation certificates to Audit, with a view to fixing responsibility. In view of the high importance of jute in our economy and in view also of the utter failure in recent years, on the part of the jute industry as a whole to play an appropriate and constructive role therein, the Committee urge that Government complete the said enquiry soon and adopt rectificatory measures forthwith.**

*Violation of Foreign Exchange Regulations by Jute Mills (Paragraph 2.14 —S. No. 14).*

1.19. In paragraph 2.14 of the Report, the Committee had recommended:

“Another aspect which causes serious concern to the Committee is the apparent violation of Foreign Exchange Regulations by some mills in claiming refunds on account of short receipt, inferior quality of fibres, etc. in rupees instead of in foreign currency. Since the failure, on the part of the mills, to claim refunds in foreign exchange has resulted in loss of valuable and scarce foreign exchange to the country, the Committee desire that all such cases should be investigated by the Reserve Bank of India, in consultation with the Enforcement Directorate, on the basis of the facts and figures stated to have been furnished by the Jute Commissioner and appropriate action taken against the delinquents. The Committee urge strongly that since these cases are now almost a decade old, the investigations should be completed as expeditiously as possible and the Committee informed of the progress made and the concrete action taken against the delinquents.”

1.20. In their Action Taken Note\* dated 31 August 1976, furnished to the Committee in this regard, the Ministry of Commerce have replied:

“Government shares the Committee’s concern about apparent violation of foreign exchange regulations by some jute mills. The Jute Commissioner took energetic steps in this regard. He had taken up the matter with the Reserve Bank of India/Enforcement Directorate as early as September 1974. The Reserve Bank of India has been requested to investigate the matter in consultation with the Enforcement Directorate on the basis of the facts and figures furnished by him (the Jute Commissioner) and to take appropriate action the delinquents as desired by the Committee. They have also been requested to complete the investigations as expeditiously as possible and to keep us informed of the progress made and the concrete action taken against delinquents.”

**1.21. The Jute Commissioner is stated to have taken up with the Reserve Bank of India/Enforcement Directorate, as early as in September 1974, the question of the apparent violation of Foreign Exchange Regulations by some jute mills in claiming refunds in rupees instead of the foreign currency.**

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\*Not vetted in Audit

**The investigation does not appear to have been concluded yet. Where the country's foreign exchange position is involved, such delay is reprehensible. The Committee would, as on many occasions earlier, ask Government to complete the investigations expeditiously and take stringent action against the delinquent mills. The reasons for the delay of over two years in this case and the precise progress made so far should also be specifically and immediately intimated to the Committee.**

## CHAPTER II

### RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

#### Recommendation

The Committee note that the cash assistance of 10 per cent of f.o.b. realisation allowed on the exports of walnuts from October 1964 and discontinued on devaluation of the Rupee (6 June 1966) was revived by Government in March 1970 and made applicable to the exports (excluding those made under barter deals) during February-March 1970. The decision had been taken on the basis of representations from the trade and the recommendations of the Processed Food Export Promotion Council which, in turn, were based on the data relating to the export of walnut kernels in March 1968 furnished by one of the five principal exporters in the country. It had been claimed on the basis of this data, that the exporter would lose 34 paise per kilogram on his exports of walnut kernels, the f.o.b. realisation being Rs. 5.14 against the cost of Rs. 5.48. However, according to the published statistics of the Director General, Commercial intelligence and statistics, the average f.o.b. realisation from the exports of kernels in 1968-69 was Rs. 7.92 per Kg. (Rs. 2.44 more than the cost of Rs. 5.48 intimated by the trade to Government). The exporter had also not furnished any details in regard to exports of walnuts in shell, while, according to the statistics of the Director General, the average f.o.b. realisation from such exports was Rs. 2.97 per kilogram.

[S. No. 1 (Para 1.44) of Appendix—III to 174th Report (5th Lok Sabha)]

#### Action Taken

The observations have been noted.

The main factors which had weighed with the Government in granting cash assistance for exports effected during 1969-70 (1-10-69 to 31-3-70) were as follows:—

- (i) A steep decline in our exports as compared to the previous year,
- (ii) Re-emergence of stiff competition from China,
- (iii) Increased internal demand and rise in internal prices due to lesser imports of dry fruits from Afghanistan,

- (iv) Substantial increase in rate of State Government taxes on walnut, in price of packaging cases, in freight rates etc., affecting the export prices from India.

