

PUBLIC ACCOUNTS COMMITTEE
(1973-74)

(FIFTH LOK SABHA)

HUNDRED AND TWENTY-THIRD REPORT

[Paragraphs 44 and 45 of the Reports of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Civil), relating to Khadi and Village Industries Commission]



LOK SABHA SECRETARIAT
NEW DELHI

April, 1974/Chaitra, 1896 (S)

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Minutes of the Sitings of the Committee held on—

31-8-1973

19-9-1973

9-4-1974

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(1973-74)

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*Elected on 29-11-73 since Shri D. S. Afzalpurkar died.

†Ceased to be member of the Committee consequent on retirement from *Rajya Sabha* w.c.f. 2-4-1974.

INTRODUCTION

1. The Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Hundred and Twenty-third Report of the Public Accounts Committee (Fifth Lok Sabha) on paragraphs 44 and 45 of the Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Civil), relating to the Khadi and Village Industries Commission.

2. The Report of the Comptroller and Auditor General of India for the year 1971-72 was laid on the Table of the House on 18th April, 1973. The Committee examined the Audit paragraphs relating to the Khadi and Village Industries Commission at their sittings held on 31st August, 1973 and 19th September, 1973. The Committee considered and finalised this Report at their sitting held on 9th April, 1974. Minutes of these sittings form Part II* of the Report.

3. A statement showing the summary of the main conclusions, recommendations of the Committee is appended to the Report (Appendix III). For facility of reference, these have been printed in thick type in the body of the Report.

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

5. The Committee would also like to express their thanks to the officers of the Ministry of Industrial Development and the representatives of the Khadi and Village Industries Commission and State Trading Corporation of India for the cooperation extended by them in giving information to the Committee.

JYOTIRMOY BOSU,

Chairman,

Public Accounts Committee.

NEW DELHI:

April 15, 1974

Chitra 25, 1896 (S).

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

MINISTRY OF INDUSTRIAL DEVELOPMENT
KHADI AND VILLAGE INDUSTRIES COMMISSION

CHAPTER I

VILLAGE LEATHER INDUSTRY

Audit Paragraph:

1.1. The Khadi and Village Industries Commission, set up under Act No. 61 of 1956, was originally charged with the responsibility for planning, organising and implementing programmes for development of (1) Khadi and (2) 12 industries specified in the schedule to the Act. One of these 12 village industries is "flaying, curing and tanning of hides and skins and ancillary industries connected with the same and cottage leather industry". Subsequent to the passing of the Act the Central Government, acting under section 3 of the Act, has added ten more industries to the schedule to the Act. Thus, now there are 22 village industries development of which is the responsibility of the Commission. Of the 12 million artisans engaged in household industries reported in the 1961 census, about 8 million are working in industries under the purview of the Commission whose programme in 1970-71 had covered 1.9 million artisans in different industries.

It is estimated that tanned leather valued at Rs. 14 crores is produced by the village and cottage tanners forming about 14 to 15 per cent of the total value of tanned leather produced in the country. The production of units assisted by the Commission is of the order of Rs. 2 crores which forms about 14 per cent of the tanned leather produced in the village and cottage sector and about 2 per cent of the total value of tanned leather produced in the country. Total production of footwear industry is about 140 million pairs of which 90 per cent is accounted for by the medium, small scale and cottage units. Of the latter, about one-third is contributed by the village units. The Commission entered the field of footwear manufacture in the latter half of the nineteen-sixties.

The Commission is entirely financed by loans and grants from the Central Government. In 1970-71, the Commission received Rs. 275 lakhs as grant and Rs. 205 lakhs as loan for development of

village industries. Up to 31st March, 1971 the Commission had disbursed (including the amounts paid by the Khadi and Village Industries Board prior to April, 1957 i.e. before the Commission was set up) Rs. 24.58 crores as grant and Rs. 59.10 crores as loan for all village industries and of that grant of Rs. 2.63 crores and loan of Rs. 3.80 crores were for village leather industry. Thus, that industry accounted for 10.70 per cent of the total grants and 6.43 per cent of all loans disbursed for all village industries. During the three years 1968-69 to 1970-71 the Commission annually paid about Rs. 11 lakhs as grant and Rs. 27 lakhs as loan for village leather industry. These represented 9.19 per cent of all grants and 5.88 per cent of all loans paid by the Commission during that period.

Village leather industry as developed by the Commission comprises three distinct processes, namely, (a) flaying of carcasses, (b) curing and tanning of hides and skins and manufacture of by-products and (c) footwear and other leather goods manufacture. The development programme for flaying includes establishments of carcass recovery and flaying centres, establishment of training centres for flaying and distribution of improved tools.

Tanning is a complex process. There are two main types of tanning, namely vegetable tanning (myrobalan) and mineral tanning (chrome). The Commission's development programme for tanning includes setting up of pits, village model tanneries, co-operative tanneries and training-cum-production centres. In order to cater to the requirements of quality leather by the village footwear and leather goods industry, assistance is being given from 1969 for establishment of chrome tannery and retanning and finishing units. Also from 1969 assistance is being provided for footwear and other leather goods production units. Assistance is also provided to cobblers and shoemakers for manufacture of footwear and other leather goods. For proper supply of raw materials for tanning, i.e., hides, chemicals, etc., and also, to a small extent as an outlet for disposal of the finished leather goods, marketing depots have been set up with the assistance of the Commission. The total number of different kinds of units (flaying centres, tanneries, footwear units, marketing depots etc.) in village leather industry assisted by the Commission was a little more than 1,000 in 1969-70 and 1970-71. About 90 per cent of the institutions financed by the Commission are co-operative societies and the remaining are registered societies. Save 114 registered societies which are financed directly by the Commission, the rest are financed through the State Khadi and Village Industries Boards. The assistance given by the Commission is usually grant to the extent of half of the non-recurring expenditure (i.e., which creates fixed assets) while the remaining half of the

non-recurring expenditure is given as loan. In addition, establishment grant is given on a tapering scale for about five years while working capital is given entirely as loan. Except working capital loans which carry 2½ per cent interest from the third year, the loans are interest-free.

Production in the village leather industry units assisted by the Commission is stated to have increased from Rs. 91.17 lakhs in 1961-62 to Rs. 612.01 lakhs in 1970-71 as follows:—

Year	Production (Rs. lakhs)
1961-62	91.17
1962-63	144.16
1963-64	226.51
1964-65	236.97
1965-66	269.46
1966-67	317.60
1967-68	350.18
1968-69	465.40
1969-70	558.94
1970-71	612.01

Making allowance for the increase in the wholesale price level (about 80 per cent) that occurred during the decade, the annual compound rate of growth of the village leather industry has been 14.01 per cent during the period. Duration of employment in this industry is 8 to 9 months in a year. The growth of employment, according to the Commission, in the village leather industry from 1961-62 to 1970-71 is shown below:—

Year	Full-time (in thousands)	Part-time (in thousands)
1961-62	3	3
1962-63	4	3
1963-64	9	6
1964-65	11	9
1965-66	11	10
1966-67	11	9
1967-68	13	7
1968-69	13	13
1969-70	16	13
1970-71	16	17

The Commission is engaged in the task of evolving objective criteria for assessing full-time/part-time/seasonal/continuous employment.

In 1970-71 full-time employment in the village leather industry was about 15 per cent of the full-time employment in all the village industries taken together. Part-time employment in the industry was much smaller relatively, being only 1½ per cent of the total part-time employment provided by all the village industries taken together. Average total earning of a full-time worker in a year (8 months) from the village leather industry was Rs. 575 in 1970-71. In real terms the per capita earning did not increase during the period 1965-66 to 1970-71. In the beginning of the decade of the 1960's grants used to constitute about 60-74 per cent of the total earnings of workers from the industry. This percentage progressively declined thereafter—in 1969-70 and 1970-71 it was about 8 per cent.

Statewise, the village leather industry is most advanced in Uttar Pradesh—the value of production in that State in 1970-71 was Rs. 2.50 crores. Next in importance is Rajasthan and Gujarat whose productions in that year were, however, only Rs. 66.99 lakhs and Rs. 56.19 lakhs. Uttar Pradesh leads in production because leather industry as a whole, including that in the organised sector, is concentrated in that State. The size of the State and the cattle population therein, the presence of a large number of traditionally skilled artisans in convenient localities the assistance extended by the State Government by appointing paid secretaries to organise the village artisans—all these have contributed to the relative growth of the village leather industry in that State. No other State Government has so far extended the assistance of paid secretaries for organising the village leather artisans.

In its report (1968) the Khadi and Village Industries Committee had recommended that instead of relying too much on subsidies, incentives for village industries should mainly be in the form of technical assistance (for upgrading of skills and production techniques), services (adequate supply of raw materials) and marketing facilities. A number of marketing depots have been set up. Their primary function is supply of raw materials needed by the artisans/co-operatives. These depots also undertake sale, to a small extent, of the finished products of the industry. About half a dozen centres have also been set up in important cities during the last two years for sale of the footwear and finished products of the indus-

try. Thus marketing facilities provided so far the finished products of the village leather industry are inadequate, while no marketing facilities have been provided for sale of the semi-finished products of the flaying centres, tanneries etc. As a rule, the facilities provided in the tanneries are co-operatively owned; the individuals bring hides and skins owned by them, get them tanned and thereafter sell them or make finished leather goods therefrom. The semi-finished products of the flaying centres, tanneries etc. and also, often, the finished leather goods are sold locally and, therefore, the village leather artisans do not get a good price from their sale.

The growth of the village leather industry can be attributed to the following:—

- (1) Provision of improved equipments (such as bone digester and carcass cooker for carcass utilisation shaving, staking, glazing and buffing equipments for chrome tanning, upper stitching and cementing implements for footwear marking), together with necessary financial assistance.
- (2) Diversification of production through introduction of new schemes such as chrome tanneries, footwear, bags and other finished leather goods.
- (3) Setting up of marketing depots for supply of raw materials needed by the industry.

The quality and price of leather goods produced by the village leather units assisted by the Commission compare favourably with those of the products of the organised sector. As a matter of fact the former are often cheaper. Further growth of the village leather industry is inhibited by, amongst others, the lack of marketing facilities for semi-finished and finished products.

[Paragraph 44 of the Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Civil)].

1.2. During evidence, the Chairman of the Khadi and Village Industries Commission briefly explained the background of the village leather industry assisted by the Commission as follows:

“Leather industry is one of the major industries in the schedule of industries under the purview of the Commission. Naturally the Commission pay sufficient attention for

all-out development of the industry. During the decade from 1962-63 to 1971-72 the production of the industry has gone up from Rs. 1 crore 44 lakhs to Rs. 6 crores 50 lakhs. Correspondingly the sales have also gone up from Rs. 2 crores to Rs. 7 crores 71 lakhs. One of the main emphasis of the Commission during the last decade was to raise the technological level of the production. A number of modern equipment were introduced throughout the country, namely, Bone Digester and Carcass Cooker in flaying, Tanning Drum, Machines like Shaving, Staking, Glazing, Buffing and Rolling in Tanning and Splitting, Skiving, Cutting, Setting, Cementing Press etc., in Footwear and leather goods making with the result that there is not much difference between the levels of technology in the industry as pursued by the cottage sector and small scale sector. Introduction of pits, flaying platform etc., have also been found popular among the artisans. All these tend to the conclusion that in spite of economic conditions, the capacity of absorption of technological improvement among the artisans is of fairly high order. The Commission thus intend to capitalise on those favourable aspects and motivate the programme of development accordingly.

"Another important aspect of the programme is to come to the rescue of the poor artisans in finding favourable market for their products so as to enable them to get a reasonable return for their toil. Accordingly, in addition to the existing scheme of Marketing Department another viable scheme has been formulated which envisages setting up a chain of modern stores in urban and semi-urban areas through which goods produced in the cottage sector could reach the consumers. The only problem faced by the Commission in this regard is the non-availability of suitable accommodation at market places.

"The Commission also tried to export certain varieties of footwears and leather goods manufactures. A number of samples were sent to the State Trading Corporation in order to find market abroad. The State Trading Corporation did approve certain types of articles and the Commission is pursuing the matter with the STC. I am glad

to state that subsequently Ministry of Commerce have informally agreed to include the Khadi and Village Industries Commission as an associate member of S.T.C. for the purpose of export of leather goods and for apportioning some orders which they may procure provided Khadi and Village Industries Commission agrees to necessary conditions regarding supply and quality control."

1.3. At the instance of the Committee, the Ministry of Industrial Development furnished the following figures of the year-wise disbursements of loans and grants by the Khadi and Village Industries Commission to the Village Leather Industry during the period upto 31st March, 1973:

Year	Loan		Grant	
	Rs.	P.	Rs.	P.
1957-58	5,37,350	00	10,33,389	44
1958-59	20,34,155	00	29,83,530	38
1959-60	27,08,919	65	17,66,116	29
1960-61	37,40,912	50	33,22,579	00
1961-62	39,27,806	50	24,47,267	31
1962-63	27,04,723	40	16,26,404	98
1963-64	33,00,700	00	17,50,251	00
1964-65	16,10,171	00	10,58,524	00
1965-66	22,94,883	00	15,63,913	00
1966-67	23,18,390	00	10,83,619	00
1967-68	19,63,890	00	12,39,760	00
1968-69	30,71,619	00	11,56,945	00
1969-70	29,66,878	00	11,03,896	00
1970-71	22,64,511	00	10,20,671	00
1971-72	32,61,066	00	14,15,457	00
1972-73	43,98,819	44	4,89,384	93 (Provisional)
TOTAL	4,31,04,794	49	2,50,61,808	33

1.4. The Committee desired to know how institutions were selected for financial assistance and how it was ensured that the assistance was extended only to *bona fide* institutions. The Vice-Chairman of the Commission explained: "All the proposals come to us through the State Boards. We ascertain the potentiality on the basis of surveys. State Board is in the picture and based on the budget proposals which are sent by the State Boards, we approve those proposals in consultation with the State Boards." Asked whether there were cases of financial assistance being granted by the Commission directly to institutions not connected with State Boards, the witness stated that "some are assisted directly, but that is negligible...."

1.5. To a question how the Commission satisfied themselves that the funds given by them were utilised by the units for the purpose for which they were meant, the representative of the Commission replied that "We insist on the proper utilisation certificates before fresh funds are given to any institution." The position regarding receipt of utilisation certificates as on 31-7-1973 in respect of funds disbursed by the Commission upto 1970-71, as intimated by the Ministry of Industrial Development, is as given below:

	Amount disbursed	Amount for which utilisa- tion certificate received	Amount for which utilisation certi- ficate are out- standing
(Rupees in crores)			
Loans	3.54	2.56	0.98
Grants	2.32	1.72	0.60

1.6. The Committee enquired how repayment of loan by the units was ensured and what action was taken against defaulting units, the Vice-Chairman replied: "The repayment according to the schedule is asked for from the institutions. Wherever the payment is not being made, they are not assisted further. While working out their requirements on the basis of production, these figures are taken into consideration and then finance is given....the State Board envisages the programme. The State Board comes to us. The Institutions or the individuals do not come to us individually..... Wherever we visualise that no progress can be effected, then we straightway take the recovery action under the Act because we can recover the

amount as arrears of land revenue. As far as the loan amount is concerned, it is already in the pipeline though it is to be recovered. But if it helps the production according to our pattern, we help them to achieve their targets. If the eligibility is properly ascertained, then the question of recovery does not arise."

1.7. During evidence, the Vice-Chairman gave the following figures of loan outstanding as on 31st March, 1970, 1971, 1972 and 1973:

31-3-1970	. . . . .	Rs. 1.78 crores
31-3-1971	. . . . .	Rs. 1.92 crores
31-3-1972	. . . . .	Rs. 2.13 crores
31-3-1973	. . . . .	Rs. 2.45 crores

1.8. The Committee asked why the outstanding amount of loan was progressively increasing year after year. It was explained that "the total outstanding reflects items such as capital working expenditure and the working capital.....the outstanding is mostly in the pipeline of the industry."

1.9. The Committee desired to be furnished with a statement showing the position regarding its overdue loans at the end of years 1967-68, 1968-69, 1969-70, 1970-71, 1971-72 and 1972-73. In a note furnished by the Ministry of Industrial Development, it has been stated that "the compilation of the information, it has been stated that "the compilation of the information for six years involves considerable volume of work. The same is being compiled and will be furnished as early as possible." The information is still awaited.

1.10. The Committee desired to know the different types of jobs done in the village leather industry assisted by the Commission and the amount of assistance given to each of them. In a note, the Ministry of Industrial Development stated that "as on 1970-71 a total number of 1032 units were working and reporting under Carcass utilisation, Tanning, Footwear and Leather Goods and Marketing Depot Schemes." The information furnished by the Ministry regarding the break-up of the units working during 1970-71 and the approximate assistance given to them which is as follows:

Schemes	No. of Units	Coop. Societies	Regd. Institutions	Approximate assistance given (Rs. Lakhs)		
				Grant	Loan	Total
1. Village Tanneries	339	315	24	31.53	66.11	97.64
2. Flaying and bone cushioning Unit	182	116	66	10.37	9.10	19.47
3. Flaying platforms	97	68	29	0.49	—	0.49
4. Intensive flaying Centres	29	5	24	7.98	10.59	18.57
5. Chrome tanneries and re-tanning and finishing units	5	—	5	1.85	2.05	3.90
6. Footwear and leather goods units	243	186	57	11.54	20.29	31.83
7. Marketing depots	137	78	59	5.48	20.55	26.03
	1032	768	264	69.24	128.69	197.93

NOTE : These do not include the individuals assisted by the commission under schemes for self employment.

