

**ESTIMATES COMMITTEE
1963-64**

FIFTY-SEVENTH REPORT

(THIRD LOK SABHA)

MINISTRY OF INDUSTRY

Action taken by Government on the Recommendations contained in the Hundred and Sixty-seventh Report of the Estimates Committee (Second Lok Sabha) on the late Ministry of Commerce and Industry.

**Khadi and Village Industries Commission,
Bombay**



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1964/Vaisakha, 1886 (Saka)

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ESTIMATES COMMITTEE
(1963-64)

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*Elected w.e.f. 16th August, 1963 vice Dr. K. L. Rao ceased to be a member of the Committee on his appointment as a Minister.

INTRODUCTION

I, the Chairman of the Estimates Committee having been authorised by the Committee, present this Fifty-seventh Report of the Estimates Committee on the Action taken by Government on the recommendations contained in the Hundred and Sixty-seventh Report of the Estimates Committee (Second Lok Sabha) on the late Ministry of Commerce and Industry—Khadi and Village Industries Commission, Bombay.

2. The Hundred and Sixty-seventh Report was presented to the Lok Sabha on the 29th March, 1962. Government furnished their replies indicating the action taken on the recommendations contained in this Report between 1st February, 1963 and 2nd March, 1964. The replies were examined by the Study Group 'E' of the Estimates Committee (1963-64) at their sitting held on the 14th April, 1964. The draft report was adopted by the Committee on the 24th April, 1964.

3. The Report has been divided into the following five Chapters:—

I. Report.

II—Recommendations that have been accepted by Government.

III—Recommendations which the Committee do not desire to pursue in view of the Government's reply.

IV—Recommendations in respect of which replies of Government have not been accepted by the Committee.

V—Recommendations in respect of which final replies of the Government are still awaited.

4. An analysis of the action taken by Government on the recommendations contained in the Hundred and Sixty-seventh Report of the Estimates Committee (Second Lok Sabha) is given in the Appendix. It would be observed therefrom that out of 58 recommendations made in the Report 65·5 per cent. have been accepted by Government and 12·1 per cent. of the recommendations the Committee do not desire to pursue in view of the Government's reply. Of the rest, replies of Government in respect of 13·8 per cent. of the recommendations have not been accepted by the Committee, while final replies to 8·6 per cent. of the recommendations are still awaited.

NEW DELHI;
April 25, 1964.
Vaisakha 5, 1886 (Saka).

A. C. GUHA,
Chairman,
Estimates Committee.

CHAPTER I

REPORT

Utilisation of Funds

In paras 21-23 of their Hundred and Sixty-Seventh Report on the Khadi & Village Industries Commission, the Estimates Committee noted that out of the total disbursements of over Rs. 22 crores made to the State Boards, utilisation certificates had been received for Rs. 1.47 crores only. The Committee were unable to appreciate how in the absence of certificates for past disbursements, the Commission could satisfy itself about the proper and purposeful utilisation of the funds. They felt that compliance with the rules, which required that utilisation certificates should be furnished for all grants/loans, should have been insisted upon in these cases and further disbursements discontinued in case of defaulters. The Committee hoped that all outstanding utilisation certificates would be obtained at a very early date. In reply Government have stated that necessary steps such as strengthening the internal audit and accounts staff of the State Boards etc. are being taken to obtain the utilisation certificates as early as possible.

2. The Committee do not consider the reply of Government quite satisfactory. They suggest that a clear policy should be adopted on the question of withholding of disbursements of funds until utilisation certificates are furnished for the previous disbursements. Such a step would make the State Boards etc. more vigilant in furnishing utilisation certificates without delay.

Outstanding Loans

3. In para 38 of the Report, the Committee recommended that effective measures should be taken to recover the outstanding loans as also to ensure timely recovery of the loans falling due in future. They suggested that one way of doing so would be to allow some margin of profit to the Institutions/Cooperatives engaged in Khadi & Village Industries instead of expecting them to run on 'no-profit no-loss' basis as at present. In reply Government have stated that the Commission has agreed to examine how this can be managed without raising costs of production to an extent that may affect its marketability.