[Ministry of Commerce O.M. No. 6(7)/76-EP (Agri.-1) dt. 25-8-1976]

### **Recommendation**

Even though the data compiled by the official agency indicated that the f.o.b. realisations were more than the cost intimated by the trade, the actual f.o.b. realisations had not been taken into account by Government in arriving at the decision to grant cash assistance and in determining the quantum of assistance for the period February-March 1970. Reliance had been placed instead on the details furnish by the trade, on the ground that the data relating to f.o.b. realisation 'were not germane for a decision on this issue'. It has been stated that during this period the problem was one of diverting walnuts from internal sales to exports and that the cash assistance had been sanctioned 'more on the grounds of making our own goods competitive compared to our other competing sources and also to ensure that there is a certain amount of sustained effort in regard to export and to maintain the level of exports'. The 'considerable drop' in exports of walnuts during 1969-70 and the consequent need to 'push up' exports of the commodity have been cited as factors necessitating the grant of cash assistance. However, according to Government's own admission the exports of 5,306 tonnes achieved in 1968-69 were entirely on account of certain 'extraneous and fortuitous circumstances', with China, India's main competitor in walnut trade, being out of the picture. Besides, internal production of walnuts had also fallen by about 540 per cent in 1969-70.

[S. No. 2 (Para 1.45) of Appendix—III to 174th Report (5th Lok Sabha)]

### **Action Taken**

The observations have been noted.

[Ministry of Commerce O.M. No. 6(7)/76-EP (Agri.-1) dt. 25-8-1976]

### **Recommendation**

The Commerce Ministry has explained that the cost data furnished by the Processed Food Export Promotion Council in March 1968 had become obsolete by February, 1970 when the decision to grant cash assistance on walnut exports was taken and that 'a whole lot of changes' had taken place between March 1968 and March 1970. This sounds vague and the Committee would stress that the Ministry should have obtained fresh data relating to the cost of exports and compared them with the f.o.b. realisations reported by the Director General Commercial Intelligence and Statistics.

A similar exercise should have been carried out in January 1971, when cash assistance of 5 per cent of f.o.b. realisation had been sanctioned retrospectively for the period October 1969—January 1970, especially in view of the fact that the Ministry could have known by then from the statistics of the Director General, Commercial Intelligence and Statistics that the average f.o.b. realisation during that period per kilogram of walnut kernel was Rs. 9.68. This should not have been difficult since there are only a limited number of walnut exporters and that market also a small one, and the relevant data could have been obtained and correlated with the f.o.b. realisation with a view to ensuring that the assistance was, in fact, justified. Considering the fact that according to the records available in the office of the Joint Chief Controller of Imports and Exports, the monthly average f.o.b. realisation per kilogram of walnut exported during October 1969—January 1970 was between Rs. 8.48 and Rs. 10.54 for walnut kernels and Rs. 2.80 and Rs. 3.51 for walnut in shell, which were, in fact, substantially higher even than the cost of Rs. 6.16 and Rs. 2.42 respectively intimated by the trade as late as April 1971, the Committee are doubtful about the justification for this assistance. Government's handling of this issue seems to have been unsatisfactory.

[S. No. 4 (Para 1.47) of Appendix—III to 174th Report  
(5th Lok Sabha)]

#### **Action Taken**

The observations have been noted.

It may however, be stated that the Government had acted in good faith and in its best judgement in the circumstances then obtaining.

[Ministry of Commerce O.M. No. 6(7)/76-EP (Agri.-1) dt. 25-8-1976]

#### **Recommendation**

The Committee also find that cash assistance of 10 per cent of f.o.b. realisations had been sanctioned, in January 1971, in respect of the exports made during the walnut season 1970-71 (October-March), without consulting the published statistics and the information available in the records of the Joint Chief Controller of Imports and Exports. Here again, the Committee are concerned to observe that the actual f.o.b. realisation for walnut kernel during 1970-71 ranged between Rs. 5.65 and Rs. 10.74 per kilogram (the lowest price of Rs. 5.65 being prevalent only in February 1971, when only 274 tonnes had been exported) and that for walnut in shell was Rs. 2.24 per kilogram in February 1971 and ranged between Rs. 2.78 to Rs. 3.21 in the other months. When these realisations are compared with the cost reported by the trade in April 1971, it is evident that there had been no loss on exports justifying the grant of cash assistance. In this connection, it is significant that when an attempt was at long last made, in August

1971, to correlate the f.o.b. realisations intimated by the trade with those available in the published statistics, it had been found that no cash assistance was justified for the period from April 1971 to September 1972. The Committee are unhappy that a similar exercise was not carried out before sanctioning cash assistance in respect of the exports made during the earlier periods. The entire approach of Government appears to have been entirely 'ad hoc' and by no means correct throughout. This is very much to be regretted and must not recur.