1.11. The State-wise number of units producing tanned leather and footwear during 1971-72 which are assisted by the Commission are as follows:

State	Tannery	Footwear
1. Andhra Pradesh	43	10
2. Assam	—	1
3. Bihar	8	13
4. Gujarat	6	18
5. Jammu & Kashmir	3	39
6. Kerala	5	16
7. Madhya Pradesh	7	5
8. Madras	19	29
9. Maharashtra	8	14
10. Mysore	6	8
11. Orissa	5	12
12. Punjab** }	28	45
13. Haryana**		
14. Rajasthan	31	12

**Includes Chandigarh.

NOTE :—These figures exclude units worked by individual tanners and cobblers.

1	2	3
15. Uttar Pradesh	156	41
16. West Bengal		4
17. Delhi		1
18. Himachal Pradesh		8
TOTAL	325	276

1.12. The Committee note that the Khadi and Village Industries Commission disbursed loans amounting to Rs. 4.31 crores and grants amounting to Rs. 2.51 crores to the Village leather industry during the period 1957-58 to 1972-73. At the end of 1971, 1032 units were working under carcass utilisation, tanning, footwear and leather goods and market depot schemes assisted by the Commission (these do not include the individuals assisted by the Commission under schemes for self employment). These units include 768 Cooperative Societies and 264 Registered Institutions. From the State-wise disparity in the number of units assisted in different States. For instance, out of total number of 325 tanning units, 156 are located in Uttar Pradesh. The Committee would like the Commission to examine why the coverage of the Commission's assistance in other States is poor.

1.13. The Committee find that as on 31-7-1973 utilisation certificates were outstanding in respect of loans amounting to Rs. 98 lakhs and grants amounting to Rs. 60 lakhs disbursed by the Commission upto 1970-71. The Committee desire that necessary steps should be taken to obtain utilisation certificates expeditiously.

1.14. The outstanding loans from the leather industry units increased from Rs. 1.78 crores at the end of March, 1970 to Rs. 2.45 crores at the end of March, 1973. The Committee were not furnished information about the overdue loans remaining un-recovered at the end of the years 1967-68 to 1972-73, as their compilation is said to involve considerable volume of work. The Committee stress that the Commission should periodically review the position of overdue loans and ensure that the recoveries are pursued regularly and systematically. The Committee would like to know the action taken in this regard.

Production

1.15. The Committee desired to know the annual production of tanned leather and footwear in the entire village and Cottage leather

industry and that of the units assisted by the Commission. Regarding production in the entire village and cottage industry, the Ministry stated in a written reply:

"According to the survey conducted by Gokhale Institute of Politics and Economics, it is estimated that the annual production of tanned leather by the entire household sector of tanning comes to Rs. 16 crores.

"According to the report of the Fourth Plan Footwear Export Committee constituted by the Ministry of Commerce, Government of India, it is estimated that the production of footwear in the entire cottage sector of the country was 83 million pairs in 1965-66. Taking average value of Rs. 6 per pair of the cottage sector footwear, the estimated production value comes to Rs. 49.80 crores."

1.16. As for production in the units under the Commission, the Ministry furnished a statement showing the yearly production State-wise during the period 1961-62 to 1972-73, which is given at Appendix I.

1.17. On being pointed out that while the total financial assistance to the units by the Commission upto 1972-73 by way of grants and loans stood at Rs. 682 lakhs, the production in the units during the year amounted to Rs. 637 lakhs only, the Vice-Chairman of the Commission state: "...As against production of Rs. 7 crores the outstanding working capital is Rs. 1.53 crores. So this compares favourably". He added: "...The point is that with the particular year investment the calculation can be made on the basis of the loan outstanding for that particular year and the production for that year."

1.18. The Committee enquired whether the Commission had fixed any norms for production by the units in relation to the investment made in them and whether their production has been commensurate with the financial assistance given. In reply, the Ministry stated: "Each scheme including financial investment both for capital expenditure and working capital is thoroughly examined by the Patterns Committee and thereafter approved by the Commission. Working Capital required for each scheme was examined by a Committee specially constituted by the Commission which was subsequently approved by the Government of India. The norm for providing working capital varies from scheme to scheme.... The total production of Leather Industry including the purchases by the Marketing Depot under the aegis of the Commission during 1971-72, was to the order of Rs. 705.70 lakhs. As on 31st March,

1972, a total of Rs. 152.14 lakhs was outstanding as working capital loan. Performance of this order with working capital involved has been considered by the Commission as satisfactory."

1.19. Explaining the role of the Commission in implementing the programme, the Vice-Chairman stated: "As far as the Commission is concerned, the Commission only chalks out the plan and on the basis of the agreed programme which is worked out by agreement between the Commission and the State Boards, the State Boards go ahead. They possess all the machinery: The success of a programme depends on their own ability to give some facilities or other concessions as far as that programme is concerned. Whenever this programme is envisaged, this programme cannot be envisaged only in the context of the functions of the Commission. The Commission is the planning body. The Commission gives financial assistance on the basis of some patterns. Some patterns have been worked out by the Commission. But, the implementing agencies are the State Boards and on the basis of the programme visualised by the State Boards, the programmes have been implemented."

1.20. The Committee enquired whether the Commission ever approached the States to appoint paid Secretaries, as has been done by U.P., to promote development of the industry: In a written reply, the Ministry stated as follows:

"The Commission did approach the States by letter dated the 17th November, 1970 addressed to the Secretaries to the Department of Industries of all State Governments requesting them to consider to adopt with advantage a system of U.P. Government to appoint technical staff for all Leather Industrial Co-operative Societies as *Ex-Officio* Secretaries and meet their expenditure from the State Budget. Various State Governments/State Boards like Bihar, Kerala, Assam, Maharashtra, Gujarat and Karnatak enquired about U.P. Government Schemes and the relevant bye-laws of the Co-operative Societies were provided to them. The Government of West Bengal intimated that the matter was receiving their attention."

1.21. In reply to a question, the Vice-Chairman informed the Committee that the tanners do not get sufficient quantity of hides and skins, since "the market is dominated by the private traders. It is a free market". It was added: "We are thinking of linking the flaying centres with the processing centres". Asked whether it was not the duty of the Commission to make the raw materials available to the workers, the witness replied: "... As far as the Commission is concerned, the Commission only tries to contact the per-

sons concerned to persuade the local traders and the Government to have some arrangements for flaying purposes and for making available carcasses. The Commission has no authority unless some policy support is there....".

1.22. The Secretary of the Ministry of Industrial Development stated: "We are very much alive to the position of the small man, both in the village sector and the small scale sector and the difficulties for getting his raw material. We are also very much alive to the non-availability to the small man of the modern techniques and are concerned for the national waste that is taking place at the moment because of the antiquated methods of slaughter etc, plus the difficulties that the small man is facing in regard to export of his wares. We are also aware of the fact, that a very large quantity of semi-finished products is exported which could be converted into finished products, and could be exported as finished. With a view to take action in respect of all these things, a proposal is in hand. A note has been prepared for Cabinet for the establishment of National Leather Development Corporation, whose main job would be to organize proper slaughter, to organize proper availability of raw materials to the weaker section in the industry, both village industry and small scale industry, help them in the semi-finished and finished products and to look into other problems particularly with reference to the small man. Availability of carcasses and hides and skins, proper curing and flaying--all these things would be taken care of when this National Leather Development Corporation comes into existence."

1.23. The Working Group on Khadi and Village Industries, in their report submitted in September, 1964, made the following recommendations with a view to removing the difficulties experienced by the Cottage leather industry in the development of flaying programme:—

- (i) The question of abolishing or buying over on a compensation basis the hereditary rights in regard to dead cattle and their carcasses by the panchayats, panchayat samitis and zilla parishads, which are the units of the local self-government should be vigorously pursued.
- (ii) Panchayats and panchayat samitis should arrange to have the carcasses flayed and the other parts of the body utilised properly by individual flayers and tanners or cooperative societies of such flayers and tanners and, where necessary, by licensing certain persons, to undertake

these activities where flayers and tanners do not come forward or cooperative societies cannot be established.

- (iii) As in the case of the death of a human being, it must be made an obligation on the part of every cattle owner to report the death of his cattle to the nearest panchayat or panchayat samiti.
- (iv) It would be advantageous if jeeps with trailers or other vehicles for the purpose of transporting carcasses are made available by the Commission to the cooperative societies of tanners or registered institutions undertaking flaying and tanning activities or where, neither of these bodies is available, to panchayats. The economics of the proposal may be examined in detail, and if justified, assistance may be given for the sanction of jeeps.

The Committee enquired the action taken on the above recommendations. The reply furnished by the Ministry is reproduced below:

"Following actions were taken by the Commission on the suggestions of the Working Group:

- (a) The Commission addressed letters* more than once to Industries Ministers of all State Governments regarding continuous and persistent demands from various quarters for the enactment of legislation declaring dead animals as State Property with a compensation clause, if necessary. The State Governments were also requested that if it was found difficult (for social and other reasons) to enact legislation declaring dead animals as State Property then orders should be issued to District Officers to select and demarcate in all villages a piece of land for the purpose of flaying and carcass utilisation and to make it obligatory on all concerned to flay dead animals at the prescribed place and not anywhere else. Further the State Boards were also requested to take more interest in persuading the municipalities to take up carcass utilisation work.
- (i) In response to Commission's request, a number of State Governments, namely, Mysore, Assam, Orissa, Uttar Pradesh, Andhra Pradesh, Gujarat, West Bengal, Kerala, Maharashtra, Tamil Nadu and

*Three letters were addressed by the Commission on 6-9-1963, 18-6-62 and 10-4-1963 to the Industry Ministers of State Governments.

Punjab have issued various orders to Divisional Commissioners, District Collectors, Municipal Councils, Gram Panchayats etc., to advise Panchayats to set apart places for flaying of dead animals and to frame suitable bye-laws for the same;

- (ii) give preference to the cooperatives and other engaged in scientific flaying and carcass utilisation while giving contract for carcass lifting;
 - (iii) advise Municipal Councils to amend the bye-laws relating to disposal of carcasses within the municipal limits and to organise intensive flaying centres;
 - (iv) make arrangement for communicating the flaying centres the information of dead animals in the municipal area as expeditiously as possible;
 - (v) encourage Panchayats to hand over dead animals to Societies/Institutions engaged in carcass recovery.
- (b) In the scheme of Intensive Flaying Centre, provision of jeep with trailer for the purpose of transporting carcasses quickly was made available. The economy of providing vehicle in the scheme was examined and since it was found economical, assistance was given for sanction of jeeps to those Societies undertaking the work of Intensive Flaying Centre.
- (c) The Commission did undertake the responsibility of providing training facilities to the artisans as well as to workers of the institutions engaged in the work of flaying, tanning as well as manufacture of footwear making.
- (d) The technical field staff of Leather Industry make frequent visits to cooperative tanneries for supervision and to teach the tanners in improved techniques of tanning. This is followed up by subsequent visits of the field staff."

1.24. On being pointed out that practically nothing had been done on the question of abolishing or buying over the hereditary rights in regard to dead cattle and their carcasses, though more than 9 years had elapsed since the Working Group made the recommendation, the Secretary, Ministry of Industrial Development, replied: "The Commission have been taking up the matter with the State Governments. I would certainly own that the matter could have been pursued even more vigorously..."

1.25. As regards the recommendations of the Working Group regarding provision of jeeps and trailers for transporting carcasses to flaying centres, the Vice-Chairman of the Committee stated that "...we have got 20 jeeps in the various centres; all are in use and are being properly utilised. The carcass is brought to the jeep immediately, because if it is not brought immediately, then the quality suffers. Trailors are also there." The Committee enquired how it was that only 20 jeeps had been acquired so far for the purpose and whether these were sufficient to meet the requirements. The Secretary of the Ministry said: "I really do not know why they have got only 20 jeeps. I suppose the reason is they did not ask for more. It is not difficult to provide more jeeps to the extent required."

1.26. To a question whether the requirement of jeep was examined, the Ministry of Industrial Development furnished a written reply stating: "The Commission did examine the proposal and its economy. Accordingly, provision was made in the intensive flaying centres scheme for a fast moving vehicle like a jeep and trailer. The amount provided for the vehicle was 50 per cent grant and 50 per cent loan. This scheme is sanctioned at such places only where minimum availability of carcasses per year is 600 big and 800 small. Thus, the number of jeeps required every year depends upon the number of intensive flaying centres allotted each year. Till 1972-73, 20 intensive flaying centres have been working in the country and they were provided with jeeps. Whenever a jeep is required to be provided for efficient working of the unit, the Commission moved the competent authority and obtained the vehicle. No implementing agency has faced any problem of acquiring a jeep for running an intensive flaying centre."

1.27. The Committee note that the production of the village leather industry assisted by the Commission increased from Rs. 91.17 lakhs in 1961-62 to Rs. 637.28 lakhs during 1972-73. According to Audit, making allowance for increase of about 80 per cent in the wholesale price level during the decade (1961-62 to 1970-71), the annual compound rate of growth has been 14.1 per cent during the period. The Committee are not satisfied with this rate of growth as they find that while there has been more than a five-fold increase in the number of persons employed, the production in real terms had gone up only by 370 per cent during the decade 1961-72 to 1970-71. That this was so inspite of the fact that the main emphasis of the Commission was to introduce improved equipments in the village leather industry is inexplicable. The Commission should, therefore, investigate the reasons for so marked a decline in productivity.

1.28. The Commission have paid loans and grants amounting to Rs. 682 lakhs to the industry upto 1972-73. As against this, the pro-

duction of Rs. 637 lakhs reached in 1972-73 on the face of it appears to be unsatisfactory. But the Commission feels that the production is satisfactory taking into consideration the outstanding working capital loan (Rs. 1.53 crores). The Committee suggest that some scientific norm should be devised by Government|Commission to judge the satisfactory production of the industries assisted by them having regard to total investment both in the form of grants and loans paid by them.

1.29. The Committee find that out of the total production of Rs. 637.28 lakhs in 1972-73, Uttar Pradesh alone accounted for Rs. 233.55 lakhs. The Committee would like the Commission to examine what measures including technological and organisational improvements are necessary to step up the production in other States.

1.30. The Committee's attention was drawn to the difficulties faced by the tanners to get sufficient quantity of hides and skins, as the market was dominated by the private trade. The Commission was considering linking of flaying centres with the processing centres. The Committee were informed by the Secretary, Ministry of Industrial Development that the establishment of National Leather Development Corporation was under consideration of Government. The Corporation's main task would be to organise proper slaughtering facilities and availability of raw materials to the weaker section in the industry. While noting the proposal, the Committee cannot help regretting that no concrete measures have been taken by the Commission and Government for the past many years in this direction. The Committee hope the setting up of the National Leather Development Corporation will be expedited. Pending the establishment of the Corporation, necessary steps should be taken to remove the difficulties of village artisan in getting raw materials.

1.31. The Working Group of Khadi and Village Industries in their report submitted in September, 1964 had recommended that abolition or buying over on a compensation basis the hereditary rights in regard to dead cattle and their carcasses by Panchayat Samities and Zila Parishads should be vigorously pursued. The Commission had requested the State Governments before 1964 to enact legislation declaring dead animals a State property or, alternatively, to demarcate in all villages a piece of land for the purpose of flaying and carcass utilisation and to make it obligatory on all concerned to flay dead animals at the prescribed place. At the request of the Commission some State Governments have issued instructions to the

local authorities to issue instructions to Panchayats to set apart places for flaying of dead animals. The Committee regret to observe that the Commission has not taken steps to pursue vigorously the specific recommendations of the Working Group made in September, 1964 regarding abolition and purchase of the hereditary rights in regard to dead cattle and make reporting of dead animals compulsory. The Committee desire that this should be done forthwith and any legal difficulties involved should be resolved. It should also be found out in how many villages, separate flaying places have not been demarcated, so as to take further steps in this direction.

1.32. The Committee note that jeeps with trailers have been provided to only 20 intensive flaying centres which are stated to have been working till 1972-73. The Committee, however, find from the figures furnished by the Commission that during 1970-71, there were 29 intensive flaying units. The Committee would like it to be examined whether the other 9 centres are still existing and if so why necessary facilities have not been provided to them. The Committee would like the Commission to examine whether in areas where there is no intensive flaying centre, groups of flaying and tanning units could be provided with facilities for transport of raw material.

Employment

1.33. The Committee desired to know the total number of persons engaged in the Leather Industry. In a written reply furnished in this regard, the Ministry had stated: "According to the survey conducted by Gokhale Institute of Politics and Economics, it is mentioned that 5.56 lakh workers are engaged in the household sector of the industry who are carrying on the work of currying, tanning, manufacture of shoes, repairs of shoes etc. The number of workers engaged by the units assisted by the Commission was 33,676 in 1971-72 which works out to 6.0 per cent."