4. The Committee note that their suggestion to allow some margin of profit to the Institutions/Cooperatives is being examined by the Commission. They, however, find that Government's reply does not indicate as to what measures would be adopted to recover the outstanding loans as also to ensure timely recovery of the loans falling due in future. The present position where outstanding loans are

increasing from year to year is not quite satisfactory. The Committee hope that the circumstances which cause delays in the repayment of loans by the institutions would be looked into and suitable measures devised to improve the position.

Ambar Charkha

5. In para 64 of the Report, the Committee observed that the Ambar project had not been properly planned. Charkhas were allowed to be manufactured and distributed although they were defective. Adequate repair and servicing arrangements had also not been made. Charkhas had been distributed to artisans who were not fully trained for the job. The Committee hoped that more energetic steps would be taken to overcome the shortcomings in the Ambar programme and also to activate the idle charkhas already distributed. In reply Government have stated that the Commission had taken necessary steps to overcome the shortcomings in the Ambar programme and to activate idle Ambar Charkhas.

6. The Committee note that their recommendation has been accepted by Government. They, however, feel that the programme regarding reactivation of idle Ambar Charkhas and also of remodelling them is proceeding at a very slow pace. They trust that the efforts made by the Commission in this direction will be stepped up with a view to achieving the desired results in the shortest possible time.

Village Oil Industry

7. In para 99 of the Report, the Committee noted that most of the activities of the Commission and the Oilseeds Committee were common. They felt that it would be desirable if the development of village oil industry was entrusted to one body only. In reply Government have stated that an *ad hoc* Committee examined the matter and made the following recommendations which have been accepted by the I.C.A.R.:—

- (i) Since the Commission was responsible for all aspects of development of the village oil industry, the Oilseeds Committee should no longer continue to give loans and subsidies;
- (ii) The funds for the development of village oil industry hitherto earmarked should be diverted towards conducting investigations and research to effect further improvements upon the Wardha Ghani;
- (iii) Efforts should be made for improving the storage facilities for oil processed by ghanis; and
- (iv) The Committee should review periodically the progress made by the village industry with the representatives of the Khadi Commission.

The above recommendations have already been adopted by the Indian Oilseeds Committee.

8. The Committee hope that the present duplication between the various organisations engaged in similar activities will be avoided now that the spirit of the recommendation has been accepted by the I.C.A.R., Khadi Commission and the Indian Oilseeds Committee.

Non-edible Oils and Soap Industry

9. In paras 104—106 of the Report, the Committee observed that the primary object of developing non-edible oil was to find substitute oils for soap industry and release the edible oils for human consumption. Their doubt that edible oil had gone into the manufacture of soap was also confirmed by the Evaluation Committee on Village Industries. The Committee hoped that Government would look into the matter and ensure that the primary object of developing the industry was fulfilled. In reply, Government have stated that the objective of increasing the availability of edible oils for consumption by utilising non-edible for the manufacture of soap is essentially a long-term one, and can be realised only over a period of time, since to replace coconut oil, for instance, substitutes are not available in adequate quantity all over the country.

10. The Committee realise the difficulty of finding adequate supply of non-edible oil for soap industry but hope that attempts would be made so that gradually the use of edible oil for soap may be eliminated or reduced.

Composition of Commission

11. In para 114 of the Report, the Committee observed that the Khadi and Village Industries Commission Act did not preclude any official from being appointed as a member of the Commission, but the Government had chosen to put on the Commission only non-officials. In this connection, the Committee referred to the decision of the Government that it would not only be advantageous but necessary to have one representative each from the Finance Ministry and the administrative Ministry on the Boards of each of the Government Companies/Corporations. The Committee recommended a re-examination of the position whether the Commission should be treated as an exception to this rule. In reply Government have stated that the representatives of the Ministry of Finance and the Ministry of Industry actually attend, by invitation, all the meetings of the Commission and offer their comments and advice on matters before the Commission. It has further been stated that having regard to the special position of the Khadi and Village Industries Commission, it was neither desirable nor necessary to have officials as members of the Commission.