[S. No. 5 (Para 1.48) of Appendix—III to 174th Report  
(5th Lok Sabha)]

#### **Action Taken**

The observations have been noted.

The decision for grant of cash assistance taken in February 1970 was for a period of one year, which covered 1970-71 also and the Government had not considered it desirable to review the position during the course of the year.

The grant of cash assistance is now scrutinised by a high level Inter-ministerial Committee and decisions are taken after due consideration of all relevant data.

[Ministry of Commerce O.M. No. 6(7)/76-EP (Agri.-1)  
dt. 25-8-1976]

#### **Recommendation**

The Committee have been informed that there is usually a time lag of about six months between the information that is collected by the Director General, Commercial Intelligence and Statistics and the relevant period for which the information is required. This is not satisfactory arrangement. That this should be so despite the introduction of mechanical compilation in the Directorate is a matter for concern. The Committee desire that the existing arrangements for the collection and dissemination of information relating to commercial intelligence and statistics should be critically reviewed and necessary corrective measures taken without delay so that the information system serves as an aid to decision making.

[S. No. 7 (Para 1.50) of Appendix—III to 174th Report  
(5th Lok Sabha)]

#### **Action Taken**

The observation has been noted.

The Government has, however, already been seized, of the problem of compiling the accurate statistics of the foreign trade and their timely publication with minimum delay. Based on the recommendations of a high level

Committee, certain important changes in the method of compilation and publication of trade statistics coupled with structural strengthening of the organisation have been made. As a result, the time lag between the period for which the information relates and its compilation and preparation for publication has been reduced from about six months in 1972-73 to about three months at present. The observation of the Public Accounts Committee has been duly brought to the notice of the Director General of Commercial Intelligence and Statistics, who will, no doubt, keep the system under constant review in order to bring about such further improvement in the information system so that it serves as an aid to decision making in a more effective manner.

[Ministry of Commerce O.M. No. 6(7)/76-EP (Agri.-1)  
dt. 25-8-1976]

### **Recommendation**

Viewed in retrospect, it would appear that the main factors contributing to the fall in exports of walnuts were lower internal production, deterioration in the quality of Indian walnuts and the increase in internal consumption. In such circumstances, cash assistance could hardly make any impact. Unfortunately, no steps had apparently been taken to increase production and regulate suitably the internal market. In determining the quantum of assistance, the internal profitability should have also been taken into account. A policy of promoting exports at any cost without taking the necessary corresponding steps to control internal prices and consumption and to increase production does not appear sound. What is required is an integrated and coordinated approach to the entire question and not a propensity towards *ad hoc* and piece meal flats.

[S. No. 8 (Para 1.51) of Appendix—III to 174th Report  
(5th Lok Sabha)]

### **Action Taken**

It is true that the quantum of internal production, which has been stagnating within a range of 10,000 to 15,000 tonnes, together with a rising trend in demand for internal consumption has lead to high internal prices as well as a shortfall in exportable surplus. In fact, this is one important reason that has also weighed usually with the Government, in extending cash assistance to the export of this commodity so as to serve as an incentive to the trade in not ignoring exports when sale for local consumption could be alluring. The quality of our walnuts is also a factor conditioning our exports. Our walnuts are inferior in quality to those produced by our competitors, but there is nothing to show that the quality of Indian walnuts, has undergone any further deterioration.

The Government is conscious of the need for increasing the production of walnuts in the country and the problem of low production had been recognised as far back as in 1970-71. The major constraint identified



was the reluctance on the part of cultivators to take up walnut cultivation when alternative crop, such as apple would offer them quicker and higher economic returns.

The Ministry of Agriculture, therefore, took up concrete measures for stepping up the production of walnuts in the country and a Centrally Sponsored Scheme with the following objectives was taken up in the Fourth Plan:—

- (i) subsidising the planting material of high yielding and true to type trees both of seedlings and grafted walnuts.
- (ii) increase the area ideally suited for the cultivation of fruit for export purposes.
- (iii) popularising the use of pesticides through subsidised distribution.
- (iv) provision of fencing material at subsidised rates.

The scheme made a steady beginning and an area of nearly 1500 ha. was covered under this scheme in the IV Plan. The scheme has been continued in the Vth Plan with a target of 5,000 ha. in the States of J. & K., U.P., and H.P. It is hoped that the scheme will help the placement of cultivation of walnut on a sound and systematic footing and also step up the production of walnut both for internal market and export. Further, the State Governments are also being advised to take measures for improved production and marketing of walnuts.