1.34. Drawing attention to the statement the Commission was engaged in the task of evolving objective criteria for assessing full-time/part-time/seasonal/continuous employment, the Committee enquired whether the criteria has been evolved. In a note, the Ministry replied: "The Leather Directorate of the Commission has evolved the criteria for assessing full time worker. A person working 6 to 8 hours a day for 8 months in a year is considered to be a full time worker. A person who works less than 6 hours a day is considered as a part time worker while submitting the employment report. For calculation, 2 part time workers is made equivalent to

1 full time worker. Following are the details of employment position in leather industry of the Commission:

Year	Full-Time No.	Part-Time No.	TOTAL
1967-68	13,175	7,066	20,241
1968-69	12,992	13,247	26,239
1969-70	15,951	13,375	29,326
1970-71	16,240	16,873	33,113
1971-72	17,961	15,715	33,676

1.35. The Committee enquired the reasons for the low rate of increase in employment in the leather industry. The Chairman of the Commission explained: "If you look at the amount which the Commission normally spends on this industry, you will find that probably the highest expenditure for any year may be 30—35 lakhs. It is not as though all the money that is needed is given and all the money which is wanted for a particular area is being spent. The village industry gets its share out of 3 crores and the leather industry gets from 20—30 lakhs per year."

1.36. The statement below gives the average monthly earnings of a worker in the leather industry assisted by the Commission during the period 1967-68 to 1971-72:

	1967-68 Rs.	1968-69 Rs.	1969-70 Rs.	1970-71 Rs.	1971-72 Rs.
1. Tanning	72.50	82.60	88.93	101.59	107.62
2. Foot-wear and Leather Goods	110.81	91.12	93.70	111.67	113.33
3. Carcass Utilisation	63.82	45.31	50.82	..	60.90
4. Marketing Depot	..	75.24	114.04	..	67.67
5. Other Schemes	49.06	54.15	53.48	62.11	59.36
6. All Trade Average	61.50	64.50	66.50	71.88	73.50

(NOTE : In the Leather Industry a worker who is engaged 8 months in a year is regarded as fully employed.)

1.37. In a note furnished to the Study Group of the Public Accounts Committee which visited the Commission in 1972, the average income of a worker in the flaying industry, tanning industry and footwear industry during the Fourth Plan were given as Rs. 3 to 4, Rs. 3.50 to 5 and Rs. 6.50 to 10 respectively. Asked to explain the

discrepancy in the two sets of figures of wages, the Ministry, in a written reply, explained the following position:

“The two sets of figures furnished in the relevant replies are given below in Table ‘A’ and Table ‘B’.

TABLE ‘A’

Scheme	II Plan	III Plan	IV Plan
1. Flaying	1050	1·75 to 2·50	3 to 4
2. Tanning	2·50	3	3·50 to 5
3. Footwear	N. A.	5	6·50 to 10

TABLE ‘B’

Scheme	Calculated average monthly earning of a worker 1971-72	Calculated daily average earning of a worker taking 25 working days in a month
1. Carcass Utilisation (Flaying)		60·90
2. Tanning		107·62
3. Footwear		113·33

The average earnings as shown at Table ‘A’ is of a worker per day for *doing full time work*. Whereas in Table ‘B’, though the figure is shown as the earnings of a worker for doing full time work, yet while calculating *per capita* earning, earnings of full-time workers as well as part-time workers were taken together and calculation was done taking two part-time workers as one full time worker and that is why there is some negligible apparent variation between the earnings shown in the two tables.”

138. The Committee enquired how the earnings of a worker engaged in the village leather industry under the Commission compared with the earnings of those engaged in other sectors of industry. the Secretary, Ministry of Industrial Development replied: “I would certainly fully agree that in so far as the wage structure or income structure in this unorganised sector is concerned, it cannot compare with the income-structure of the organised sector where the workmen have various means of imposing their rights. . . . Now, for ex-

ample, a man who is earning Rs. 10/- now or whatever it is, if he goes for a job in Bata, he will be getting three times that pay."

1.39. The Chairman of the Commission deposed: "... I have gone around looking at many units. The production per unit will be roughly about 30,000 worth per year. One of the very best units may produce worth a lack and a little above. This is the size of the units. I have visited many of the small sale depots which are running on a small basis with little money. That is what we call our small rural sector. I went to a small town where about 10 people were working inside and they were producing leather goods which were exceedingly good. They were selling their product about 30,000 worth per year. The facilities available to the workers in such a unit are not to be compared with the facilities available in the organised sector. There is a difference between the chamar who used to sit on the roadside of the village and made chappals and the fellow who is working today in these small units. The old chamar used to earn one rupee daily whereas this fellow gets a minimum of Rs. 3.50."

1.40. It was pointed out that if the decline in the value of money was taken into account, there would be actually a progressive reduction in the earnings of a worker in the village leather industry under the Commission, while even in the other unorganised sectors, the wages were rising. The Vice-Chairman of the Commission explained: "So far as comparison of wages of labour is concerned, I think from the point of view of leather industry which is under our jurisdiction and taking into consideration the conditions prevalent in rural areas, we will have to find out what would be the wages in the rural areas as compared with other sectors as a whole, including agriculture."

1.41. The Committee note that during the year 1971-72, the total number of workers employed in the village leather industry assisted by the Commission was 33,076 (17,961 full-time and 15,715 part-time) as against about 6,000 (3,000 full-time and 3,000 part-time) in 1961-62. The number of workers employed by the units assisted by the Commission was 6 per cent of the total number of workers engaged in the house-hold sector of the industry. In 1970-71 full-time employment in the village leather industry was about 15 per cent of the full-time employment in all the village industries taken together; part-time employment was much smaller relatively, being 1-1/2 per cent of the total part-time employment provided by all the village industries taken together. Considering that the objective of the Commission is to create more employment in villages, the Committee feel concerned to find that during the year 1971-72 the number

of part-time workers in the village leather industry decreased to 15,715 from 16,873 in 1970-71. The Committee would like the Commission to look into the reasons for this decline and take appropriate action.

1.42. The Committee are disappointed to find that in spite of the assistance provided by the Commission to the units and the introduction of technological improvements, the productivity has declined and, the average wage of the workers has not indicated satisfactory increase during the last few years. The all-trade average monthly wage per worker increased from Rs. 61.50 in 1967-68 to Rs. 73.50 in 1971-72. If the rise in the cost of living during the period is taken into account, there would seem to have been actually decrease in terms of real wages. It was admitted that the wage of a worker in the other sectors of the industry was much higher. The Committee consider that it is the duty of Commission not only to disburse money but also to ensure that it produces the desired results. In view of the fact the wages of workers in the village leather industry (who form 15 per cent of full-time workers of all village industries) continue to be very low, the Commission should pay serious attention to the problem.

Training

1.43 The Committee desired to know the number of persons trained under the Commission's scheme. The Ministry stated as follows:

"A total number of 621 persons were trained during the last five years from 1968-69 to 1972-73 in the various trades of Leather Industry under the aegis of the Commission, the break up of which is as under:—

Flaying	299
Tanning	226
Footwear and Leather Goods	90
Salesmanship	6

1.44. Asked whether the number of persons trained was adequate considering the number of workers engaged in the industry under the Commission, the representative of the Commission replied: "We keep those persons who are engaged in the village industries. Our technical experts go to the spot, explain what improvement they can undertake, etc. Intensive training is also given. We have certain facilities. . . . Today, we train roughly 200 persons in 7 training centres. But this is not the training of the artisan. . . . Each one

of the centres trains different artisans. If we train 200 persons a year, it means we train many more in the field."

1.45. Asked whether there were proposals to expand the training facilities during the Fifth Plan, the Ministry furnished the following reply:

"Training facilities are being extended by the Commission in Flaying and utilisation of other parts of carcasses. At present two such centres are being run under the aegis of the Commission where 4 months' training is imparted to persons in both theoretical and practical aspects of full utilisation of the various components of carcasses. During the Fifth Five Year Plan period, it is proposed to take up extensive training programme to cover a large number of artisans in flaying and carcasses utilisation. To ensure the success in the programme, supervisory staff of the Commission and the State Board will be trained in the first instance in the scientific methods of flaying and preservation of hides and skins and utilisation of other components of carcasses. Such trained supervisory staff will act as qualified trainers and will train village flayers by moving from place to place so that one Supervisor could train up about 80 to 100 village flayers in a period of one year. Yearwise details of the training programme are given below:—

	1974-75	1975-76	1976-77	1977-78	1978-79
Trained Supervisors	200	250	300	350	400
Trained Village Flayers	16,000	20,000	24,000	28,000	32,000

1.46. The Committee regret that the Commission has not paid adequate attention to the task of training workers. During the period 1968-69 to 1972-73, a total number of 621 persons were trained in various trades of leather industry. The Committee regard this figure as too low considering that about 33,000 workers are employed in the units assisted by the Commission. The Committee have been informed that during the Fifth Plan period, it is proposed to take up extensive training programme to cover a large number of supervisors and artisans in flaying and carcass utilisation. The Committee cannot over-emphasize the importance of proper methods of flaying and carcass utilisation. The Com-

mittee desire that particular attention should be paid to training of artisans in the States where this Village Industry has lagged behind.

Marketing

1.47. The Committee drew attention to the following figures given in the Statistical Statement to Annual Report, 1970-71 regarding the number of marketing depots *vis-a-vis* the total number of units dealing with various aspects of the village leather industry:

	Total No. of units	Marketing Depots
Andhra Pradesh	89	3
Bihar	40	11
Maharashtra	58	19
Uttar Pradesh	234	23

1.48. The Committee asked whether the Commission have laid down any policy regarding establishment of marketing depots having a bearing on the turn-over of the units. The Vice-Chairman of the Commission stated: "..... Three things are visualised, the first of which is the starting of chain depots. Secondly, wherever accommodation is available in urban areas, it is proposed to start our shops. It is also proposed to approach the State Trading Corporation and other agencies, whereby the export of these products can also be visualised. We have regained the confidence that we can produce quality goods. As for marketing, our organisational structure may be requiring some strength. We are alive to this problem."

1.49. Asked whether the Commission followed any marketing policy, the Vice-Chairman replied: "No". The witness added: "..... Whenever the conditions seem favourable to us, to establish marketing centres, there, we can establish marketing centres. But, we have not made any calculation of the potentiality and the correlation of the potentiality with the market. We must admit that" In a written reply furnished subsequently, the Ministry explained the following position:

"The main purpose of the programme of Marketing depots is to facilitate the local artisans in the purchase of raw materials and in the sales of finished goods produced. The depots should generally deal in the following commodities:

(1) Raw hides and skins, (2) Finished Leather, (3) Raw materials and Chemicals required for tanning, (4) Foot-wear and Leather Goods, (5) Different components required for the manufacture of foot-wear and leather goods, (6) Bone manure, (7) Meat Manure, (8) Tallow etc.

The depots should store up various materials such as raw hides and skins, tanned leather, chemicals etc., and supply these materials to local individual artisans and other production units at reasonable price during the season when prices of these materials fluctuate. A nominal commission may be charged considering the local conditions to make the depot self-sufficient. As far as possible the depot should be a common assisting factor to artisans of all categories viz. artisans engaged in flaying, tanning and manufacture of footwear and leather goods. The raw materials may be supplied to those parties from whom the depot will be purchasing the finished products. The purpose of the Depot would be that the raw materials are supplied at a reasonable price so that the finished products purchased from the local artisans can be sold to the consumers at a competitive price and thereby promote good relation between the producers and the consumers of the goods. Thus, marketing depots will be playing a prominent role in the promotion of production activities by facilitating supply of required raw materials at reasonable prices to the artisans and sales of their goods produced.

With the introduction of footwear and leather goods schemes, their production under the purview of the Khadi & Village Industries Commission has increased considerably over the last few years. To maintain the tempo of this production and to achieve further progress, it is essential that planning for their outlay is properly made and executed. To achieve this, it is thought proper that chains of shops are opened in the country to market the products produced by various units under Leather Industry, such shops shall necessarily be, to begin with, in the urban areas since in the rural areas, customers or consumers could buy them from the production units directly. There would be two types of units depending on the sales capacity of the shops.

The location of each type will depend on the locality. In other words, bigger types of shops will be located in the metropolitan cities, State Capitals etc., whereas the smaller types of shops will be located in the district towns, industrial areas etc."

150 The Ministry furnished the following provisional figures regarding the number of depots and the value of goods handled by them relating to the period 1970-71 to 1972-73:

State	1970-71		1971-72		1972-73	
	No. of Depots	Sales (Rs. in lakhs)	No. of Depots	Sales (Rs. in lakhs)	No. of Depots	Sales (Rs. in lakhs)
1. Andhra Pradesh	3	3.40	3	3.16	2	3.42
2. Bihar	11	3.14	5	0.35	6	1.41
3. Gujarat	17	6.79	15	7.14	15	5.32
4. Haryana	5	2.11	7	2.57	8	3.05
5. Himachal Pradesh	2	0.37	1	0.11	3	0.50
6. Jammu and Kashmir	2	1.04	2	0.85	2	0.22
7. Kerala	9	3.03	10	3.07	10	3.59
8. Maharashtra	19	15.99	19	5.21	15	5.85
9. Madhya Pradesh	2	0.60	3	0.50	6	0.88
10. Mysore	10	3.92	12	3.42	12	3.52
11. Orissa	3	1.72	2	2.18	4	2.35
12. Punjab	13	3.75	11	2.14	14	3.02
13. Rajasthan	4	2.10	7	2.44	5	2.26
14. Tamil Nadu	9	12.22	9	14.97	9	14.48
15. Uttar Pradesh	23	22.57	16	7.88	27	9.27
16. West Bengal	4	1.58	3	1.45	4	3.29
17. Chandigarh	1	0.29	2	0.87	2	0.90
	137	85.62	129	52.31	144	75.35

151. Asked whether the Commission had done anything to prevent spurt in the price of hides and skins, the Vice-Chairman replied: "The point is this. It depends on policy support. As I already mentioned, there are middlemen in the market." He added: "We try to do some thing in order to enable them to stand on their own; but the high prices of hides and skins are beyond our control." The Secretary, Industrial Development stated: "We were aware of the fact that there has been a certain rise in most other raw materials. So far as this area is concerned, it is not a controlled area." He added: "So far the only thing we have done is to have thought of putting up this corporation to do it."

152. In a written reply furnished by the Ministry of Industrial Development it was stated: ".....In view of the fact that KVIC intends to undertake a bold programme in the Fifth Plan, arrangements are being made to set up a market research cell in the Directorate of Economic Research. A Research Officer has been trained by the Indian Institute of Foreign Trade in the market research methods. Detailed information has been collected in regard to sales centres and Khadi Gramodyog Bhavans....."

153. The Committee desired to know the steps taken to encourage export of the product of Village Leather Industry. In a written reply, it was stated:

"At present a large number of products of Leather Industry produced in the Cottage Sector is being exported. These are Kolhapuri Chappals, artistic leather goods, leather garments, leather sports goods etc., etc. Though quite a good number of production units set up under the Commission are supplying these products for export, yet they do not derive any benefit. The export order is secured by merchant exporters who export them.

"A great portion of the leather items is being exported through State Trading Corporation. The Directorate of Leather of the Commission has been corresponding with the State Trading Corporation with a view to enlist the Commission as one of the exporters so that the State Trading Corporation would allot portion of their orders secured through the Commission. The Commission in turn, would distribute these orders to the various production units and these various production units would enter into the export market directly through the Commission. The response of the State Trading Corporation so far has not been en-

couraging. A few years back, samples from good number of production centres were sent to the State Trading Corporation in 1965. On examination it was certified that some of the items produced by a few selected societies are exportable. Similarly, the State Trading Corporation in 1969 accepted a sample of Rusut Leather as exportable and the response from the buyers was found favourable. However, so far the State Trading Corporation has not allotted any export order to the Commission.

"The export of leather items from the units of the Commission will get a great fillip if State Trading Corporation allots a portion of the order that it secures to the Commission and the Commission in turn will get these products produced at its centres and export through State Trading Corporation."

1.54. During evidence, the Vice-Chairman of the Commission stated: "we were pursuing the matter with S.T.C. that we should be enlisted on the export order list. We were pursuing the matter at higher level. After our efforts, now it has been accepted that we would be enlisted as exporters and they would treat us as associate member for that purpose. On that basis, we will set up the organisation for exports. That is the present position. We were helpless so far."

1.55 The Committee asked whether the Commission had ever approached the Small Scale Services Institute and the Central Leather Institute with any problem. The Vice-Chairman of the Commission replied in negative.

1.56. The representative of S.T.C. stated: "We are buying 95 per cent of the hand-made shoes from Small-Scale Sector, including Co-operative Societies, but we place the Co-operative Societies' orders on an apex body which is named 'National Federation of Industries Co-operatives'. The total export was 1.3 million pairs last year; this year it would be about 1.7 million pairs." He added: "From the Small Co-operatives we bought 70,000 pairs out of 1.3 million pairsThe hand-made sector consists of very small manufacturing units grouped together and called as 'Private Limited Companies' where the shareholders are these individual manufacturing units."