12. The Committee feel that as large Government funds are disbursed by the Commission, it is but proper that the representatives of Government are associated with the Commission as its members so that they have an effective say in all matters that come up before it. The Committee are doubtful whether this purpose could be achieved by inviting Government officials to the meetings of the Commission without making them full-fledged members. They trust that the matter would be re-examined by Government.

Model Act

13. In para 132 of the Report, the Committee had suggested that the desirability of preparing a Model Act on the analogy of the State Financial Corporations Act, 1951 providing for a uniform set up for the State Boards as also an organisational link between the Commission and the State Boards might be considered by Government. In reply Government have stated that the various Acts setting up statutory State Boards by different State Governments provide in practice, with certain exceptions, a uniform pattern. They have added that it would not be desirable to fetter the position of the State Governments in this respect nor would any useful purpose be served by having a uniform set up for all the State Boards.

14. *The Committee do not agree with the above view. Since the State Boards are mostly financed by the Commission, it is necessary that they are organised on sound lines and broadly follow a uniform pattern. It would, therefore, be advantageous to have a Model Act for the State Boards which could, of course, be varied to meet local conditions. The Committee trust that the matter would be reviewed by Government.*

Employment

15. In paras 148—153 of the Report, the Committee observed that the present earnings of the workers engaged in Khadi and village industries was low when compared with other occupations. They hoped that a purposeful orientation of the programme of work and introduction of improved equipment, technique and methods of production would, besides enlarging employment opportunities, result in proportionate increase in wages so as to attract surplus agricultural labour to take to those avocations. In reply Government have stated that the Commission has taken steps to introduce improved tools and equipment, and also has schemes for a gradual improvement of techniques. They have added that introduction of improved techniques is, however, contingent upon expansion of technical training facilities, on a scale sufficient to meet the requirements and this can be achieved only over a period of time.

16. *The Committee hope that attempt would be made for the expansion of technical training facilities in rural areas so that improved equipment and technique may be introduced in village industries which enable the workers to earn better wages.*

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 3)

Out of the total disbursements of over Rs. 22 crores made to the State Boards, utilisation certificates had been received for Rs. 1.47 crores only. The Committee are not able to appreciate how in the absence of certificates for past disbursements, the Commission could satisfy itself about the proper and purposeful utilisation of the funds. Compliance with the rules, which require that utilisation certificates should be furnished for all grants/loans advanced by Government, should have been insisted upon in these cases and further disbursements discontinued in case of defaulters. A continuous review of the position regarding outstanding utilisation certificates before making further disbursements would have helped in the matter. The Committee hope that all outstanding utilisation certificates would be obtained at a very early date. They also suggest that with a view to acquaint Parliament, which votes funds, the precise position regarding utilisation certificates may in future be stated in the Annual Reports and Accounts of the Commission. (Paragraphs 21—23).

REPLY OF THE GOVERNMENT

Necessary steps such as strengthening the internal audit and accounts staff of the State Boards etc., are being taken to obtain the utilisation certificates as early as possible.

The Committee's suggestion that the position regarding utilisation certificates may, in future, be stated in the Annual Reports and Accounts of the Commission, is accepted.

[Min. of Commerce and Industry O.M. No. 21(49)/62-KVE (A & E), dated 1st February, 1963].

COMMENTS OF THE COMMITTEE

Please see paragraphs 1 & 2 of Chapter I.

Recommendation (Serial No. 4)

The Commission was of the view that its responsibility for submission of utilisation certificates to the Government of India in respect of the funds received by it should be deemed to have been fulfilled if the Commission satisfied itself that the funds given to the State Boards were disbursed by them to the institutions for the intended purposes. Further accountability in respect of the actual utilisation of funds should be made the responsibility of the State

Board concerned, and the exercise of that responsibility should be scrutinised by the audit authority concerned. The Financial Adviser of the Ministry, however, informed the Committee during evidence that it was no solution to the problem as utilisation certificates had to be produced by the authority which disbursed the funds. He was, therefore, doubtful whether the Comptroller and Auditor General would accept the suggestion of the Commission. The Committee are inclined to agree with the views of the Financial Adviser. (Paragraphs 24-25).