Regulation of internal consumption of walnuts, which is the only moderately priced dry fruit available in the country, is a very difficult proposition. An indirect approach, which has been tried already, is by making exports a commercially viable proposition through cash assistance. The Government have also considered the possibility of centralising the procurement through the agency of the State Government and canalising the exports through a Central Government trading corporation. This arrangement could enable the State and Central agencies in between them to exercise a check on the quantities to be released for internal consumption. The proposal has not, as yet taken concrete shape as this involves involvement and shouldering of responsibility by the State Government of Jammu and Kashmir, especially in the matter of procurement and processing of walnuts. The proposal is being pursued with the Government of Jammu and Kashmir.

The other observations made by the Committee in this para have been noted.

[Ministry of Commerce O.M. No. 6(7)/76-EP (Agri.-1)  
dt. 25-8-1976]

### Recommendation

The committee are concerned about the complaints regarding deterioration in the quality of walnuts exported from India, as reported by the Indian Institute of Foreign Trade. This kind of thing has affected our exports adversely. The Committee note that certain steps are said to have been taken by Government in this regard. Such steps should be properly enforced and the position carefully and constantly kept under watch.

[S. No. 9 (Para 1.52) of Appendix—III to 174th Report  
(5th Lok Sabha)]

### Action Taken

The observation has been noted.

It is true that Indian walnuts fetch comparatively lower prices in major export markets. This is however mainly due to the fact that quality of walnuts produced in India is inferior to that produced in other exporting countries and not due to poor grading or excess of foreign matter. It has been indicated by the Directorate of Marketing and Inspection that:—

- (i) Foreign matter is practically eliminated during the process of preparation of walnuts for exports. The tolerance limit for foreign matters in shelled walnuts has been fixed under the Agmark specifications at 0.25 per cent by weight which limit is duly observed by the Agmark authorities in grading shelled walnuts under Agmark of export.
- (ii) The complaints from foreign buyers have been mainly about insect infestation and not about poor grading as is borne out by the fact that as against a total quantity of 12,074 tonnes of walnuts graded under Agmark during the years 1970-71 to 1972-73, complaints had been received in respect of consignments totalling only about 35 tonnes which constituted less than 0.3 per cent of the total quantity graded under Agmark.
- (iii) As regards measures taken against worm infestation, it may be stated that under the Walnut Grading and Marking Rules, fumigation has been made compulsory throughout the year in respect of exports of shelled walnuts and during the period 1st February to 30th September in respect of in-shell walnuts. It has been also stipulated that the walnut consignments shall be fumigated not earlier than 15 days before actual shipment. Further walnut consignments are also given prophylactic treatment.

The observation of the Committee has been brought to the notice of the Agricultural Marketing Adviser to the Government of India in the Ministry of Agriculture & Irrigation for compliance to ensure that the quality control measures are scrupulously enforced.

[Ministry of Commerce O.M. No. 6(7)/76-EP (Agri.-1)  
dt. 25-8-1976]

### Recommendation

The Committee are perturbed over the delay on the part of the Jute Commissioner in verifying the export performance of 57 jute mills which had been granted *ad hoc* cash assistance to the extent of Rs. 694.94 lakhs on the imports of raw jute or mesta made by them between June 1966 and March 1967 and also in furnishing the requisite utilisation certificates to Audit, even after the lapse of six to seven years. Apparently, the jute mills could not comply with the procedure prescribed for the submission of necessary evidence of export performance on the basis of AR-4 forms duly completed and authenticated by the Central Excise and Customs authorities, in view of the fact that 70 per cent of the mills did not even directly export the goods manufactured. It was only after simplifying the procedure, in July 1974, that the Jute Commissioner appears to have been in a position to issue utilisation certificates in full in respect of 27 of the 57 mills and partly in respect of 18 other mills. The Committee are unable to condone the apparent failure to have the modalities worked out in all essential details before the grant of cash assistance. Further, the Committee would like to know why it had taken Government some eight years to revise, with only partial success, the procedure in this regard.

The Committee are doubtful how far the simplified procedure could be considered adequate, especially in the light of the lapse of a considerable time after the imports and the reliance now laid on the certificates of Chartered Accountants who have been entrusted within the task of verifying the particulars furnished by the individual jute mills. It is clear to the Committee that sufficient care had not been exercised to devise initially a fool-proof system of verifying the export performance of the mills which had been paid cash assistance on their imports. The Committee, therefore, desire that the circumstances leading to the predicament under review should be examined in detail forthwith and responsibility fixed for the failure to safeguard adequately the interests of Government.