1.57. Subsequently, at the instance of the Committee, the Ministry of Commerce, furnished the following details regarding exports

of footwear during the years 1968-69 to 1972-73:

Year	Total value of exports	Value of exports pertaining to Co-operative Societies	Value of exports pertaining to large scale units
Rupees in Lakhs			
1968-69	318.60	Nil	25.75
1969-70	335.85	13.27	7.53
1970-71	487.82	14.45	8.90
1971-72	319.17	15.84	Nil
1972-73	427.27	23.39	3.59

1.58. The Committee asked why the Commission was not included in the list of exporters for leather goods in spite of the Commission's approach to the S.T.C. In this connection, they drew attention to the fact that some of the sample items produced by a few selected units under the Commission were certified by the Corporation as exportable as far back as in 1965. The witness replied: "We have taken their samples but we have not been able to sell them; we have taken samples from National Federation of Industrial Co-operatives and we have been able to sell them." The witness added: ".....If they have some infrastructure which we have been able to build up in the NFIC, then we will place orders on them also. We have no difficulty. First, this infrastructure will have to be built up."

1.59. To a query whether the Commission were informed that their goods, samples of which were taken, could not be sold, the Vice-Chairman KVIC stated "No". The representative of S.T.C. stated that "we have told them verbally. not in writing". The witness added: "The distinction was not that much apparent to us that the Societies belong to the National Federation of Industrial Co-operatives and those belonging to the Commission were separate.....We but there was no question of including it in our register until as late as last November....."

1.60. The Committee asked why there was difference between the working of the Khadi and Village Industries Commission and the National Federation of Industrial Co-operatives which are under the control of the same Ministry. The Secretary, Industrial Development stated: "As far as they (the NFIC) are concerned, they

have been giving this particular guarantee at the focal point, which the State Trading Corporation had been asking for, that they are responsible for the quality and that they had introduced a system of in-process control. They actually took all the responsibility in regard to the products which were coming from their constituent units. So far as the Khadi and Village Industries Commission is concerned I find—from what I gathered—that that focal point was not established and this was one of the reasons why the Khadi and Village Industries Commission and State Trading Corporation could not come to some sort of a settlement." He added: "Now the focal point has been established. Khadi and Village Industries Commission has agreed to take the responsibility in regard to quality and in regard to in-process control and they would be in the same footing as the National Federation of Industrial Co-operatives."

6.61. In a note subsequently furnished, the Ministry of Industrial Development stated:

"Subsequently to the meeting of the Public Accounts Committee, a programme of obtaining export order through S.T.C. by the Commission has been pursued with the State Trading Corporation and the matter is under correspondence. The following line of action was decided at the meeting held in the Ministry with the representatives of the State Trading Corporation and the Khadi and Village Industries Commission.

1. The STC should play a more vigorous role in guiding and assisting the Khadi and Village Industries Commission in the matter of export of leather goods produced by the various units under the purview of the KVIC. With this objective in view, it was felt that there should be a central point of negotiation and that a technical group or committee be set up, consisting of a representative each of the Directorate of Leather of the KVIC, the STC (Village Leather Export side) and the Small Industries Service Institute, which would identify units for export purposes and would also recommend what technical assistance would be required by such units for exports etc.
- 2 For export during the next quarter, the S.T.C. would place trial orders immediately with the KVIC, so that the goods could be manufactured by the institutions under the Commission by about December, 1973 and the items could be sent for export by the first week of January, 1974.

2. The State Trading Corporation of India would supply a list of all exportable varieties every quarter from which the Commission would select those items which it could supply for export."

1.52. A note prepared by the State Trading Corporation in this connection reads as follows:

"In regard to failure of STC to promote export from cottage sector under KVIC there has been only couple of references made by KVIC in 1966 and 1969 for promoting export of their items. Export negotiations were not successful in these cases.

"STC has so far placed order on 38 cooperatives through their apex body of National Federation of Industrial Cooperatives, which is also under the administrative jurisdiction of Ministry of Industrial Development—the same as Khadi and Village Industries Commission.....

".....as a matter of principle, STC is making a continuous thrust to expand its exports from the artisans cooperatives in spite of problems regarding inadequacies in quality and controls.

"Regarding the question of developing exports of leatherware items, through Khadi and Village Industries Commission, we admit our failure to pursue with Khadi and Village Industries Commission as a separate entity as distinct from NFIC. We hope to amend this situation immediately and work out a programme with Khadi and Village Industries Commission on our own, to develop exports through KVIC as well.

"Accordingly, at the subsequent meeting held in Ministry of Industrial Development with the Managing Director and Director of Khadi and Village Industries Commission, it has been decided that while the KVIC organises its arrangements for inspection of materials, processes and finished products, packaging, handling and transportation etc. STC would offer to KVIC trial orders immediately in order to initiate the programme.

"Simultaneously, a joint committee of technical personnel from STC, Development Commissioner, Small Scale Industries and KVIC would also assess capacities and capa-

ilities of the individual associates who have export potential in the sphere of Khadi and Village Industries.

"While the initial orders would be placed on the basis of samples already accepted by foreign buyers, KVIC would also be preparing ranges of samples from Khadi and Village Industries sector, for offering them to the International market, through STC.

"STC footwear designers would of course be assisting KVIC, wherever such technical assistance is required, for preparation of samples as per market needs.

"We propose to have frequent reviews of the progress in our programme to develop exports from Khadi and Village Industries in order to ensure success in this programme even during current financial year."

1.63. The Committee note that upto 1972-73, 144 marketing depots were set up under the aegis of the Commission for facilitating supply of required raw materials at reasonable prices to artisans and for sale of the goods produced by them. The Committee however find that although the number of marketing depots increased from 137 in 1970-71 to 144 in 1972-73, their sales turn-over decreased from Rs. 85.62 lakhs to Rs. 63.56 lakhs in 1972-73. Particularly in Uttar Pradesh the sales turn-over of 27 marketing depots in 1972-73 had declined to Rs. 9.27 lakhs from Rs. 22.57 lakhs in 1970-71 in respect of 23 depots. The Committee suggest that the factors leading to decrease in sales should be analysed with a view to taking necessary corrective steps. Further the average monthly sale per depot is only about Rs. 3,700 which is indeed very low. The Committee desire that the Commission should see that the depots become viable by suitably diversifying their sales.

1.64. The Committee have been informed that in order to maintain the tempo of production, the Commission propose to open a chain of shops in urban areas to market the products produced by the units of the leather industry. But the Committee regret to point out that, as admitted by the Vice-Chairman, the Commission have not so far made any study of the potentiality of the industry and its colleration with the demand in the market. The Committee consider that it is high time that the Commission undertook a proper research or study of this aspect, and devise a proper marketing policy taking into consideration the consumers' requirements. The Committee suggest that it would be useful to study the working of some private manufacturer like Batas in this regard.

1.55. The Committee regret to observe that no serious attempts have been made at all to export foot-wear and leather goods produced under the bags of the Commission although large quantities of such goods produced in the other sectors are being exported by the State Trading Corporation. A few samples sent by the Commission to the State Trading Corporation in 1965 were certified by the latter as exportable and again in 1966 a sample of Russel leather was accepted as exportable. But no order was placed. The Committee were informed by the representative of S.T.C. that these samples could not be sold. The Commission was verbally informed about this, but no intimation was given in writing. The Committee very much deprecate the apparent unwillingness on the part of the S.T.C. to deal with a Government organised body. The Committee consider that it was the duty of S.T.C. to advise the Commission about any improvements needed in their goods to make them acceptable to the foreign buyer. The Committee are surprised at the explanation of the S.T.C. "We admit our failure to pursue Khadi and Village Industries Commission as a separate entity as distinct from National Federation of Industrial Corporation". (S.T.C. place orders on certain cooperatives through National Federation of Industrial Corporation which is an apex body).

1.66. The Committee are surprised to learn that the Khadi and Village Industries Commission in the past never consulted the Small Scale Services Institute or Central Leather Research Institute about any problem. The Committee are anxious that the Commission should take advantage of the services of these institutes in tackling the problems of the village leather industry and bring about the requisite improvements to improve sales potential.

CHAPTER II

VILLAGE PALM GUR AND OTHER PALM PRODUCTS INDUSTRY

Audit Paragraph:

2.1, Of nine sugar yielding varieties of palm, only four are found in India. They are (i) palmyra, (ii) wild date, (iii) sago and (iv) coconut.

Once upon a time manufacture of gur, sugar and candy from the juice of date and palmyra palms was widely known and undertaken in Bengal and Madras. With the advent of sugarcane era, this flourishing village industry rapidly declined. Revival of this industry began in 1935 when the All India Village Industries Association, soon after its formation, included palm gur in the village industries development programme. In 1937 when popular ministries were formed in the Provinces, prohibition policy was actively encouraged. In Madras and Bombay development of palm gur was encouraged by the State Governments as a counterpart of prohibition and for providing alternative employment to the displaced toddy tappers. With the attainment of independence in 1947, development of this village industry was taken up on an organised scale. Tamil Nadu, West Bengal, Kerala and Andhra Pradesh are the traditional palm gur producing States. After 1947 efforts were made to develop this industry in States other than the traditional States where the technique of gur production from juice obtained from palm trees was not known and production not undertaken. The development activities were transferred to the erstwhile All India Khadi and Village Industries Board after its formation in February, 1954.

It is estimated that there are about 10 crore palm trees (excluding coconut palm) in the country of which 60 per cent are tappable. Palmyra (64 per cent) dominates over date (36 per cent) and sago (0.44 per cent).

Palm trees are heavily concentrated in Tamil Nadu (39 per cent) followed—at a considerable distance—by Andhra Pradesh and Bihar (13 to 14 per cent). About 53 per cent of palmyra, 72 per cent of date and 7 per cent of sago palms are tappable.

The palm gur industry is essentially seasonal in character. Palm trees can be tapped for juice only in a certain season, which varies with the variety of palm on the one hand and the location on the other. The maximum length of the tapping season varies from 4 to 8 months. At the beginning and the end of the season the yield is small.

In areas where prohibition is in force, there is, as a rule, a system of issuing licences either on individual basis to artisans, as in Tamil Nadu, or to co-operatives or registered institutions as in Maharashtra and Gujarat. Even in non-prohibition areas in some States (like Bihar) licences have to be obtained for tapping palm trees for neera and gur manufacture, although there are no restrictions for tapping the same trees for toddy purposes. In almost all the States the individual tappers and their co-operatives face several difficulties, mainly due to the excise rules, the conditions governing issue and renewal of licences and transportation of neera for sale in different areas. There are wide variations in the rates of tree-tax levied and the rates of tree rents charged for leasing the different varieties of palms for tapping for neera and gur purposes.

The development programme of palm gur industry undertaken by the Commission comprises of:—

- (i) Organisation of production units, granting of loan for purchase of improved equipment, construction of work sheds etc.
- (ii) Training of artisans, supervisors etc.
- (iii) Publicity.
- (iv) Commercial operations (i.e., processing and sale of neera etc.).

Total financial assistance disbursed by the Commission (including assistance disbursed by the Khadi and Village Industries Board prior to setting up of the Commission from April, 1957) for village industries upto 1970-71 was Rs. 83.68 crores (grant Rs. 24.58 crores; loan Rs. 59.10 crores). Annually, the financial assistance was Rs. 5.20 crores in 1960-61 while the average disbursement in 1969-70 and 1970-71 was Rs. 5.86 crores. The share of financial assistance for palm gur increased progressively from Rs. 19 lakhs (3.7 per cent) in 1960-61 to Rs. 124 lakhs (25 per cent) in 1964-65 and Rs. 128 lakhs (17 per cent) in 1966-67 and thereafter dwindled—the average of 1969-70 and 1970-71 being only Rs. 14 lakhs (2.4 per cent). Correspondingly, production of (f) palm gur and other

palm products and (ii) palm gur by the units assisted by the Commission reached a peak during the mid sixties and thereafter rapidly declined as would be seen from the following:—

Year	Palm gur and other palm products (Rs. lakhs)	Palm gur (Rs. lakhs)	Quantity (Lakhs quintals)
1961-62	272	268	6.31
1962-63	371	367	6.02
1963-64	681	666	8.43
1964-65	718	692	8.56
1965-66	790	749	9.41
1966-67	806	735	9.03
1967-68	705	652	5.05
1968-69	689	612	4.85
1969-70	597	519	5.73
1970-71	599	492	4.75

That in recent years this level of production has been achieved despite the virtual drying up of fresh financial assistance and that the grants given by the Commission formed only 0.6 to 0.8 per cent of the value of annual production are noteworthy. The value of production of village industries by the units assisted by the Commission was Rs. 85.60 crores in 1970-71. The palm gur industry, which till then had received (Rs. 880 lakhs) 11 per cent of the assistance given by the Commission for all village industries, accounted for 7 per cent of this value. After village oil, gur and Khandsari, processing of cereals and pulses and village leather, this value was the highest amongst the village industries assisted by the Commission. Value of edible products (neera, candy and sugar) other than palm gur and non-edible products (palmyra fibre and stalks, mats other utility and fancy articles made out of palmyra leaves) is 10—15 per cent of the total value of all palm products; the rest is accounted for by palm gur. In 1970-71 the units assisted by the Commission produced about 3.1 per cent in terms of total potential output of palm gur in the country.

In 1957-58 when the Commission started, the grant element was about 45 per cent of its annual disbursement for village industries, the rest being loan. There has been progressive reduction of the

grant element which in recent years has been about 20 per cent. The grant element for palm gur industry used to be 2-3 times the loan element in the beginning but now it is about the same as that for village industries in general viz., 20 per cent.

In 1970-71 total employment in all the village industry units assisted by the Commission is understood to have been 1.04 lakh persons full-time and 8.75 lakhs persons part-time. Employment in the palm gur sector was 3.03 lakh wholly part-time. Tamil Nadu is said to have provided employment to 2.20 lakh artisans. Of the total earnings of Rs. 14.14 crores from village industries in 1970-71, palm gur accounted for as much as Rs. 3.47 crores. The average income per day per worker in the palm gur industry increased from Rs. 2.40 during the Second plan to Rs. 3.00—4.00 during the Fourth Plan.

Like other village industries, the dominant organisational form in palm gur industry is co-operatives. Of 23,300 village industry co-operatives, 3,500 (third highest after village leather and village oil) are in the village palm sector in which, in addition to the primary societies, there are State federations. At the all-India level there used to be the Akhila Bharatiya Tad Gud Sahakari Mahasang which became defunct in 1965-66. Due primarily to mismanagement, the State federations in Maharashtra, Kerala and Mysore are under liquidation while the managements of the Bihar, Tamil Nadu, Madhya Pradesh, Rajasthan and Uttar Pradesh federations have been superseded. The question of supersession of the management of the West Bengal federation is under consideration. The Commission disburses the financial assistance to State Boards. Unlike in other village industries, the State Boards in turn have been disbursing the assistance to the State federations which then pay to the primary societies (i.e., the last are not financed directly by the State Boards).

Upto 1968 the Commission's pattern of assistance for development did not specify the individual development schemes; the result of this defective pattern was that a substantial portion of the funds disbursed by the Commission was utilised on establishment expenditure. This has been set right from 1969.

The inability of the State Boards|State federations to sustain the substantial programme of expansion initiated during the early sixties and relaxation of prohibition in certain States have given a serious set-back to this village industry the training programme for which was not need-based.

While over the year the Commission has been able to introduce certain technological improvements, which have materially improved productivity of many of the village industries, it has not succeeded in doing so in the palm gur industry.

Certain States:

Tamil Nadu has been the leading producer of palm gur and West Bengal the second. In 1961-62 the share of the former was 38 per cent and of the latter 29 per cent. In recent years (1969-70 and 1970-71) Tamil Nadu's share has increased to 65-75 per cent while West Bengal's share slumped to 15-20 per cent. Despite scrapping of prohibition in Tamil Nadu in 1971-72, production (2.44 lakh quintals) in that State in that year was more than in 1961-62 (2.39 lakh quintals). On the other hand, in West Bengal where there has been no prohibition, the industry received a serious set-back in 1963-64 from which it has not yet recovered—the annual production (quantity) from then has been only about half or less than half of what it was in 1961-62 and 1962-63 (1.82 lakh and 1.93 lakh quintals). Since 1967-68 the industry in that State has shown some signs of recovery—annual production recording rise from the all-time low of 0.61 lakh quintals in that year to 0.93 lakh quintals in 1970-71. In 1971-72 production was 0.91 lakh quintals.

Gur produced from date palm is quite popular and there is an extensive village date palm gur industry in West Bengal. The Commission's coverage of that industry in that State is negligible.

In Andhra Pradesh and Kerala, the other two traditional palm gur producing States, production declined after 1966-67—production in 1970-71 being only about one-third of what it was in 1961-62

Assistance paid in Bihar in 1969-70 and 1970-71 was Rs. 16 thousands and Rs. 39 thousands only while upto the end of 1970-71 it was Rs. 36 lakhs (grant Rs. 19 lakhs; loan Rs. 17 lakhs). Total production has been very small. It was Rs. 50 thousands in 1969-70 and Rs. 77 thousands in 1970-71. Employment was only 190 in 1969-70 and 220 in 1970-71.