REPLY OF THE GOVERNMENT

Noted.

[Min. of Commerce and Industry O.M. No. 21(49)/62-KVE (A & E), dated 1st February, 1963].

Recommendation (Serial No. 5)

The Committee find that about 50% of the total disbursements are made by the Commission in the last quarter of a year. Of these, about 50% are made in the month of March. Rush of disbursements in the last quarter, besides imposing a severe strain on the organisation of the Commission, is fraught with the risk of funds being released without proper scrutiny, resulting in irregularities and infructuous and nugatory expenditure. Effective and specific measures should, therefore, be devised to avoid rush of expenditure and to ensure that the disbursements during the year are evenly spread out. (Paragraphs 26—28).

REPLY OF THE GOVERNMENT

Owing to seasonality of several industries under the purview of the Commission the advances of loans for purchase and storage of raw materials like cotton, oil seeds and paddy have necessarily to be paid only in the season. This partly accounts for the heavy disbursements in the last quarter of the year. However, every endeavour will be made in future to spread the disbursements evenly during the year.

[Min. of Commerce and Industry O.M. No. 21(49)/62-KVE (A & E), dated 1st February, 1963].

Recommendation (Serial No. 6)

It would be seen that the activities of the Commission are mainly concentrated in the States of Bihar, Bombay and Uttar Pradesh which among themselves account for 47 per cent of the total disbursements during the second Plan. The efforts of the Commission to develop Khadi and Village Industries in the various States particularly the States of Assam, Orissa and West Bengal do not appear to bear any relation either to the rural population in these States or to the incidence of unemployment therein. The Committee feel that a central development organisation like the Khadi and Village Industries Commission should devote special efforts to encourage and assist under-developed areas having a large rural under-employed and un-employed

population. They hope that the Commission would bear the above considerations in view while allocating funds to the different States in future. (Paragraphs 30-31)

REPLY OF THE GOVERNMENT

Accepted in principle. It may, however, be pointed out that the extension, of the Khadi and Village Industries Commission's activities to all States on the basis of the criteria suggested by the Estimates Committee may not always be possible, as the work of the Commn. depends to a considerable extent on the availability of the right type of personnel, institutions capable of undertaking responsibility for the implementation of its programmes and also the climate for the development of these industries. Conditions obtaining in U.P., Bihar, Punjab and Rajasthan, in all these respects were favourable and, therefore, larger volume of funds were advanced to them than to other States. The disbursements to Bombay State consist mainly of rebates and subsidies as Bombay, till very recently, was the most important Khadi sales centre.

[Min. of Commerce and Industry O.M. No. 21(49) 62-KVE (A & E), dated 1st February, 1963]

Recommendation (Serial No.)8

The Commission grants financial assistance directly to some institutions while it deals with others through the State Boards. Out of Rs. 82.69 crores disbursed during the period of the Second Plan, Rs. 42.43 crores (i.e. over 50 per cent) were disbursed by the Commission directly. Whatever might have been the justification for the Commission to deal with certain institutions directly in the initial stages, this position cannot obviously be continued for long, because the programme of the Commission has to be progressively implemented through the State Boards. The emphasis should, therefore, be to create conditions in which mutual trust between the Institutions and the State Boards could be established and the State Boards could take the place of the Commission in their respective areas. The Committee recommend that the Commission should route all its financial assistance through the State Boards, which, no doubt, are in a better position to judge the suitability of an institution for assistance. (Paragraphs 33—35)

REPLY OF THE GOVERNMENT

The recommendation is accepted in principle. Most of the State Boards have been constituted quite recently, and they are yet to acquire an adequate administrative machinery. For some time to come, the Commission may have to continue to deal directly with some institutions in some States although there may be Statutory State Boards in them. Where State Boards are in a position to take over the responsibilities, the Commission has, in fact transferred its work to them, routing all financial assistance through them.