[Sl. Nos. 10 and 11 (Para Nos. 2.10 & 2.11) of Appendix—III to  
174th Report (5th Lok Sabha)]

### \*Action Taken

With reference to the observation of the Committee that there has been considerable delay in the verification of the export performance of the jute

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\*Not Vetted in Audit.

mills who were granted cash assistance, the circumstances under which the delay appears to have occurred are set out below.

A very large number of applications were received by the Jute Commissioner from the mills claiming subsidy. As detailed scrutiny of these documents was taking a long time, the Jute Commissioner was authorised by Government to release payment to the Jute mills to the extent of 80 per cent of the entitlement of the subsidy, on *ad hoc* basis. Each application had thus to be examined twice over and this kept Jute Commissioner busy till 1971-72 in complying with all pre-payment conditions.

Thereafter when the question of verifying the post-payment conditions was taken up, the Audit party took up the examination of the Mills records and raised a number of points for clarification. This kept the Office of the Jute Commissioner entirely pre-occupied till the end of 1973. Even during this period, a procedure was evolved in September 1969 to verify the exports made by the mills, so that the Utilisation Certificates could be issued as required. However, before the procedure could be put into practice, the Central Excise authorities pointed out that it could not be implemented because of the sudden changes brought about in the system of clearance of excisable goods. After a great deal of consultation, a Satisfactory scheme was evolved for verification of exports with reference to entries in R.G.I. Register, on the basis of which Chartered Accounts were to certify the statements furnished by the mills in this behalf.

Admittedly, there had been considerable delay in evolving a satisfactory scheme, however, this was the first time that a cash subsidy scheme of any kind was introduced for the jute industry; and as such, there were no earlier precedents, experience or even expertise to fall back upon. The delay did not result in any abuse of the scheme by the grantee mills.

Government feel that the simplified procedure which was evolved was quite adequate. Lapse of time has not led to any difficulty in verification by the Chartered Accountants in as much as the R.G.I. Register is a permanent Register.

Admittedly, considerable time was taken to disburse the cash subsidy and it took even longer to formulate a workable procedure, which was quite satisfactory, for verification of the exports of jute goods within the reference period. The scheme was a new one, the volume of work was stupendous and the problems were too many. All these factors contributed to the delay.

At every stage the local Audit was kept apprised of the position and it would not have been possible to complete the work but for their advice and cooperation.

However, the Government propose to cause an enquiry to examine in detail the circumstances leading to the situation as mentioned in the paragraphs, with a view to fixing responsibility.

[Ministry of Commerce O.M. No. 6(10)/76-Jute dt. 31-8-1976]

### Recommendation

Vigorous and concerted efforts should also be made by the Jute Commissioner, after satisfying himself thoroughly of the claims of export performance made by the mills, to issue utilisation certificates in full in respect of the 18 mills for whom only partial certificates are yet to be issued. The Committee would particularly like special attention to be paid to the three mills whose records are alleged to have been destroyed by fire or floods and the utilisation certificates issued only after a proper check and verification. The Committee would await a further detailed report in this regard.

[S. No. 12 (Para No. 2.12) of Appendix III to 174th Report  
(5th Lok Sabha)].

### \*Action Taken

As a result of vigorous and concerted drive by the Jute Commissioner, full utilisation certificates have been issued in respect of as many as 49 out of 57 grantee jute mills. This represents 92 per cent of the total cash subsidy of Rs. 6.94 crores paid to the mills. Efforts are being continued to complete the work of issuing such utilisation certificates in respect of the remaining 8 mills as early as possible. The present position is as follows:—

- (A) Part "utilisation certificates" have been issued in respect of 3 mills and the work is expected to be completed as soon as audit objections on them are settled.
- (B) Issue of utilisation certificates in respect of 2 other mills is being pursued actively with them and the Audit authorities.
- (C) As for the remaining 3 mills, whose records were alleged to have been destroyed by floods, the Audit has since waived the objections on presentation of the collateral documents by them. Of these 3 mills, 2 have recently produced certificates which are under examination and the other is being pressed to produce the same.

[Ministry of Commerce O.M. No. 6(10)/76-Jute dt. 31-8-1976]

### Recommendation

The Committee find that even though one of the conditions prescribed for the grant of *ad hoc* cash assistance to the jute industry stipulated that the imported fibre acquired wholly or substantially out of Government grants-in-aid was not to be disposed of without Government's approval, about 150 tonnes of imported raw jute/mesta, for which cash assistance of Rs. 0.38 lakh was paid, had been sold by a mill without obtaining the necessary approval and that the Ministry of Law have opined that apart from recovering the cash assistance paid to the mill, no further legal action can be taken. The Committee are of the view that such a situation could have been avoided if adequate penal measures for the violation of the conditions of grant of cash assistance had been provided for. The Committee would like to know if Government had contemplated, and asked legal advice about, the provision of penal clauses in the conditions governing the grant of cash assistance in order to prevent recipients from abusing such grant and/or vitiating its purpose by exploitation of alleged loopholes. The Committee recommended that adequate safeguards be made a built-in feature of the conditions so that misuse of the facility of subsidised imports may be stringently penalised and effectively prevented.