Upto 1966-67 Mysore used to produce about 0.60 lakh quintals of palm gur; in order of production its rank was immediately after the four traditional States (Tamil Nadu, West Bengal, Andhra Pradesh and Kerala). In that State although tapping of trees is continued, an embargo was placed five years ago on tapping neera for production of palm gur. Consequently, financial assistance has been stopped and there has been no production during the last few

years. Total financial assistance paid so far in the State is Rs. 20 lakhs (grant Rs. 12 lakhs; loan Rs. 17 lakhs).

[Paragraph 45 of the Report of the Comptroller and Auditor-General of India for the year 1971-72—Union Government (Civil)].

2.2. During evidence, the Chairman of the Khadi & Village Industries Commission gave a background of the Village Palm Gur Industry as follows:

"The Palm Gur Industry is one of the Village Industries with high employment potential. 58 per cent of the value of the finished product constitute the wage portion, the number of tappable Palms is computed to be a little over 6 crores. Though a correct estimation of the available Palms in the country has not been possible, it can safely be assumed that at least 5 crores of Palm trees can be immediately exploited. It has further been estimated that each date palm can give nearly Rs. 40 worth of useful articles every year. Similarly, each palmyrah palm tree can give articles worth Rs. 80 every year. In order to exploit these resources fully, the Khadi & Village Industries Commission formulated programmes both for the traditional and non-traditional States in the country. The programme in the traditional area included the teaching of the improved technique of tapping which would yield maximum quantity of Neera, the construction of fuel saving furnaces, the introduction of boiling pans, the preservation of Neera as a beverage for sale, the marketing of Neera, Palmgur, Fibre and other Palm products on a large scale and the extension of credit facilities, training and research etc. In the non-traditional area the programme was to train tapper artisans in the technique of climbing, tapping, preparation of jaggery and other palm products. However, with the best of efforts the Commission could put forth the Industry did not meet with success in the non-traditional areas mainly because climbing the Palmyrah tree is a strenuous and hazardous task. There was no existing local market for palm products. People were not used to these. In fact, the main constraint in the full utilisation of the palms is the inadequacy of tappers. The Commission is actively engaged in designing a ladder which will reduce the strain and make it possible even for new entrants to take to the profession."

"In the Audit Report, it is stated that the Commission has so far disbursed a total of Rs. 580 lakhs of which the grant portion was Rs. 235.65 lakhs and the balance loan. Actually, the loan figure includes the receipts by the Commission every year by way of repayment of working capital loan which were again made available for the development of the industry which did not really mean any addition to the total net availability of W.C. loan as such and hence constituted the gross amount and not the net amount that is available in the pipeline. The maximum amount outstanding as loan in any year should really be the figure of the net amount available which is Rs. 319 lakhs.

"The Prohibition Policy adopted by the States had its repercussions on the development of this industry. With the scrapping of prohibition, the tree rent increased by more than 100 per cent and the wages of the tappers by 50 per cent to 75 per cent. However, wherever the artisans were in large numbers, like in Tamil Nadu, not all could go over to toddy tapping and hence Palmgur production went on, though on a diminished scale compared to the year before prohibition was suspended.

"In other States, it had a definite set-back. With the re-introduction of prohibition in stages in Tamil Nadu, the production is bound to pick up this year. The Commission has already initiated discussions with the State Government and the Tamil Nadu Khadi Board for the rehabilitation of the toddy tappers in the Palmgur industry. The proposals from the Tamil Nadu Board are awaited. I should add here that these proposals have since been received and are getting the Commission's most careful consideration.

"The organisational structure for the development of Palmgur is the Cooperative Sector. The Commission makes available all financial assistance and technical guidance to the State Boards who are actually the implementing agencies at the State level, answerable to the State Governments. The cooperatives are assisted by the State Boards. In some States, the statutory control of the cooperatives are with the State Boards while in others the

control vests with the Cooperative or the Industries Department.

"Palmgur as an article of consumption has an appeal only in States like Tamil Nadu, Kerala, West Bengal, Andhra and Mysore. In other States, the preference is for cane jaggery. Hence Khadi Commission designed a plant for the manufacture of crystal sugar from Neera. The cost of production of the Palm is nearly Rs. 3.50 per kilo and hence will not be able to compete with the mill sugar in the market. The main component of the cost in palm sugar is Neera, which is nearly 60 per cent. If the Commission succeeds in designing a ladder which will enable the tapper to cover 75 to 100 trees a day in place of his present capacity of 30 to 35 trees, then it will be possible to bring down the cost of Neera and ultimately the cost of sugar. The Commission is working towards this.

"Apart from the manufacture of jaggery, the palmyrah fibre has a good export market. The fibre is utilised in the manufacture of brushes and in the road-cleaning machines. The institutions financed by the commission are annually exporting fibre to the tune of Rs. 25 lakhs to Rs. 30 lakhs to nearly 40 countries. The Commission entrusted the study of the possibilities of exporting brushes instead of fibre to the Institute of Foreign Trade, Delhi. The report by the Institute indicates that there would be good market for brushes in the United Kingdom and some samples have also been obtained. The Commission is presently concentrating on this aspect and is equipping selected cooperatives with facilities to enter the export trade.

"The Commission has taken a decision to concentrate in the five traditional States. In other States the Commission will extend financial assistance only if the State Governments agree to bear a portion of the expenditure on the basis of concrete proposals."

2.3. The Committee desired to know the amount of grants and loans given by the Commission annually to the Village palm gur and other palm products industry during the period 1960-61 to 1971-72. In a statement furnished by the Ministry of Industrial Development the following figures have been given:

(Rs. in lakhs)

Year	Grant	Loan
1960-61	13.44	6.86
1961-62	37.15	28.56
1962-63	33.52	57.42
1963-64	33.38	93.02
1964-65	29.11	94.87
1965-66	40.70	48.56
1966-67	25.26	102.45
1967-68	5.94	29.17
1968-69	5.17	35.92
1969-70	4.78	7.89
1970-71	3.66	11.19
1971-72	2.85	24.44

(The figures are as vetted by Audit.)

2.4. Asked the basis on which financial assistance was being granted by the Commission and the control it exercised over the utilisation of the money, the Vice-Chairman of the Commission stated: "We can only have financial control moral control and persuasion. We have no other authority as far as the performance on the part of the State Boards is concerned."

2.5. As regards the basis of grant of financial assistance, the witness explained, "Financial assistance is related to production. We give 30 per cent of the production achievements to the institutions in the State. Formerly, we were giving 40 per cent in some States, 25 per cent in traditional States. Now, there is a uniform pattern and on the basis of targets formulated by the State Boards in consultation with the production organisations, and on the basis of the performance targets that are worked out by the State Boards, we give financial assistance. Even today, if the State Boards give a definite Plan, as far as the development of the industry is concerned, taking into consideration the production figures, we will give financial assistance according to the pattern."

2.6. The Committee drew attention to the statement made in the Audit paragraph that upto 1968 the Commission's pattern of assistance for development did not specify the individual development scheme and this defective pattern resulted in a substantial portion of the funds disbursed by the Commission being utilised on establishment expenditure. The Committee asked when the fact of the substantial portion of the funds being utilised for expenditure came to the notice of the Commission and why no remedial action was taken till 1969. In a written reply the Ministry of Industrial Development stated:

"The provision of grant for promotional activity on percentage basis was taken advantage by the implementing agencies to meet establishment expenditure disproportionately came into real effect in 1964.

"When the inordinate increase in establishment grant was observed in 1965-66, budget sanctions were immediately curtailed suitably. . . The pattern of assistance was however revised in 1969 when the provision for promotional activity on percentage basis was deleted. Comparative features of the relevant points in the earlier pattern and revised pattern are as under:—

<i>Earlier Pattern</i> upto 1968	<i>Revised Pattern</i> Revised in 1969
<p><i>Establishment assistance towards salaries T.A. contingencies etc. for supervisory and field staff and also expenses for furnitures, rent etc.</i></p>	<p>Nil</p>
<p>100% Grant according to the requirement of each State subject to the condition that the expenditure should not exceed 10% of the total expenditure for the scheme for the year.</p>	<p>2. Propoganda and publicity covering expenses for literature, posters projectors, etc., and personnel, conferences etc.</p>
<p>At 100% grant subject to the condition that expenditure not exceeding 10% of the total expenditure on the scheme for the year.</p>	<p>2. Publicity and propoganda covering literature, posters, Charts exhibits etc. at 100% grant, the quantum of which will be decided by S. F. C. Establishment expenses for a tech. squad consisting of 1 Senior Demonstrator, and Junior Demonstrator at 100% grant.</p>
<p>3. Training :—At State level Institution covering building cost, sheds, stipend to trainees and teaching staff, raw materials equipments.</p>	<p>3. Training consisting of stipened at Regional Training Centres and Hrtisans training centres, at prescribed rerates for the approved courses, salary to- prescribe No. of teaching staff and equip ment for each course at prescribed limits at 100% grant".</p>
<p>100% grant, as per the requirement of the States subject to the condition that the expenditure will not exceed 15% of the total expenditure for the scheme for the year.</p>	

2.7. The Committee enquired why the Commission's financial assistance to the industry dwindled after 1966-67. In a note, the Ministry explained as below:

"It is stated that there has been a steady increase in the disbursement of funds from the year 1960-61 to year 66-67. Nevertheless by 1966-67 performance of some of the State Federations which were implementing the programme of the Industry was found to be far from satisfactory. Consequently the Commission's Directorate undertook detailed inspection on the working of the Industry in various States and this revealed certain deficiency in the working

of the units. There were considerable amounts as overdues from the implementing agencies. It was therefore, not felt prudent to release further funds before making the units work satisfactorily. Accordingly inspite of the demands from the various State Boards, funds were curtailed to meet essential requirements for continuation and also to expand such programmes which were found viable. Further it may be stated that by the end of the 3rd Five Year Plan some of the State Boards began liberalising their prohibition policies which had ultimate effect on the development programme of the Palm Gur Industry. Under the circumstances, it was necessary for the Commission to assess the programme of the industry to suit the new situation. It was, therefore, imperative that further releases of funds were restricted in order to safe-guard the interest of the Industry and funds of the Commission. After a period of restricted financing the Commission could slowly expand the programme by releasing funds for selected schemes which were found visible...."

2.8. Explaining the position further, the Vice-Chairman of the Commission stated during evidence:

"If we scrutinise the figures year-wise, in the peak-year we have disbursed Rs. 1.77 crores. As the money was with the State Boards, taking into consideration our requirements, we were giving 40 per cent of the production target by way of working capital in the non-traditional States and 25 per cent in the traditional States. After 1968-69 a uniform formula was thought of and 30 per cent of the production target was visualized and payment made. Whenever we fix the target of production the past performance plus ten per cent increase of production is visualized and on the basis of those calculations the money is given. When we say that in the later years the disbursement was diminishing it means that the outstanding loan was there and the repayment was there. If we compare the figures, the outstanding loan in the pipeline was as follows:

	Rs. Crores
1966-67 . . .	3.19
1967-68 . . .	2.90
1968-69 . . .	2.98
1969-70 . . .	2.29
1970-71 . . .	2.71
1971-72 . . .	2.35
1972-73 . . .	2.23

So, during these years Rs. 2 crores to 3 crores were available for production. Additional funds are released only on the basis of additional requirements. So, the concept is that disbursement should be co-related to production. While scrutinising the disbursement we have to take into consideration the amount which was at the disposal of the institution. On the basis of production and outstanding loans with the production units we can say that it compares favourably, as far as production is concerned."

2.9. The Committee desired to know the reasons for the decline in production after 1966-67. The Vice-Chairman of the Commission explained: "That is not because of the stoppage of the grants. There are other reasons with respect to some States. If we calculate on the basis of State-wise production, on the whole the production had been sustained even though some variations would be there on the basis of fluctuation in the market on account of relaxation of prohibition." Enumerating the reasons for the decline in production, the witness stated, "... Prohibition is one. Second is interest by the State Governments. Third is the strength of the organisation. Fourth is the prevailing price of palm gur as compared to cane price. Fifth is the economic policy followed by the State. Sixth is the restriction on tapping neera." He added that "Some organizational weakness is also there."

2.10. In a note subsequently furnished to the Committee, the Ministry further explained the decline in production as follows:

"...The relaxation/scrapping of prohibition by some of the State Governments during the 3rd 5 year plan dealt a severe set back to the programme of the Palm Gur Industry. Prohibition was lifted in Kerala in May 1966, Mysore in October 1967, Maharashtra in December 1968, and Andhra Pradesh in 1969. So far, the development activities of the palm gur industry were built up mainly as an alternative to prohibition which was expected to be implemented seriously through-out the country by the various State Boards. Consequently it appears that a cadre of artisans fully wedded to the Industry with the requisite source of raw material could not be raised. Hence with the sudden relaxation of prohibition and the advent of toddy Industry, there resulted a flow of artisans who could not establish themselves well under the palm gur programme so far.

"The various State Federations and the All India Federation, which were set up to render needy services to the primary societies throughout the country could not function effectively, since they concentrated mostly on their departmental activities resulting in losses. The elected managements of these institutions also failed to manage the affairs of the federations properly resulting in mismanagement in certain cases.

"Some of the new schemes particularly the production of palm sugar by vacuumatic process did not stand the test in field due to the technical deficiencies and had therefore to be curtailed. Many of the societies which undertook production activities also found themselves not competent to run commercial production units without adequate skill. Hence sanction of production units also had to be curtailed."

2.11. Asked whether there was a fall in production in the industry not assisted by the commission during this period, it was stated that "the Commission does not have any record about the production of palm Gur and other palm products outside the programme of the Commission. Hence it is not possible to ascertain whether there was any fall in production in the industry outside the Commission's programme."

2.12. The Committee enquired whether the ban on tapping neera for production of palm gur has now been lifted in Mysore and what action had been taken to revive the industry in that State. In a written reply, the Ministry stated. "The ban on tapping of Palms for Neera and Palm Gur was lifted in Mysore in early 1972 as a result of the constant pursual of the matter by the Commission, with the State Government. Soon after, survey of the Palm Gur societies in South Kanara District which is considered as the traditional area for the Industry in the State, was conducted by the Commission's Staff. A conference of the tapper artisans in the District was also convened at the instance of the Commission in April 1973. The various problems of the tapper artisan were discussed and it was decided to formulate a revival programme for the Industry. Accordingly, a revival programme involving the grant of Rs. 33,800/- and loan of Rs. 3.7 lakhs for a targetted production of Rs. 10 lakhs, has been worked out and approved by the Commission for covering about 800 artisans during a period of 3 years."

2.13. The Committee asked whether any steps were taken to rationalise the excise rules in regard to licensing of tapping palm

trees etc. by different States. In a written reply furnished by the Ministry it was stated:

"In order to examine the excise rules prevalent in the various States and suggest uniform model rules so as to avoid hardships to the Palm Gur artisans and simplify the control exercised by the excise authorities, the Commission appointed an expert committee in 1962. The Committee studied various problems connected with the issue and renewal of licences for tapping palms for neera and gur, conditions governing the transport and sale of neera and also rates of tree tax levied in the different States and different regions. The Committee submitted their report in 1964 and the same was circulated to the various State Governments requesting for adopting the uniform rules suggested by the Committee.

"The subjects of excise rules and licences for tapping, levying of taxes etc. fall within the jurisdiction of the States. Unless the State Governments are willing to co-operate, it is difficult to achieve any uniformity. The matter is still being pursued with the State Governments."

2.14. The Committee enquired what steps were taken to raise the level of production, the Vice-Chairman of the Commission replied: "During the discussion at the State Board level and during the discussion at the Government's level, we tried to persuade them to change their policy. That is the only thing that we could do... We are guiding them wherever they visualise production aspects. But when the policy comes in the way it is for the State Governments to revise the policy. For example, take the case of Tamil Nadu where the policy was favourable. Not only we have guided them but we have given them sufficient financial assistance based on the production figures."

2.15. Asked to state the reasons for the failure of federations, the Vice-Chairman stated: "The major reasons are, firstly, the concept of federation as an integrated structure was not visualised in the proper context. Secondly, funds were allotted to them and they were expected to perform the functions. But in some States it has been found that the money or the disbursement meant for one purpose, to serve the cause of the primaries, was not being properly made and the federations had not properly guided them. Thirdly, between the units as such there should be an integral link, there should be an integral link between the primaries and the federations."

The federation did not try to establish that link, did not provide sound leadership to gear up that programme.”