[Min. of Commerce and Industry O.M. No. 21(49) /62-KVE (A & E), dated 1st February, 1963]

Recommendation (Serial No. 10)

The Committee feel that the financial assistance for non-recurring expenditure should consist mainly of long-term loans and the grant portion may be reduced to 25 per cent. The institutions should also be required to invest a portion of the funds since they cannot normally be expected to take a keen interest in the success of a venture unless they have a direct stake in it in the form of their own capital. This is evident by the fact that a majority of the institutions, as pointed out in para 108 had not started operations and the amount advanced to them had to be recovered from them. The Committee suggest that the matter may be reviewed. (Paragraph 42).

REPLY OF THE GOVERNMENT

Accepted.

[Min. of Commerce and Industry O.M. No. 21 (49) /62-KVE (A & E), dated 1st February, 1963]

Recommendation (Serial No. 13)

The Committee agree that marketing is one of the main problems of khadi and with the increased production contemplated in the Third Five Year Plan, marketing arrangements will have to be augmented considerably. They, however, feel that the assistance offered to Sale Bhandars is on a fairly liberal scale. This was admitted by the Chairman of the Commission during evidence. The Committee, therefore, suggest that a review of the present scale of assistance (both recurring and non-recurring) should be carried out. It should be ensured that while the assistance is related to the actual turn-over of the Bhandars it provides sufficient incentive to increase the sales. It might also be examined whether the initial non-recurring expenditure could be met by granting long-term loans. (Paragraph 52).

REPLY OF THE GOVERNMENT

Accepted.

[Min. of Commerce and Industry O.M. No. 21 (49) /62-KVE (A & E), dated 1st February, 1963]

Recommendation (Serial No. 14)

The Committee feel that since it would be difficult for the Commission to keep a watch over the utilisation of assistance granted to individuals and its recovery would present great difficulties, such assistance, if considered necessary, might be granted by the respective State Boards. (Paragraph 54).

REPLY OF THE GOVERNMENT

The Commission's policy is to channelize all assistance through the State Khadi & Village Industries Boards and it does not provide assistance to individuals except in rare cases. The Commission takes ade-

quate care to ensure proper utilisation of funds disbursed to individuals direct.

[Min. of Commerce and Industry O.M. No. 21 (49) /62-KVE (A & E), dated 1st February, 1963]

Recommendation (Serial No. 15)

The pattern of assistance offered under the various schemes, though evolved as far back as 1953, has not been subjected to any review regarding its scale, continuance and utilisation. It is hardly necessary to emphasise the need for such a review. The Committee recommend that Government might appoint a Committee to carry out a review of the pattern of assistance, which should also take into account the assistance offered by other agencies for similar developmental activities. (Paragraph 55).

REPLY OF THE GOVERNMENT

Accepted. The Khadi & Village Industries Commission has appointed a Committee to review the patterns of assistance for Khadi & Village Industries and to suggest a revised pattern which will be examined by the Government.

[Min. of Commerce and Industry O.M. No. 21 (49) /62-KVE (A & E), dated 1st February, 1963]

Recommendation (Serial No. 17)

The Committee do not consider advance payment of rebate and subsidy as proper—a view with which the Financial Adviser agreed. They suggest that the matter may be examined with a view to stop this practice. At the same time it should be ensured that the procedure for the payment of claims is simplified and the claims are dealt with expeditiously. (Paragraph 57).

REPLY OF THE GOVERNMENT

Advance payments are being made only in the case of the rebate on the retail sale of Khadi, Saranjam rebate, Honorarium to agents and Vastraswalamban subsidy. This is in fact an "on account" payment made at the beginning of each financial year to avoid hardship to the institutions, etc. in allowing rebates and subsidy to their customers. The amount of the advance is equal to the average of the payments made by the institutions, etc. in this respect during the last 3 months of the preceding calendar year, and the advance is adjusted against the payments made by the institutions, etc. during the last month of the financial year. This arrangement has been agreed to because scrutiny of the claims of the institutions in this respect takes some time and in view of their limited resources they would find it difficult to make payment of rebates, etc. to the customers. The Khadi & Village Industries Commission is, however, considering the question of simplifying the procedure for payment

of claims of the institutions in this respect, and the question of continuing or otherwise of these advance payments will be considered after giving a trial to the revised procedure.

[*Min. of Commerce and Industry O.M. No. 21(49)/62-KVE (A & E), dated 1st February, 1963*].