[S. No. 13 (Para No. 213) of Appendix III to 174th Report (5th Lok Saha)]

### \*Action Taken

The recommendation of the Committee that adequate safeguards be made built-in feature of the conditions so that misuse of the facility of subsidised imports may be stringently penalised and effectively prevented, have been noted by the Government for future compliance.

[Ministry of Commerce O.M. No. 6(10)/76-Jute dt. 31-8-1976]

## CHAPTER III

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

#### Recommendation

The Committee find from the Audit paragraph that seven mills were paid cash assistance of Rs. 3.68 lakhs for import of about 1,470 tonnes of jute/mesta which were shown in the shipping documents and invoices as of grades 'C' and above, but they had actually imported mesta of quality inferior to grade 'C', for which no cash assistance was admissible. The Ministry had informed Audit (February 1974) that Rs. 5,703 had been recovered and action was being taken for the recovery of the balance. The Committee would like to be informed whether the balance amount of Rs. 3.62 lakhs has since been recovered and whether the circumstances in which the assistance had been irregularly paid have been looked into with a view to fixing responsibility for the lapse.

[S. No. 15, Para No. 2.15 of the Appendix III to 174th Report (5th Lok Sabha)]

#### \*Action Taken

As already mentioned in the written reply furnished to the Committee in April 1975 (which is reproduced in paragraph 2.8 of the Report), there were only three grades as regards the quality of Mesta which was imported. At the time of import, there were no grades inferior to 'C' grade at all. However, within 'C' grade on the basis of differences in colour etc., certain qualities were classified as claimable 'C' grade. This meant that they continued to be 'C' grade and they were entitled to cash assistance in respect of them. Only in two cases, namely, those of National Company Ltd. and Relaince Jute Mills, the fibre supplied could not be classified as Mesta and it fell into the categories known as 'Habijabi' and inferior cutting. Cash assistance of Rs. 5,703 which was paid to these two companies was subsequently recovered from them. Payment of cash assistance to them, at the time it was made, could not be avoided since the shipping documents and invoices on the basis of which payment was

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\*Not Vettered in Audit.

made by the Jute Commissioner, did not disclose the fact that the fibre was 'Habijabi' and inferior cutting.

As regards the remaining five mills, the Mesta which was supplied to them was as of category 'C' and hence the question of any recovery from them does not arise.

In view of the above facts, it is considered that no irregularity has been committed and hence there is no question of fixing any responsibility.

[Ministry of Commerce O.M. No. 6(10)/76-Jute dt. 31-8-76]



## CHAPTER IV

### RECOMMENDATIONS/OBSERVATIONS, REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

#### Recommendation

The Committee, therefore, apprehend that Government were unduly alarmed by the decline in exports during 1969-70 and cash assistance was resorted to on an *ad hoc* basis, without a scientific evaluation of the costs and f.o.b. realisations. Even conceding that there could be some justification for cash assistance, the Committee are of the view that since the quantum of assistance had been linked to f.o.b. realisations, Government ought to have proceeded on the basis of a precise cost-benefit analysis. In the absence of such an analysis, it is not clear to the Committee how the need for cash assistance had been ascertained by Government. It is also not clear why the quantum of assistance had been fixed at 10 per cent of the f.o.b. realisation for February-March 1970 and subsequently extended, in January 1971, at 5 per cent of the f.o.b. realisation in respect of the exports made during October 1969—January 1970.

[S. No.3 (Para 1.46) of Appendix—III to  
174th Report (5th Lok Sabha)]

#### Action Taken

The factors which weighed with the Government, in satisfying itself of the need for grant of cash assistance have been briefly stated already in the "Action Taken Notes" for Para 1.44. The later decision to extend it retrospectively for the period October 1969—January 1970 was based on the logic that walnut being a seasonal crop, denial of any cash assistance for the exports already effected during part of the season, pending a Government decision regarding announcement of cash assistance, would not have been fair.

[Ministry of Commerce O.M. No. 6(7)/76-EP  
(Agri-1) on 25-8-1976]

### Recommendation

"The entire approach of Government appears to have been entirely 'ad hoc' and by no means correct throughout. This is very much to be regretted and must not recur.