2.16. The Committee desired to be furnished with a note stating the organisational weakness in the industry, the steps taken to rectify the organisational weakness and improve the level of production. In a note furnished by the Ministry of Industrial Development, it was stated:

“An ideal Co-operative Organisational structure on a 3-tier basis was envisaged for the Palmgur Industry. Accordingly, the primary societies were expected to be the basic units at village level while the district federations would form the apex bodies at the district level and the State Federations at State level. In all, 11 States Federations were set up in the following States, namely—Tamilnadu, Andhra Pradesh, West Bengal, Orissa, U.P., M.P., Rajasthan, Bihar, Maharashtra, Kerala, and Mysore. Some of the States like Tamilnadu, Andhra, Gujarat and Mysore also had a few district Federations. At the all India level the Akhil Bharatiya Tad Gud Mahasangh was set up. The all India Federation as also the State level federations were expected to render yeoman service to the primaries by routing timely and adequate assistance in the form of finance and improved implements besides undertaking marketing operations for the disposal of their products. These organisations with elected Managing Committees were essentially democratic institutions with practically little scope for official control in their day-to-day working. The management of these organisations were enthusiastic in taking up various development programmes. However, unfortunately they concentrated in expanding their departmental activities by incurring heavy expenditure and did not adequately serve the interest of the primaries. The federation and some societies invested heavy amounts in capital expenditure for undertaking production activities for which they were ill-equipped both technically and managerially. Some of the federations concentrated only on promotional activities and subsisted themselves on grants received from the Commission for maintaining their staff. With a change in policy of the State Governments in respect to prohibition and also curtailment of subsidy by the Commission, some of these federations could not sustain themselves. The State Federations of Kerala, Rajasthan, Bihar and M.P. could be classified

under this category. In the case of Andhra State Federation, the trading operations conducted by the Federation sustained losses. The State Government's policy of restricting the Industry to only one district rendered the societies in other districts defunct. Even the Tamilnadu State Palm Gur Federation which had undertaken large scale development programme with over 1500 primary societies incurred losses due to the large scale trading operations undertaken by them. On the basis of these experiences, the functioning of the federations which could survive the adverse effects had to be reoriented.

"The steps taken in reorienting the organisational structure may be mentioned as under:

- (1) The State Federations of such of the States where they had not functioned effectively were allowed to be wound up. These were the federations of Rajasthan, Mysore, Kerala, Maharashtra and Bihar. The Federations which had ran into monetary difficulties due to mis-management of the elected Managing Committees, were superseded for a certain period. After rectifying the defects they were again revived for undertaking the development activities. The Federations that have been superseded and revived thereafter are Andhra Pradesh and U.P. The other Federations where managerial defects were observed and had to be superseded are the federation of Tamilnadu, West Bengal and M.P. Of these the Tamilnadu and West Bengal Federations are functioning effectively under nominated management. In the case of M.P. federation also efforts are in progress to recast the by-laws and revive the federation under proper control.
- (2) In some of the States where adverse effects of States prohibition policy were felt, a change in production activity has been taken up. For example in Kerala where the production activities got confined to two districts with the advent of toddy, a new scheme namely weaving of cocoanut leaves mat has been taken up and is found popular. In Andhra where there are palms in abundance but tapping for gur is restricted to one district, a programme for exploitation of palm fibre has been taken up through the State Federation in the districts where palms are available.

- (3) With a view to bring financial assistance directly to the artisans a new pattern of assistance directly beneficial to the artisans has been evolved. As per this, an artisan is assisted for the purchase of improved tools and working capital as per production.
- (4) In State where no effective Federations were in existence, the State Boards were encouraged to take up the work of assisting the primaries directly.
- (5) The State agencies were advised to concentrate on viable schemes with particular reference to the marketability of the products in the respective regions where they are produced, e.g. Maharashtra and Gujarat were encouraged to expand neera scheme as there was little scope for palm gur in these States."

2.17. The Committee desired to know the reasons for the Akhil Bharatiya Tad Gur Sahakari Mahasangh becoming defunct in 1965-66. The Ministry replied as follows:

"The Akhil Bharatiya Tad Gur Mahasangh was initially vested with the responsibility of implementing promotional schemes like conducting training, undertaking demonstration and publicity work and implementing the programme of the pilot demonstration stations. On watching the performance for about 4 years, it was observed that the Mahasangh could not effectively implement the programme of running the pilot station and consequently the schemes were withdrawn from the Mahasangh. Further, the Mahasangh was required to undertake commercial operations so as to generate adequate funds for maintaining its staff for which the Commission was assisting 100 per cent grant. The Commercial operations undertaken by the Mahasangh however did not prove profitable and ultimately the Commission stopped assistance towards establishment grants. Mahasangh could not sustain itself and became defunct in 1965-66. It may however be stated that the Mahasangh which is an apex body of the various state Federations, could not get the required service facilities and support from the State units which were themselves not sound in working."

2.18. The Committee desired to be furnished with a note on the unsatisfactory performance of palm gur industry in West Bengal

and the remedial steps taken. In a written reply furnished by the Ministry of Industrial Development, it was stated:

"West Bengal is a traditional State for the Palm Gur Industry. It is estimated that the State has about 14.5 lakhs palmyrah palm and 13 lakhs Date palms. The programme under the palm gur industry was initially

implemented through the State Industries Department. However, when the State Tad Gud Federation was established in 1955-56 the implementation of the programme of the Industry was transferred to the Federation by the State Board. The funds for the programme were sanctioned to the State Board which routed it through the State Federation for implementation. The Federation has under it 129 primary societies assisted for the Palm Gur Activities. The Federation undertook promotional activities as also commercial operations. Certain deficiencies in the working of the Federation were observed and an enquiry was conducted by the Assistant Registrar of Cooperative Societies, West Bengal in November, 1961 when he suggested the need for a fulltime executive officer for the Federation, retrenchment of excess staff and for increasing commercial activity. The Registrar of Cooperative Societies of the State endorsed the report and recommended for further financial assistance to the Federation vide his letter dated 25th January, 1962. The commercial operations have begun running into losses after 1964-65 and Federation was not able to make repayment in time. Therefore, no funds were disbursed during the years 1965-66 and 1966-67.

"It appears that no proper financial control was exercised in the working of the Federation even though representatives from the State Boards and the Registrar of cooperative Societies were in the Board of Management of the Federation. An enquiry was conducted in April, 1972 on the working of the Federation by the Deputy Registrar of Cooperative Societies which revealed gross financial irregularities. As a result, management of the Federation has been superseded in January, 1973 and following have been appointed as member of the new administrative Board:

1. Deputy Director of the Industries (Cottage)—Chairman.

2. Deputy Registrar of Cooperative Societies (Khadi)—Member.
3. Executive Officer (West Bengal Khadi and Village Industry Board)—Member.

"A representative of the Directorate of the Commission conducted a detailed study of the working of the Federation and the present situation of the industry in the state and formulated certain viable proposals for revival.

"The new Board took a decision of serving the primaries effectively and also of expanding the commercial activities of Federation to ensure remunerative returns to the artisans. Five Zonal Offices of the Federation have been revived. The Production Centre of the Mahasangh has been put into operation as also the Sales Stalls. Steps have also been taken to survey the working of the primaries and assist them both technically and financially. The Commission has also approved a revival programme for the Industry in the State."

2.19. The Committee desired to know the reasons for the fall in production in Bihar, Andhra Pradesh and Kerala. In a note furnished by the Ministry of Industrial Development it was stated:

"In Bihar, the production came to the maximum of Rs. 6.37 lakhs in 1962-63. It was mostly through societies which were assisted through the State Board with an appreciable amount of grant. Later the emphasis was shifted to departmental centres numbering over a dozen set up by the State Board in various Districts. These centres undertook commercial activities and incurred losses. The societies were therefore not able to receive adequate assistance and the production declined.

"The Commission's Directorate undertook a detailed study on the working of the societies and the departmental centres in 1970-71 and the Board was advised to close down all but 4 departmental centres which showed prospects of improvement. Further, it was advised to extend service facilities to the dormant societies and assist them for viable schemes. The Board has already taken some steps and signs of improvement in production are now noticeable.

"In Andhra Pradesh prohibition was lifted in the year 1969. The State Government refused to issue licences for neera sale throughout the State and permission to tap palms for gur making was restricted to only one district namely West Godavari. As a result of this, all the Cooperative Societies dealing with the Industry became defunct in the districts, other than West Godavari. The State Federation which ran into financial trouble was superseded and an officer deputed by the Commission managed its affairs till 1971-72 when the supersession was vacated and an elected management took over.

"The Federation and the primaries were assisted for undertaking palm fibre production in addition to jaggery making. It is proposed to extend further assistance to improve fibre processing and jaggery production work to selected societies after due feasibility studies.

"The relaxation of prohibition in Kerala in 1966 affected the Industry very severely. Many of the tappers turned to toddy trade particularly in the regions of coconut and Sago Palm tapping. The production fell by about Rs. 58 lakhs in 1967-68 from the previous year.

"After the initial impact of the relaxation of prohibition, efforts were made to study the problem facing the societies which survived and they were assisted to sustain production. A scheme of coconut palm leaf weaving was also introduced under the Industry which was found popular for providing employment to many unemployed village artisans."

2.20. The Committee drew attention to the observation made in the Audit para that the Commission has not succeeded in improving the productivity in the palm gur industry by introducing technological improvements as it has been able to do in the case of many of the village industries. In a written reply furnished by the Ministry of Industrial Development, it was stated:

"Ever since the inception of the programme in 1950 or so the Industry had made considerable progress mainly due to the introduction of improved technology involving improved implements and machinery and also production techniques. This could be verified from the following facts:

"The tapping operations have been improved considerably

by the introduction of better tapping knives and also better method called daily tapping technique in date palms. Aerial rope ways, bamboo ways etc. increased the productivity of the artisan. Agronomical treatments to palms have been standardised for increasing yield of neera. The juice clarification technique has been improved by the introduction of standard delimiting technique with a simple filtration. The furnaces have been improved by the introduction of Kifayat furnace. Mufeed furnace, Sahakari furnace etc. which cut across the fuel consumption by over 50 per cent. The candy boiling technique has been improved by the introduction of improved pans and crystallisers. In the sugar production even the vacuum technique of manufacture has been introduced. In neera catering flash chilling method, deep freezers etc., have been introduced and this has contributed to higher turn-over in neera catering, throughout India. A number of improvements in respect of implements and techniques have also been introduced together with other processing like byproducts processing, fibre extraction and processing leaf, colouring etc. In fact it may be stated that modern science and technology have been brought to considerable use in improving the productivity under the Palmgur Industry."

2.21. As for the improvement effected as a result of introduction of the above measures, the Vice-Chairman of the Commission stated during evidence:

"By scientific pruning, there is improvement by 70 to 75 per cent in the yield of neera. Aerial ropeway system and tree-climbing earning capacity increased by 50 per cent. The earnings have increased, quality has improved."

2.22. The Vice-Chairman of the Commission added:

"At the moment, palm sugar is required to compete with cane sugar... now he (the tapper) taps only 30 trees and on the basis of improved methods he can tap 90 trees; then the cost of production goes down. Then the palm sugar can compete with the cane sugar."

2.23. During evidence the Vice-Chairman stated that the export of palm fibre rose from Rs. 6.9 lakhs in 1964-65 to Rs. 17.28 lakhs in 1971-72 and Rs. 22.74 lakhs in 1972-73. The Committee wanted to

know whether cost analysis of palm gur had been made at any point of time. The Committee were informed as follows:—

“The price of palm gur is dependent on the price of cane sugar and cane gur in the country. Hence it has been varying from year to year according to the price variation of cane gur. It is known that the scarcity of sugar in the country has caused a considerable price hike of cane gur in the last few years and the price of palm gur also kept harmony with that of cane gur generally, the difference in the price of cane gur and palm gur remained narrow in the traditional States like Tamilnadu, West Bengal and Kerala and often the palm gur used to cost slightly more in these States. However, in other States palm gur generally used to cost about 20 to 25 per cent less than that of the ranging cane gur prices....”

“Cost analysis of palm gur were made from time to time. First statewise analysis was made in 1957 during the ‘palm gur price fixation enquiry’.... Again, all India cost analysis were conducted in 1963 when the palm gur marketing enquiry was conducted....”

2.24. At the instance of the Committee, the Ministry furnished a statement showing the number of persons employed in the industry assisted by the Commission, during the years 1960-61 to 1971-72 which is given at Appendix II. The number of persons employed decreased from 3.25 lakhs in 1960-61 to 2.28 lakhs in 1971-72.

2.25. On the question of employment potentiality in the industry, the Vice-Chairman of the Commission stated during evidence: “.... the percentage of our tapped trees is so small that there are a number of trees which are required to be tapped and we are not in a position to tap them. The constraint is the number of tappers and the traditional art of climbing the trees and in spite of our best efforts the constraint has been the number of tappers.... 6 crores is the tappable figure and 1.75 crores is the number of trees tapped.... If all the tappable resources are exploited it has got a tremendous potential. There is no doubt about it. As far as we are concerned, we feel that because of the traditional nature of artisans and the enthusiasm to take up this sort of climbing is going down and, therefore....if some climbing device is invented and....that device is made use of by persons, then only new tappers would come. Otherwise, the raw material is there, the viability is there and the market to some extent is also there but the main constraint is the number of tappers.” The witness added: “....In non-traditional

States, the Commission wanted development of promotional activities because potentialities were there. From economic and employment point of view the Commission started such promotional activities. But of course there was not much response and we must admit that. We were not successful to the desired extent in regard to non-traditional States. With regard to Kerala and Mysore because of prohibition relaxation there was a drop in employment figures. The employment figure was sustained in Tamilnadu though variations would be there. It depends upon various factors including the capacity of the State Boards. They chalk out the programme. They assess the potentialities and proceed on the basis of their own assessments and in this way programmes have been undertaken; of course there may be variations as far as employment goes. But by and large where the fall is not appreciable, it is mostly due to relaxation of prohibition."

2.26. The working Group on Khadi and Village Industries in paragraph 17.8 of their report submitted in September, 1964 had observed that only about 50 per cent of the persons trained had been absorbed in the industry and thus there had been a high percentage of wastage of training facilities. Asked how, in view of this, it could be said that there was inadequacy of tappers, the Chairman of the Commission replied: "...When we mention about inadequacy of tappers, it is in relation to the whole of India. That is why I said even today there are far more palms in non-traditional areas as a whole than in traditional areas. When you take the whole picture, the inadequacy of tappers becomes apparent."

2.27. In regard to the training facilities, in a note furnished by the Ministry of Industrial Development, it was stated:

"Training under Palm Gur Industry is particularly important as the technique of neera tapping and Palm Gur is highly specialised and so also the art of Palm Gur and Palm products making. Initially the Central Palm Gur Training School which was developed into the Bharatiya Tad Gud Shilpa Bhavan, Dahanu, formed the focus of training activity under the Industry. The Bhavan used to conduct 18 courses of Training covering the various aspects of the Industry from tapping to the organisational work required for managing and controlling the Cooperative Societies under the Industry. Whereas the organisers course was of 12 months duration, the technician's course was of 6 months and other courses were of lesser periods.

"The State Boards and other agencies were also encouraged to conduct artisan's trainings in the field for short durations extending from 3 to 6 months. This helped the training of local artisans in the various techniques adopted under the Industry. Later on the State Boards were assisted to set up State Training Institutes for imparting training in artisan's courses and supervisors' courses.

"However, by 1966 the Commission decided to rationalise the Training Programme under the Industry and set up a committee for studying the progress of training at different levels and suggest measures for making the training more effective at lesser. On the basis of the report submitted by the Committee and accepted by the Commission, Training Programme under the Industry has been recast.

"The State Level Training Institutes were abolished in 1967-68 and in their places 3 regional Training Centres: one at Cuddalore in Tamilnadu for the southern region, another at Bhaugram in Orissa for the south eastern region and third at Devavasan in Gujarat for the north western region were established. These training centres conduct courses based on the scope of development of the Industry in a particular region. The courses for the different Centre are as under:

1. Artisans Training course for tapping and gur making.
2. Palm leaf processing course.
3. Palm fibre and brush processing training course.
4. Palm candy making course.
5. Palm plantation course.

"The Bhartiya Tad Gud Shilpa Bhavan has been allotted the advance course in Palm Gur technology which covers a period of one year in addition to short refresher courses on selected aspects of the Industry. As regards artisans training in the field, the various State Boards are being assisted to conduct Training Courses through Cooperative Societies in regions where scope for developing the Industry exists...."

2.28. The number of artisans and other trained under the industry is shown below:

S. No.	Year upto	Total number trained
1	1955—1956	8931
2	1956—57	2911
3	1957—1958	5066
4	1958—1959	3076
5	1959—1960	1779
6	1960—1961	1237
7	1961—1962	653
8	1962—1963	1123
9	1963—1964	1357
10	1964—1965	787
11	1965—1966	1596
12	1966—1967	1859
13	1967—1968	2841
14	1968—1969	3133
15	1969—1970	334
16	1970—1971	226
17	1971—1972	223

21,763

15,639

2.29. In a note furnished in this regard, the Ministry explained: "It may be seen that there was a fall in the total number of persons trained from the period 1960-61 to 1971-72. This was due to the fact that while in the initial period when there was prohibition throughout the country, there was need to extend large-scale training facilities to rehabilitate the ex-toddy tappers in the Industry, while in later years, with the relaxation of prohibition the stress was more on consolidation rather than expansion. As a result of the rationalisation of the training programme, the State Level training institutions were abolished in 1967-68 and this resulted in the further fall in the number of trainees in the years thereafter."