Recommendation (Serial No. 18)

The Committee hope that a statement showing the action taken on the recommendations of the Khadi Evaluation Committee would be placed on the Table of the House early as it is already eighteen months since the report was presented. (Paragraph 59).

REPLY OF THE GOVERNMENT

Accepted.

[*Min. of Commerce and Industry O.M. No. 21(49)/62-KVE (A & E), dated 1st February, 1963*].

Recommendation (Serial No. 19)

It would be seen that the Ambar project had not been properly planned. It appears that in the enthusiasm for pushing forward the programme, the basic requisites for its successful functioning were not ensured. Charkhas were allowed to be manufactured and distributed although they were defective. Adequate repair and servicing arrangements had also not been made. Charkhas had been distributed to artisans who were not fully trained for the job. The Committee hope that more energetic steps would now be taken to overcome the shortcomings in the Ambar programme and also to activate the idle charkhas already distributed. (Paragraph 64).

REPLY OF THE GOVERNMENT

Accepted. The Commission has taken necessary steps to overcome the shortcomings in the Ambar Programme and to activate idle Ambar Charkhas.

[*Min. of Commerce and Industry O.M. No. 21(49)/62-KVE (A & E), dated 1st February, 1963*].

COMMENTS OF THE COMMITTEE

Please see paragraphs 5 & 6 of Chapter I.

Recommendation (Serial No. 20)

Khadi worth Rs. 789.25 lakhs remained unsold on 31st March, 1961. The Committee trust that in future suitable measures would be taken in time to prevent the accumulation of Khadi, especially

because with the progressive improvement in Ambar Charkha the problem of finding a market for khadi is likely to become acute. (Paragraph 68).

REPLY OF THE GOVERNMENT

Steps have been and are being taken to avoid burdensome accumulation of stocks.

[*Min. of Commerce and Industry O.M. No. 21(49)/62-KVE (A. & E.), dated 1st February, 1963.*]

Recommendation (Serial No. 21)

The Committee note that the output of Khadi per rupee worth of outlay has declined from Re. 0.70 in 1957-58 to Re. 0.44 in 1960-61. While the decline in output might be attributed to idle Ambar charkhas during the latter part of the Second Plan, the Committee suggest that the output of Khadi and Village Industries should be constantly studied with reference to the outlay so that timely action could be taken to remove the drawbacks in the implementation of the programme, if any. (Paragraph 70).

REPLY OF THE GOVERNMENT

The Commission accepts this recommendation.

[*Min. of Commerce and Industry O.M. No. 21(49)/62-KVE (A. & E.), dated 1st February, 1963.*]

Recommendation (Serial No. 22)

The Committee note that 122 production centres were directly organised by the All India Khadi & Village Industries Board in Andhra Pradesh, Kashmir, Bengal and Assam and have been continued by the Commission. Even in 1953, State Boards were functioning in the States of West Bengal, Assam and Hyderabad. In these States at least there was no clear justification for the Board and later the Commission for participating directly in implementation of the programme, as they were intended for preparing and organising programmes and not for executing them. In pursuance of its policy to hand over production centres to the respective State Boards as and when arrangements are ready for such transfers, the Commission has since decided to transfer its production centres in Andhra to the Andhra State Board. Negotiations are also being carried on for handing over its operations in the Calcutta region to the West Bengal State Board. The Committee urge that similar action should be taken at an early date with regard to its activities in the other States. (Paragraphs 71-72).

REPLY OF THE GOVERNMENT

The Commission does not directly organise and run production centres in States where there are institutions with experienced workers capable and willing to organise Khadi work. Production

centres are organised and managed directly by the Commission only when local conditions necessitate such a course.

The Commission's policy, however, is to transfer the production centres to State Boards as soon as the local conditions and the capacity of the State Boards permit such a transfer. The Commission is taking adequate steps in this direction in all the States except Assam and Jammu & Kashmir where they feel that the Boards are not fully developed and in a position to undertake this responsibility. The Commission will transfer these centres to them as soon as they are in a position to do so.

[*Min. of Commerce and Industry O.M. No. 21(49)/62-KVE (A. & E.), dated 1st February, 1963*].