The basic defect in the system of granting cash assistance seems to be that there is no effective machinery available with Government to concurrently evaluate and review the market trends, the f.o.b. realisations and the impact of various kinds of assistance given for export promotion, so that necessary changes and adjustments could be effected promptly as soon as wide fluctuations came to notice. Consequently, the assistance given from time to time has had little or no relevance to the realities of the situation at a given point of time and more often than not, such assistance proved to have been not only a drag on the exchequer but in the result infructuous. The Committee, therefore, desire that a suitable machinery for a concurrent review of the relevant factors should be devised so as to ensure that the trade does not derive undue benefits from the fact that all the relevant information may not be readily available to the administrative Ministry concerned."

[Sr. No. 6 (Para No. 1.49) of Appendix-III to 174th Report (5th Lok Sabha)]

### Action Taken

The observations of the Committee have been noted. It may however be submitted that cash assistance rates for different export products were hitherto being determined on the basis of an examination of representative cost of production and f.o.b. realisation. There have been varied types of difficulties in determining the marginal cost of production for an industry as a whole even when full information regarding cost of production from all the units in an industry is available. In practice, the information was available only from a few units and their cost efficiency and scale of production varied from unit to unit as well as from time to time. Further, unless a particular export production activity had an excess capacity and that excess capacity was also due to lack of effective internal demand, the determination of cash assistance on the marginal cost principle did not neutralise the disadvantages sought to be removed by the assistance.

In view of the above facts, the question of re-organising the scheme of cash assistance primarily to make it an effective vehicle of export promotion has been considered afresh. A decision has now been taken by the Government that (a) the rates of cash compensatory support should not be based entirely on any mechanical application of a rigid formula like the difference between the f.o.b. price realisation and the marginal cost of pro-

duction; and (b) the requirement of cash assistance for any particular product will be examined from a number of angles on the basis of a balanced judgement of several criteria such as export potential, domestic availability, domestic value added, cost of entry into a new market, etc. In other words, all the disadvantages suffered by an industry are now taken into account in fixing the cash assistance rate so that the exporter may be helped to overcome the disadvantages to the extent possible. It has also been decided that export activity should be made reasonably profitable particularly for products where we face disadvantages that cannot be fully neutralised by supplying inputs at international prices and this factor is also taken into account while fixing cash assistance rate. Further appreciating the need for some stability to the level of export benefits, it has also been decided that cash assistance should be fixed for a period of one year and should not be reviewed more than once in a year. A scheme for giving further stability to cash assistance rates for a period of 3 years is also under consideration.

Government have set up a high level Inter-Ministerial Committee for determining the cash assistance rates on the basis of the revised principles.

In the light of the above Government are of the view that there does not appear to be any need for devising any other machinery for a concurrent review of the market trends and f.o.b. realisations of various export products. However, the inter-ministerial Review Committee will take into account the revised criteria and all the relevant factors at the time of initial determination of rates of cash compensatory support and their continuance beyond the prescribed period.

[Ministry of Commerce O.M. No. 6/7/76-EP  
(Agri-1) dt. 29-9-1976]

## CHAPTER V

### RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

#### Recommendation

Another aspect which causes serious concern to the Committee is the apparent violation of Foreign Exchange Regulations by some mills in claiming refunds on account of short receipt, inferior quality of fibres, etc. in rupees instead of in foreign currency. Since the failure, on the part of the mills, to claim refunds in foreign exchange has resulted in loss of valuable and scarce foreign exchange to the country, the Committee desire that all such cases should be investigated by the Reserve Bank of India, in consultation with the Enforcement Directorate, on the basis of the facts and figures stated to have been furnished by the Jute Commissioner and appropriate action taken against the delinquents. The Committee urge strongly that since these cases are now almost a decade old the investigations should be completed as expeditiously as possible and the Committee informed of the progress made and the concrete action taken against the delinquents.

[S.No. 14 (Para 2.14) of Appendix III  
to 174th Report (5th Lok Sabha)]

#### \*Action Taken

Government shares the Committee's concern about apparent violation of foreign exchange regulations by some jute mills. The Jute Commissioner took energetic steps in this regard. He had taken up the matter with the Reserve Bank of India/Enforcement Directorate as early as September 1974. The Reserve Bank of India has been requested to investigate the matter in consultation with the Enforcement Directorate on the basis of the facts and figures furnished by him (the Jute Commissioner) and to take appropriate action against the delinquents as desired by the Committee. They have also been requested to complete the investigations as expeditiously as possible, and to keep us informed of the progress made and the concrete action taken against delinquents.