2.30. The Committee enquired about the measures taken to give publicity to the improved techniques in the industry. In a written reply, the Ministry stated: "Publicity of the various products of the Palm Gur Industry together with the improved techniques and

methods adopted is undertaken through the various State Boards and also through the departmental units of the Commission like the pilot stations. The State Boards are assisted to maintain demonstration units equipped with the required publicity materials. These units conduct publicity work in the field by undertaking production of the various products of the Industry using improved techniques. The pilot stations of the Commission use to work as extension centres by running model commercial operations in their respective areas, thus bringing to the public the various products of the Industry at reasonable rates. The products are propagated also through the medium of exhibitions and special demonstration squads.....”

2.31 The following information was furnished regarding the amounts disbursed towards publicity and demonstration during the period 1960-61 to 1971-72.

Year	Amount disbursed
	(in lakhs of Rs.)
1960—61	1.34
1961—62	2.33
1962—63	1.31
1963—64	0.15
1964—65	2.36
1965—66	5.80
1966—67	3.39
1967—68	1.25
1968—69	0.99
1969—70	0.28
1970—71	0.24
1971—72	0.49

2.32. The Committee desired to know the steps taken to popularise the products of palm industry. In a note it was stated:

“The Commission has been taking active steps in popularising the various products of the palm gur industry through departmental centres and also by assisting the implementing agencies in promoting their sales. Various posters, pamphlets, folders etc., required for publicity are also prepared from time to time and distributed.

"In the case of palm fibre which has an export potential, the State Federations of Tamilnadu and Andhra were assisted in undertaking large scale production. Tamilnadu Federation also undertook direct export of palm fibre to the various countries. In order to explore the possibility of expanding the export trade of palm fibre and other fibre products, a survey team was sponsored through the Indian Institute of Foreign Trade to explore the potentiality of exporting palm fibre and its products to the countries of U.K., U.S.A. and Japan. Necessary follow up action on the report is being taken."

2.33. The Committee feel concerned over the serious setback in recent years suffered by the Palm Gur and other Palm products Industry assisted by the Khadi and Village Industries Commission. The production which had risen from 6.31 lakh quintals in 1961-62 to 9.41 lakh quintals in 1965-66 progressively declined to 4.75 lakh quintals in 1970-71. The main reasons for the setback were organisational weakness and mismanagement in the cooperative structure of the Industry and the scrapping of prohibition in some States. These two factors led to reduction in the financial assistance to industry given by the Commission in the form of loans and grants. The financial assistance to the Industry which had progressively increased from Rs. 20.30 lakhs in 1960-61 to Rs. 127.71 lakhs in 1966-67 dwindled to Rs. 14.85 lakhs in 1970-71.

2.34. The All India Federation (Akhil Bharatiya Tad Gur Mahasang) which was vested with the responsibility of implementing promotional schemes as an apex body of State Federations became defunct in 1965-66, after the Commission stopped establishment grants. The commerical operations undertaken by the All India Federation did not prove profitable. The All India Federation and 11 State level federations were expected to render yeoman service to the primary cooperatives by providing timely and adequate assistance in the form of finance and improved implements besides undertaking marketing operations for the disposal of their products. Regrettably these State federations concentrated on expanding their departmental activities by incurring heavy expenditure and they did not adequately serve the interests of the primaries. The federations in some States invested heavy amount in capital expenditure for undertaking productive activities for which they were ill-equipped both technically and managerially. Some of the federations concentrated only on promotional activities and subsisted on grants received from the Commission for maintaining their staff. The elected representatives of these institutions failed to manage the affairs of the federation properly, resulting in mismanagement in

certain cases. The trading operations conducted by some federations sustained losses. The All India Federation which was an apex body of the various State federations could not get the required service facilities and support from the State units which were themselves not at all sound in working. After the Commission's Directorate undertook detailed inspection of the working of the industry in various States disclosing deficiencies, the release of further funds to them was stopped. The federations of Rajasthan, Mysore, Kerala, Maharashtra and Bihar were wound up. The federations in Andhra Pradesh, Uttar Pradesh, Madhya Pradesh, Tamil Nadu and West Bengal were superseded.

2.35. The Committee take a serious note of the fact that the co-operative structure of the industry greatly suffered due to organisational weakness and mismanagement of funds. The Committee feel that the Commission did not keep the watch over the affairs of the federations that it should have. The Committee desire that necessary follow up action should be taken by the Commission to see that those who were responsible for the mismanagement of finances and the losses that were incurred and adequately dealt with. The Committee would like to be informed fully about the action taken to recover outstanding loans due from the defunct All India Federation and State Federations.

2.36 The Committee hope that in the States where the State Federations have been revived, necessary steps will be taken to keep a constant check over their functioning

2.37. The Committee are anxious that in the States where Federations have been wound up, the Commission and the State Boards would pay due attention to the interests of the primaries. The Committee understand that in some States, the Commission propose to extend financial assistance only if State Governments agree to bear a portion of expenditure on the basis of concrete proposals. The Committee hope that the Commission will not give up its efforts towards the development of the industry in these States.

2.38. The developmental activities of the palm gur Industry were built up mainly as an alternative to prohibition which was expected to be implemented seriously throughout the country by the various State Boards. With the sudden relaxation of prohibition and the advent of toddy Industry, there resulted a flow of artisans who could not establish themselves well under the palm gur programme so far. The Committee understand that with the scrapping of pro

hibition, the rent for the tree increased by more than 100 per cent and the wages of the tappers by 50 per cent to 75 per cent. However, in Tamil Nadu where prohibition was scrapped in 1971-72 not all workers could go over to toddy tapping and hence palm gur production went on, though on a diminished scale compared to the year before prohibition was suspended. The Committee desire that the Commission should address themselves to the new situation and take necessary measures in consultation with State Governments to sustain the palm gur industry. Efforts already made for the diversification of the industry in some State should be intensified and extended to other States.

2.39. The Committee find that there is no uniformity in the excise rules prevalent in the various States which results in hardships to palm gur artisans. The Commission appointed an Expert Committee in 1962 to study the problems connected with the issue and renewal of licences for tapping palms for neera and gur, conditions governing the transport and sale of neera and also rates of tree tax levied in the different States and different regions. The Committee regret that although the expert committee submitted their report in 1964, the uniform rules suggested by them have not been adopted by the various State Governments. The Committee desire that this matter should be vigorously pursued with the State Governments.

2.40. The Committee note that the ban on tapping of Palms for Neera and Palm Gur was lifted in Mysore in early 1972 as a result of the constant pursuit of the matter by the Commission with the State Government. The Committee desire that vigorous steps should be taken to help the revival of the industry in the other States.

2.41. The Committee understand that the palm fibre has a good export potential. During 1972-73, the value of export was Rs. 22.74 lakhs. A survey was undertaken by the Indian Institute of Foreign Trade to explore the potentiality of exporting palm fibre and its products to countries like U K, U S A and Japan. The Committee desire that necessary follow up action on the report of the survey should be taken expeditiously and the Commission should pay serious attention to the export of palm fibre and its products.

2.42. An important factor which affects the industry is that the price of palm gur is dependent on the price of cane sugar and cane gur. The Committee understand that in non-traditional States palm gur generally used to cost about 20 per cent to 25 per cent less than that of the prevailing cane gur prices, while the difference in

the price remained narrow in the traditional States like Tamil Nadu, West Bengal and Kerala and often the palm gur used to cost slightly more in these States. The cost analysis of palm gur was made in 1957 and again in 1963. The Committee regret that no steps were taken during the last more than 10 years to have a cost analysis. The Committee desire that cost analysis of palm gur should be made at frequent intervals with a view to taking corrective measures.

2.43. Although the palm gur industry has a good employment potentiality in as much as there are about 6 crores tappable palm trees in the country, which can be exploited, the exploitation of trees in non-traditional States is very poor. It is distressing that the total number of persons employed by the units assisted by the Commission declined from 3.25 lakhs in 1960-61 to 2.28 lakhs in 1971-72. The Committee were informed that artisans lack enthusiasm to take up this sort of climbing. The Committee understand that introduction of aerial ropeway, bamboo ways etc., and improved tapping have increased the earnings of the worker and the output. The Committee were informed that there is shortage of tappers in non-traditional States in spite of viability of the industry. The Committee desire that the Commission should intensify their efforts to develop new devices which will attract new tappers and also increase the production.

2.44. There are at present 3 regional Training Centres at Cuddalore (Tamil Nadu) for the Southern region, Bhaugram (Orissa) for South-eastern region and Devavasan (Gujarat) for North-western region. Besides, various State Boards are being assisted by the Commission to conduct field training courses through Cooperative Societies in regions where scope for developing the industry exists. The State level training institutes have been wound up. The total number of persons trained during the period 1955-56 to 1959-60 was 21,763; as against this the number of persons trained during 1960-61 to 1971-72 was only 15,369. In recent years, the number of persons trained has fallen sharply. During the years 1969-70, 1970-71 and 1971-72, the number of persons trained was only 334, 226 and 223 respectively. The Committee understand that there is a shortage of tappers in non-traditional States, and hope that sufficient number of persons from these States will be trained.

2.45. The Commission has been taking steps in popularising the various products of the palm gur Industry through departmental centres and also by assisting the implementing agencies in promoting their sales. The Committee, however, are disturbed that the expenditure on publicity has decreased from Rs. 1.34 lakhs in 1960-61 to

lakhs in 1971-72. In view of the fact that palm gur industry has received a setback due to relaxation of prohibition, the Committee feel that there is need for greater publicity for the products of palm industry like Neera. Also the export potentiality of palm fibre necessitates suitable external publicity. The Committee would like the Commission to examine whether such organisation as it has is equal to this challenging task.

NEW DELHI;
April 15, 1974.

Chaitra 25, 1896 (S).

JYOTIRMOY BOSU,
Chairman,
Public Accounts Committee.

APPENDIX I

Statement showing yearwise and Statewise total production in the village leather Industry units assisted by the Khadi and Village Industries Commission

(Vide para 1.16 of the Report)

States	(Rs. in lakhs)											
	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	@1968-69	1969-70	1970-71	1971-72	1972-73
1 A. Pradesh	2.20	9.83	9.70	17.54	11.84	16.85	12.37	14.23	17.68	16.67	17.80	17.93
2 Assam	0.07	0.11	0.09	0.03	0.16	0.58	0.67	0.88	1.21	1.76	1.18	N.R.
3 Bihar	3.29	4.32	1.76	2.63	5.83	13.12	10.97	9.90	9.88	10.46	12.99	10.34
4 Gujarat	3.86	10.18	12.52	17.94	28.11	33.64	38.02	41.67	51.26	56.19	47.23	52.85
5 J. & Kashmir			0.54	2.27	3.25	4.84	7.18	5.80	9.29	12.92	18.20	24.71
6 Kerala	0.45	0.21	0.77	0.80	1.60	2.15	2.80	7.00	12.76	17.97	19.33	19.75
7 M. Pradesh	2.62	3.80	17.94	23.47	24.32	27.55	28.22	27.73	27.67	28.44	31.63	33.81
8 Tamil Nadu	2.87	9.94	7.20	9.36	20.64	23.31	29.36	24.75	30.62	27.86	29.17	27.51
9 Maharashtra	8.91	9.75	18.74	15.47	16.10	22.66	22.33	27.00	27.14	35.71	29.21	27.75
10 Mysore	2.60	4.72	5.64	7.35	12.57	15.41	17.05	22.75	28.87	20.37	25.70	24.84
11 Orissa	2.39	1.37	1.88	2.66	3.33	4.34	2.86	3.44	3.63	5.50	8.76	6.44
12 Punjab†	3.03	6.20	8.65	16.80	24.42	28.66	32.59	22.79	27.32	30.47	38.35	48.25
13 Rajasthan	9.91	38.44	37.43	43.64	34.86	36.36	43.28	57.65	60.53	66.99	73.36	62.73
14 U. Pradesh	42.51	42.70	69.11	72.97	77.08	78.05	93.01	177.81	222.98	250.30	257.73	233.55

15	W. Bengal	0.26	2.11	3.78	3.56	4.98	9.43	8.56	7.43	5.39	4.77	2.81	N.R.
16	Delhi	0.45	0.32	0.51	0.48	0.37	0.65	0.91	0.77	0.83	0.92	0.91	0.99
17	Tripura	0.13	0.16	0.22	.	.	.	.	.	.	.	.	.
18	Haryana	.	.	.	.	.	.	.	11.94	14.28	20.38	28.81	37.58
19	H. Pradesh	.	.	.	.	.	.	.	1.84	5.80	3.12	6.29	7.26
20	Manipur	.	.	.	.	.	.	.	0.02	1.80	1.12	1.14	N.R.
21	Chandigarh (U.T.)	.	.	.	.	.	.	.	.	.	.	.	.
		**5.62	**30.23	.	.	.	.	.	.	.	.	.	.
	Total	91.17	144.16	226.51	236.97	269.46	317.60	350.18	465.40	558.94	612.01	650.59	637.28*

@ Due to printing mistakes, the figures has been interchanged between Tamilnadu and Rajasthan in the published Annual Report of 1968-69.

†Includes production of Chandigarh.

**Statewise Break-up not available.

*Includes only production of State Boards which is provisional and does not include the production of directly financed units

APPENDIX II

Employment under the Palm Oil Industry assisted by the Khasi and Village Industries Commission

(Vide para 2.24 of the Report)

Number of persons employed

Sl. No.	State	1960-	1961-	1962-	1963-	1964-	1965-	1966-	1967-	1968-	1969	1970-	1971-	1972
		61	62	63	64	65	66	67	68	69	70	71	72	
1	Andhra Pradesh	28,637	24,573	25,731	60,000	17,847	47,538	31,497	27,510	26,060	25,500	31,630	28,824	
2	Assam	29	16	32	148	80	51	4	N.R.					
3	Bihar	2,207	1,909	1,383	2,968	1,765	340	378	262	228	190	220	280	
4	Gujarat	574	1,052	2,011	5,141	6,467	2,827	2,081	2,667	2,797	2,902	2,593	2,610	
5	Kerala	30,468	19,154	65,416	52,986	39,965	58,340	58,701	23,083	18,415	18,467	17,205	18,770	
6	Madhya Pradesh	1,001	159	87	705	1,469	1,000	964	N.R.	N.R.				
7	Maharashtra	7	1,831	1,826	973	1,672	1,832	2,275	1,993	1,383	917	574	777	
8	Mysore	20,251	12,350	12,987	14,165	21,870	20,720	23,905	272	305	157	N.R.	Nil	
9	Orissa	1,607	1,731	3,053	2,866	3,548	2,022	2,330	1,764	2,376	1,857	1,883	1,542	
10	Punjab	116	180	N.A.	N.A.	250	375	460	343	19			6	
11	Rajasthan	735	960	990	1,372	1,305	1,244	561	N.R.	706	119	N.R.	2	
12	Tamil Nadu	2,04,731	1,91,962	1,98,403	2,18,462	1,99,760	2,08,151	59,114	2,15,000	2,15,000	2,19,000	2,20,000	1,47,000	
13	Uttar Pradesh	1,920	2,105	1,155	2,889	2,401	2,000	1,937	5,471	1,348	3,730	1,014	683	
14	West Bengal	32,493	30,627	40,536	14,030	15,671	18,972	19,713	23,800	24,643	35,697	27,151	28,289	
15	Haryana													
16	Jammu & Kashmir													
	Total	3,25,600	2,87,791	3,52,468	3,76,870	3,08,675	3,65,413	2,03,922	3,02,075	2,93,720	3,08,747	3,02,510	228,793	

N.R.—Not reported.

N.A.—Not available.

APPENDIX III

Summary of main Conclusions/Recommendations.

S. No.	Para No. of Report	Ministry/Department concerned	Conclusion/ Recommendations
1	2	3	4
1	I. 12	Ministry of Industrial Development	<p>The Committee note that the Khadi and Village Industries Commission disbursed loans amounting to Rs. 4.31 crores and grants amounting to Rs. 2.51 crores to the Village leather industry during the period 1957-58 to 1972-73. At the end of 1971, 1032 units were working under carcass utilisation, tanning, footwear and leather goods and market depot schemes assisted by the Commission. (These do not include the individuals assisted by the Commission under schemes for self employment). These units include 768 Cooperative Societies and 264 Registered Institutions. From the Statewise break-up of the tanning and footwear units, the Committee find wide disparity in the number of units assisted in different States. For instance, out of total number of 325 tanning units, 156 are located in Uttar Pradesh. The Committee would like the Commission to examine why the coverage of the Commission's assistance in other States is poor.</p>
2	I. 13	-do-	<p>The Committee find that as on 31-7-1973 utilisation certificates were outstanding in respect of loans amounting to Rs. 98 lakhs and grants amounting to Rs. 60 lakhs disbursed by the Commission upto 1970-71. The Committee desire that necessary steps should be taken to obtain utilisation certificates expeditiously.</p>

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3	I. 14	Ministry of Industrial Development	<p>The outstanding loans from the leather industry units increased from Rs. 1.73 crores at the end of March, 1970 to Rs. 2.45 crores at the end of March, 1973. The Committee were not furnished information about the overdue loans remaining un-recovered at the end of the years 1967-68 to 1972-73, as their compilation is said to involve considerable volume of work. The Committee stress that the Commission should periodically review the position of overdue loans and ensure that the recoveries are pursued regularly and systematically. The Committee would like to know the action taken in this regard.</p>
4	I. 27	-do-	<p>The Committee note that the production of the village leather industry assisted by the Commission increased from Rs. 91.17 lakhs in 1961-62 to Rs. 637.28 lakhs during 1972-73. According to Audit, making allowance for increase of about 80 per cent in the wholesale price level during the decade (1961-62 to 1970-71), the annual compound rate of growth has been 14.1 percent during the period. The Committee are not satisfied with this rate of growth as they find that while there has been more than a five-fold increase in the number of persons employed, the production in real terms had gone up only by 370 percent during the decade 1961-62 to 1970-71. That this was so inspite of the fact that the main emphasis of the Commission was to introduce improved equipments in the village leather industry is inexplicable. The Commission should, therefore, investigate the reasons for so marked a decline in productivity.</p>

5. 1.28 -do-

The Commission have paid loans and grants amounting to Rs. 692 lakhs to the industry upto 1972-73. As against this, the production of Rs. 637 lakhs reached in 1972-73 on the face of it appears to be unsatisfactory. But the Commission feels that the production is satisfactory taking into consideration the outstanding working capital loan (Rs. 1.53 crores). The Committee suggest that some scientific norm should be devised by Government/Commission to judge the satisfactory production of the industries assisted by them having regard to total investment both in the form of grants and loans paid by them.