Recommendation (Serial No. 23)

It would be seen that the expenditure on khadi is concentrated in Uttar Pradesh, Bihar and Bombay, being 18.4%, 16.9% and 13.4% respectively of the total expenditure. Further, while the production of khadi in these areas works out to 23.5%, 16.3% and 3.4% respectively of the total khadi production, the cotton grown in these areas accounts for 1:7%, 0:3% and 39:9% respectively of the total cotton production in the country. There is thus no relation between the expenditure on khadi and the availability of cotton in these areas. The price differential between khadi and mill cloth varies between 10 annas and Rs. 2 per yard, which is large enough to create a consumer preference in favour of non-khadi cloth. As such the Commission has to aim constantly at reducing the price of khadi. They hope that the Commission would take necessary action in the matter and that the price of khadi would be brought down. (Paragraphs 74-75).

REPLY OF THE GOVERNMENT

Implementation of Khadi programmes depends not merely on the availability of cotton, but on several other factors such as the economic condition of the people, tradition in spinning and weaving, availability of experienced workers and institutional machinery etc. People in cash-crop growing areas are generally better off than those in non-cash crop growing areas, and, therefore, the former are not as willing as the latter to take to hand spinning.

During the Third Plan period it is proposed to make every effort to reduce prices of Khadi to the extent possible. The price differential between Khadi and mill cloth is too wide, however, to be wholly eliminated.

[*Min. of Commerce and Industry O.M. No. 21(49)/62-KVE (A. & E.), dated 1st February, 1963*].

Recommendation (Serial No. 24)

Five big khadi and gramodyog bhavans were started by the Commission one each in Bombay, Delhi, Madras, Calcutta and Bangalore

for the sale of Khadi & Village Industries products. The management of the Bombay Emporium has recently been transferred to the Bombay Suburban Village Industries Association. The Committee would like the Commission to adopt a consistent policy with regard to the management of these Bhavans. If the policy is to transfer this responsibility to other agencies, action should be taken in furtherance of that objective. (Paragraphs 76-77).

REPLY OF THE GOVERNMENT

It is the policy of the Commission to transfer the management of the Bhavans to the State Boards/Institutions provided it is satisfied that the concerned body has the requisite managerial capacity and personnel. However, no State Board or institution in Delhi, Calcutta, Bangalore and Madras has so far come forward with a proposal to take over the Bhavans in these cities.

[Min. of Commerce and Industry O.M. No. 21(49) /62-KVE (A & E), dated 1st February, 1963].

Recommendation (Serial No. 25)

The Committee understand that the Commission has not carried out any survey of the areas favourable for the development of khadi. On the basis of experience, the Commission was stated to be aware of the areas where khadi could be developed. An area-wise survey is the pre-requisite of planned development of any industry. The Committee suggest that a comprehensive survey of the possibilities of developing khadi in various States with reference to the availability of raw materials and other facilities, incidence of unemployment etc. be made and completed within a specified time. (Paragraph 78).

REPLY OF THE GOVERNMENT

As pointed out in the reply to S. No. 23, conditions are not favourable for the development of khadi in certain parts of certain States. Certified institutions of the Commission usually assess the possibilities before organising work. As the Commission generally gets the programmes implemented by the State Boards, certified institutions, etc., it will get a survey done through these institutions, who are better equipped for the purpose.

[Min. of Commerce and Industry O.M. No. 21(49) /62-KVE (A & E), dated 1st February, 1963].

Recommendation (Serial No. 26)

The question of reservation of certain categories of cloth of lower counts for khadi seem to be a moot point. A Committee is stated to be going into the matter. The Committee trust that the feasibility of such a reservation would be examined by that Committee. (Paragraph 81).

REPLY OF THE GOVERNMENT

The Committee's observation has been noted.

[Min. of Commerce and Industry O.M. No. 21(49)/62—KVE (A & E), dated 1st February, 1963]

Recommendation (Serial No. 27)

The Committee feel that by the mechanisation of preparatory processes which are being experimented upon and perfected, it would be possible to produce more uniform and better quality of cloth. (Paragraph 82).