[Ministry of Commerce O.M. No. 6(10)/76-Jute dt. 31-8-1976]

NEW DELHI;

October 26, 1976

Kartika 4, 1898 (Saka).

H. N. MUKERJEE,

Chairman,

Public Accounts Committee

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\*Not vetted in Audit.

## APPENDIX

### *Conclusions/Recommendations*

S. No.	Page No.	Ministry Concerned	Conclusions/Recommendations
1	2	3	4
1	1.8	Mins. of Commerce	<p>The Committee find that the reply now furnished by the Ministry of Commerce does not meet the specific points raised in paragraph 1.46 of their 174th Report (Fifth Lok Sabha). The said points appertained to the bases on which the need for and the quantum of cash assistance for the export of walnuts during the 1969-70 season had been determined by Government. The rationale for fixing the quantum of assistance at 10 per cent of the f.o.b. realisation in respect of the exports effected during February-March 1970 and at 5 per cent of the f.o.b. realisation during October 1969—January 1970, which had been specifically enquired into by the Committee, have also not been adequately explained. Even if the circumstances then prevailing warranted the grant of cash assistance, the quantum of such assistance ought to have been determined, as has been repeatedly stressed by the Committee, after a scientific evaluation and analysis of the costs and f.o.b. realisations. The Committee fear that the rate of cash assistance sanctioned in respect of the exports effected from October 1964 to June 1966 had been somewhat mechanically, and in an <i>ad hoc</i> manner, made applicable to the exports made during February-</p>

March 1970, without a precise cost-benefit analysis. This is regrettable, and the Committee would ask Government to ensure that such negligence does not recur.

2 I.11 —do.—

While certain decisions, aimed at making cash assistance an effective instrument for export promotion, have now been taken by Government, the Committee find it difficult to appreciate the Commerce Ministry's reluctance to act upon their recommendation that a suitable machinery should be devised for a concurrent evaluation and review of the market trends, f.o.b. realisations and other relevant factors which have an impact on the cash assistance scheme. In view of the fact that the criteria, such as export potential, domestic availability, domestic value added, international prices, etc., which are proposed to be taken into account for determining the rates and quantum of cash compensatory support, are variable factors, subject to fluctuation from time to time, the Committee are unable to understand how the impact of these criteria would be evaluated and quantified in the absence of an adequate machinery for the purpose. The Committee are thus constrained to reiterate their earlier recommendation in this regard and would ask Government to act upon it without loss of time.

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3 I.14 —do.—

The Committee note that certain 'concrete measures' are stated to have been taken, as far back as in 1970-71, by the Ministry of Agriculture for stepping up the production of walnuts in the country, under a centrally sponsored scheme, in the Fourth Plan period. The scheme is also stated to have been continued in the Fifth Plan. They would like

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to be appraised, in some detail, of the actual achievements so far under the scheme and the impact of these measures on availability and prices.

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1.15

Mins. of Commerce

With a view to exercising a check on the quantities of walnuts to be released for internal consumption, a proposal to centralise the procurement of walnuts through a State Government agency and to canalise exports through a Central Government trading corporation is also stated to be under Government's consideration. The Committee trust that with these measures, the need for Government subsidies for the export of walnuts would be considerably minimised, if not altogether eliminated, and that the production and marketing of walnuts would be placed on a sound and systematic footing. They would be watching with interest the outcome and impact of these steps.

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1.18

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The Committee note that Government propose to cause an enquiry to examine in detail the circumstances leading to the failure to have the modalities worked out in all essential details before the grant of cash assistance for the import of raw jute fibre and the delay in verifying the export performance of jute mills which had been granted *ad hoc* cash assistance totalling Rs. 694.94 lakhs as also the delay in furnishing the requisite utilisation certificates to Audit, with a view to fixing responsibility. In view of the high importance of jute in our economy and in view also of the utter failure, in recent years, on the part of the jute industry as a whole to play an appropriate and constructive role

therein, the Committee urge that Government complete the said enquiry soon and adopt rectificatory measures forthwith.

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7.21

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The Jute Commissioner is stated to have taken up with the Reserve Bank of India/Enforcement Directorate, as early as in September 1974, the question of the apparent violation of Foreign Exchange Regulations by some jute mills in claiming refunds in rupees instead of the foreign currency. The investigation does not appear to have been concluded yet. Where the country's foreign exchange position is involved, such delay is reprehensible. The Committee would, as on many occasions earlier, ask Government to complete the investigations expeditiously and take stringent action against the delinquent mills. The reasons for the delay of over two years in this case and the precise progress made so far should also be specifically and immediately intimated to the Committee.