6. 1.29 -do-

The Committee find that out of the total production of Rs. 637.28 lakhs in 1972-73, Uttar Pradesh alone accounted for Rs. 233.55 lakhs. The Committee would like the Commission to examine what measures including technological and organisational improvements are necessary to step up the production in other States.

7. 1.30 -do-

The Committee's attention was drawn to the difficulties faced by the tanners to get sufficient quantity of hides and skins, as the market was dominated by the private trade. The Commission was considering linking of flaying centres with the processing centres. The Committee were informed by the Secretary, Ministry of Industrial Development that the establishment of National Leather Development Corporation was under consideration of Government. The Corporation's main task would be to organise proper slaughtering facilities and availability of raw materials to the weaker section in the industry. While noting the proposal, the Committee cannot help

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regretting that no concrete measures have been taken by the Commission and Government for the past many years in this direction. The Committee hope the setting up of the National Leather Development Corporation will be expedited. Pending the establishment of the Corporation, necessary steps should be taken to remove the difficulties of village artisan in getting raw materials.

8 1.31

Ministry of Industrial Development

The Working Group of Khadi and Village Industries in their report submitted in September, 1964 had recommended that abolition or buying over on a compensation basis the hereditary rights in regard to dead cattle and their carcasses by Panchayat Samities and Zila Parishads should be vigorously pursued. The Commission had requested the State Governments before 1964 to enact legislation declaring dead animals a State property or, alternatively, to demarcate in all villages a piece of land for the purpose of flaying and carcass utilisation and to make it obligatory on all concerned to flay dead animals at the prescribed place. At the request of the Commission some State Governments have issued instructions to the local authorities to issue instructions to advise Panchayats to set apart places for flaying of dead animals. The Committee regret to observe that the Commission has not taken steps to pursue vigorously the specific recommendations of the Working Group made in September, 1964 regarding abolition and purchase of the hereditary rights in regard to dead cattle and make reporting of dead animals compulsory. The Committee desire that this should be done forthwith and any legal diffi-

culties involved should be resolved. It should also be found out in how many villages, separate flaying places have not been demarcated, so as to take further steps in this direction.

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The Committee note that jeeps with trailers have been provided to only 20 intensive flaying centres which are stated to have been working till 1972-73. The Committee, however, find from the figures furnished by the Commission that during 1970-71, there were 29 intensive flaying units. The Committee would like it to be examined whether the other 9 centres are still existing and if so why necessary facilities have not been provided to them. The Committee would like the Commission to examine whether in areas where there is no intensive flaying centre, groups of flaying and tanning units could be provided with facilities for transport of raw material.

10. I 41

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The Committee note that during the year 1971-72, the total number of workers employed in the village leather industry assisted by the Commission was 33,676 (17,961 full-time and 15,715 part-time) as against about 6,000 (3,000 full-time and 3,000 part-time) in 1961-62. The number of workers employed by the units assisted by the Commission was 6 per cent of the total number of workers engaged in the house-hold sector of the industry. In 1970-71 full-time employment in the village leather industry was about 15 per cent of the full-time employment in all the village industries taken together; part-time employment was much smaller relatively, being 11 per cent of the total part-time employment provided by all the village industries taken together. Considering that the objective of the Com-

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mission is to create more employment in villages, the Committee feel concerned to find that during the year 1971-72 the number of part-time workers in the village leather industry decreased to 15,715 from 18,873 in 1970-71. The Committee would like the Commission to look into the reasons for this decline and take appropriate action.

11 1.42

Ministry of Industrial Development

The Committee are disappointed to find that in spite of the assistance provided by the Commission to the units and the introduction of technological improvements the productivity has declined and the average wage of the workers has not indicated satisfactory increase during the last few years. The all-trade average monthly wage per worker increased from Rs. 61.50 in 1967-68 to Rs. 73.50 in 1971-72. If the rise in the cost of living during the period is taken into account, there would seem to have been actually decrease in terms of real the wages. It was admitted that the wage of a worker in the other sectors of the industry was much higher. The Committee consider that it is the duty of Commission not only to disburse money but also to ensure that it produces the desired results. In view of the fact the wages of workers in the village leather industry (who form 15 per cent of full-time workers of all village industries) continues to be very low, the Commission should pay serious attention to the problem.

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12. 1.46

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The Committee regret that the Commission has not paid adequate attention to the task of training workers. During the period 1968-69.

to 1972-73, a total number of 621 persons were trained in various trades of leather industry. The Committee regard this figure as too low considering that about 33,000 workers are employed in the units assisted by the Commission. The Committee have been informed that during the Fifth Plan period, it is proposed to take up extensive training programme to cover a large number of supervisors and artisans in flaying and carcass utilisation. The Committee cannot over-emphasise the importance of proper methods of flaying and carcass utilisation. The Committee desire that particular attention should be paid to training of artisans in the States where this Village Industry has lagged behind.

13. 1-63

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The Committee note that upto 1972-73, 144 marketing depots were set up under the aegis of the Commission for facilitating supply of required raw materials at reasonable prices to artisans and for sale of the goods produced by them. The Committee however find that although the number of marketing depots increased from 137 in 1970-71 to 144 in 1972-73, their sales turn-over decreased from Rs. 85.62 lakhs to Rs. 63.56 lakhs in 1972-73. Particularly in Uttar Pradesh the sales turn-over of 27 marketing depots in 1972-73 had declined to Rs. 9.27 lakhs from Rs. 22.57 lakhs in 1970-71 in respect of 23 depots. The Committee suggest that the factors leading to decrease in sales should be analysed with a view to taking necessary corrective steps. Further the average monthly sale per depot is only about Rs. 3,700 which is indeed very low. The Committee desire that the Commission should see that the depots become viable by suitably diversifying their sales.

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14	I. 64	Ministry of Industrial Development	<p>The Committee have been informed that in order to maintain the tempo of production, the Commission propose to open a chain of shops in urban areas to market the products produced by the units of the leather industry. But the Committee regret to point out that, as admitted by the Vice-Chairman, the Commission have not so far made any study of the potentiality of the industry and its correlation with the demand in the market. The Committee consider that it is high time that the Commission undertook a proper research or study of this aspect, and devise a proper marketing policy taking into consideration the consumer's requirements. The Committee suggest that it would be useful to study the working of some private manufacturer like Bates in this regard.</p>
15	I. 65	Ministry of Industrial Development Ministry of Commerce.	<p>The Committee regret to observe that no serious attempts have been made at all to export foot-wear and leather goods produced under the aegis of the Commission, although large quantities of such goods produced in the other sectors are being exported by the State Trading Corporation. A few samples sent by the Commission to the State Trading Corporation in 1965 were certified by the latter as exportable and again in 1969 a sample of Russet leather was accepted as exportable. But no order was placed. The Committee were informed by the representative of S.T.C. that these samples could not be sold. The Commission was verbally informed about this, but no intimation was given in writing. The Committee very much deprecate the apparent unwillingness on the part of the S.T.C. to deal</p>

with a Government organised body. The Committee consider that it was the duty of S.T.C. to advise the Commission about any improvements needed in their goods to make them acceptable to the foreign buyer. The Committee are surprised at the explanation of the S.T.C. "We admit our failure to pursue Khadi and Village Industries Commission as a separate entity as distinct from National Federation of Industrial Corporation". (S.T.C. Place orders on certain Cooperatives through National Federation of Industrial Corporation which is an apex body).

16. 1.66 Ministry of Industrial
Development

The Committee are surprised to learn that the Khadi and Village Industries Commission in the past never consulted the Small Scale Services Institute or Central Leather Research Institute about any problem. The Committee are anxious that the Commission should take advantage of the services of these institutes in tackling the problems of the village leather industry and bring about the requisite improvements to improve sales potential.

17. 2.33 -do-

The Committee feel concerned over the serious setback in recent years suffered by the Palm Gur and other Palm products Industry assisted by the Khadi and Village Industries Commission. The production which had risen from 6.31 lakh quintals in 1961-62 to 9.41 lakh quintals in 1965-66 progressively declined to 4.75 lakh quintals in 1970-71. The main reasons for the setback were organisational weakness and mismanagement in the cooperative structure of the Industry and the scrapping of prohibition in some States. These two factors led to reduction in the financial assistance to industry given by the Commission in the form of loans and grants. The finan-

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Ministry of Industrial
Development

cial assistance to the Industry which had progressively increased from Rs. 20.30 lakhs in 1960-61 to Rs. 127.71 lakhs in 1966-67 dwindled to Rs. 14.85 lakhs in 1970-71.

The All India Federation (Akhil Bharatiya Tad Gur Mahasang) which was vested with the responsibility of implementing promotional schemes as an apex body of State Federations became defunct in 1965-66, after the Commission stopped establishment grants. The commercial operations undertaken by the All India Federation did not prove profitable. The All India Federation and 11 State level federations were expected to render yeoman service to the primary cooperatives by providing timely and adequate assistance in the form of finance and improved implements besides undertaking marketing operations for the disposal of their products. Regrettably these State federations concentrated on expanding their departmental activities by incurring heavy expenditure and they did not adequately serve the interests of the primaries. The federations in some States invested heavy amounts in capital expenditure for undertaking productive activities for which they were ill-equipped both technically and managerially. Some of the federations concentrated only on promotional activities and subsisted on grants received from the Commission for maintaining their staff. The elected representatives of these institutions failed to manage the affairs of the federation properly resulting in mismanagement in certain cases. The trading operations conducted by some federations sustained losses. The All

India Federation which was an apex body of the various State federations could not get the required service facilities and support from the State units which were themselves not at all sound in working. After the Commissions Directorate undertook detailed inspection of the working of the industry in various States disclosing deficiencies, the release of further funds to them was stopped. The federations of Rajasthan, Mysore, Kerala, Maharashtra and Bihar were wound up. The federations in Andhra Pradesh, Uttar Pradesh, Madhya Pradesh, Tamil Nadu and West Bengal were superseded.

19 2.35 -do-

The Committee take a serious note of the fact that the cooperative structure of the industry greatly suffered due to organisational weakness and mismanagement of funds. The Committee feel that the Commission did not keep the watch over the affairs of the federations that it should have. The Committee desire that necessary follow up action should be taken by the Commission to see that those who were responsible for the mismanagement of finances and the losses that were incurred are adequately dealt with. The Committee would like to be informed fully about the action taken to recover outstanding loans due from the defunct All India Federation and State Federations.

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20 2.36 -do-

The Committee hope that in the States where the State Federations have been revived, necessary steps will be taken to keep a constant check over their functioning.

21 2.37 -do-

The Committee are anxious that in the States where Federations have been wound up, the Commission and the State Boards would

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pay due attention to the interests of the primaries. The Committee understand that in some States, the Commission propose to extend financial assistance only if State Governments agree to bear a portion of expenditure on the basis of concrete proposals. The Committee hope that the Commission will not give up its efforts towards the development of the industry in these States.

22 2.38

Ministry of Industrial
Development

The developmental activities of the palm *gur* Industry were built up mainly as an alternative to prohibition which was expected to be implemented seriously throughout the country by the various State Boards. With the sudden relaxation of prohibition and the advent of toddy Industry, there resulted a flow of artisans who could not establish themselves well under the palm *gur* programme so far. The Committee understand that with the scrapping of prohibition, the rent for the tree increased by more than 100 per cent and the wages of the tappers by 50 per cent to 75 per cent. However, in Tamil Nadu where prohibition was scrapped in 1971-72 not all workers could go over to toddy tapping and hence palm *gur* production went on, though on a diminished scale compared to the year before prohibition was suspended. The Committee desire that the Commission should

address themselves to the new situation and take necessary measures in consultation with State Governments to sustain the palm gur industry. Efforts already made for the diversification of the industry in some States should be intensified and extended to other States.

23 2 '39 -do-

The Committee find that there is no uniformity in the excise rules prevalent in the various States which results in hardships to palm gur artisans. The Commission appointed an Expert Committee in 1962 to study the problems connected with the issue and renewal of licences for tapping palms for *neera* and *gur*, conditions governing the transport and sale of *neera* and also rates of tree tax levied in the different States and different regions. The Committee regret that although the expert committee submitted their report in 1964, the uniform rules suggested by them have not been adopted by the various State Governments. The Committee desire that this matter should be vigorously pursued with the State Governments.

24 2 '40 -do-

The Committee note that the ban on tapping of Palms for *Neera* and *Palm Gur* was lifted in Mysore in early 1972 as a result of the constant pursuit of the matter by the Commission with the State Government. The Committee desire that vigorous steps should be taken to help the revival of the industry in the other States.

25 2 '41 -do-

The Committee understand that the palm fibre has a good export potential. During 1972-73, the value of export was Rs. 22.74 lakhs. A survey was undertaken by the Indian Institute of Foreign Trade to explore the potentiality of exporting palm fibre and its products

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to countries like U.K., U.S.A. and Japan. The Committee desire that necessary follow up action on the report of the survey should be taken expeditiously and the Commission should pay serious attention to the export of palm fibre and its products.

26. 2.42 Ministry of Industrial Development

An important factor which affects the industry is that the price of Palm *gur* is dependent on the price of cane sugar and cane *gur*. The Committee understand that in non-traditional States palm *gur* generally used to cost about 20 per cent to 25 per cent less than that of the prevailing cane *gur* prices, while the difference in the price remained narrow in the traditional States like Tamil Nadu, West Bengal and Kerala and often the palm *gur* used to cost slightly more in these States. The cost analysis of palm *gur* was made in 1957 and again in 1963. The Committee regret that no steps were taken during the last more than 10 years to have a cost analysis. The Committee desire that cost analysis of palm *gur* should be made at frequent intervals with a view to taking corrective measures.

27 2.43 -do-

Although the palm *gur* industry has a good employment potentiality in as much as there are about 6 crores tappable palm trees in the country, which can be exploited, the exploitation of trees in non-traditional States is very poor. It is distressing that the total number of persons employed by the units assisted by the Commission declined from 3.25 lakhs in 1960-61 to 2.28 lakhs in 1971-72. The Com-

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mittee were informed that artisans lack enthusiasm to take up this sort of climbing. The Committee understand that introduction of aerial ropeway, bamboo ways etc. and improved tapping have increased the earnings of the worker and the output. The Committee were informed that there is shortage of tappers in non-traditional States in spite of viability of the industry. The Committee desire that the Commission should intensify their efforts to develop new devices which will attract new tappers and also increase the production.

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There are at present 3 regional Training Centres at Cuddalore (Tamil Nadu) for the Southern region, Bhaugram (Orissa) for South-eastern region and Devavasan (Gujarat) for North-western region. Besides, various State Boards are being assisted by the Commission to conduct field training courses through Cooperative Societies in regions where scope for developing the industry exists. The State level training institutes have been wound up. The total number of persons trained during the period 1955-56 to 1959-60 was 21,763; as against this the number of persons trained during 1960-61 to 1971-72 was only 15,379. In recent years, the number of persons trained has fallen sharply. During the years 1969-70, 1970-71 and 1971-72, the number of persons trained was only 334, 226 and 223 respectively. The Committee understand that there is a shortage of tappers in non-traditional States, and hope that sufficient number of persons from these States will be trained.

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The Commission has been taking steps in popularising the various products of the palm *gur* Industry through departmental centres and

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also by assisting the implementing agencies in promoting their sales. The Committee, however, are disturbed that the expenditure on publicity has decreased from Rs. 1.34 lakhs in 1960-61 to Rs. 0.49 lakhs in 1971-72. In view of the fact that palm gum industry has received a setback due to relaxation of prohibition, the Committee feel that there is need for greater publicity for the products of palm industry like Neera. Also the export potentiality of palm fibre necessitates suitable external publicity. The Committee would like the Commission to examine whether such organisation as it has is equal to this challenging task.

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