REPLY OF THE GOVERNMENT

Noted—

[Min. of Commerce and Industry O.M. No. 21(49)/62—KVE (A & E), dated 1st February, 1963]

Recommendation (Serial No. 29)

It is hoped that a statement showing the action taken on the recommendations of the Village Industries Evaluation Committee would be placed before Parliament. (Paragraph 89).

REPLY OF THE GOVERNMENT

Accepted.

[Min. of Commerce and Industry O.M. No. 21(49)/62—KVE (A & E), dated 1st February, 1963]

Recommendation (Serial No. 30)

No systematic survey of the possibilities of developing village industries in each State has been made by the Commission so far. The Committee consider it very necessary that regional surveys of resources and needs are carried out in the very beginning so that the programme could be properly shaped and oriented in areas where favourable conditions existed for their development. In para 78 the Committee have already suggested a survey in regard to Khadi. They suggest that a similar survey of the possibilities of developing village industries in the various States may also be taken up at an early date. (Paragraph 90).

REPLY OF THE GOVERNMENT

As pointed out in the reply to S. No. 25, the institutions receiving aid from the Commission usually assess the possibilities before organising any village Industry also. However, as the Commission generally gets its programmes implemented through the State Boards, certified institutions, etc., it will get a survey done through these institutions who are better equipped for the purpose.

[Min. of Commerce and Industry O.M. No. 21(49)/62—KVE (A & E), dated 1st February, 1963]

Recommendation (Serial No. 31)

It would be seen that the percentage of disbursement for village industries in States like Bombay, Bihar, U.P. Andhra and Madras is comparatively high. It appears that there were no criteria for the distribution of funds to the various States in this regard. The Committee feel that some broad principles e.g., population, backwardness of the area, availability of raw materials etc. may be laid down to determine the extent of financial assistance to be given by the Commission. (Paragraph 92).

REPLY OF THE GOVERNMENT

The Criteria suggested by the Committee would be kept in view in determining financial assistance. It may, however, be stated that except in the case of a few village Industries which can be developed in all the States, the development of most of the Village Industries under the programme of the Khadi and Village Industries Commission depends on various other factors such as availability of raw material, artisans, labour, etc., etc. Disbursement of funds is, therefore, made on the basis of the demands received from the States and their capacity to implement them on the basis of the progress already made by them, after keeping the above factors in view. As the conditions in all the States are not uniform, there is bound to be difference in the shares of the different States.

[Min. of Commerce and Industry O.M. No. 21(49)/62—KVE (A & E), dated 1st February, 1963]

Recommendation (Serial No. 32)

The Committee were informed that no State-wise targets under any village industry had been fixed for the Second Plan. They note that in the Second Five Year Plan, an allocation of Rs. 16.33 crores was made for the development of Village Industries. As such the tentative plan of the Commission should have been revised in relation to the allocation actually made. The Five Year Plans are intended to focus attention on achieving clearly defined objectives for which the resources and energies are to be mobilised. Annual targets of performance to be achieved by the Commission in relation to the funds allocation should be fixed and the achievements appraised against them. The Committee hope that at least in future government would insist on the preparation of proper Plans by such bodies and would watch their performance of allotting further funds. (Paragraphs 94-95).

REPLY OF THE GOVERNMENT

Noted.

[Min. of Commerce and Industry O.M. No. 21(49)/62—KVE (A & E), dated 1st February, 1963]

Recommendation (Serial No. 35)

It is seen that most of the activities of the Commission and the Oil seeds Committee are common. Popularisation of Wardha Ghanis

which is one of the important activities of the Commission is also the concern of the Oil Seeds Committee. The Committee have earlier referred to the need for avoiding duplication between the various organisations engaged in similar activities. It would be desirable if the development of village oil industry is entrusted to one body only. The Committee recommend that the matter may be examined with this end in view. (Paragraph 99).

REPLY OF THE GOVERNMENT

The suggestion has been examined in consultation with the I.C.A.R. with a view to avoid duplication of efforts and to have proper co-ordination between the two organisations viz. the Indian Central Oilseeds Committee and the K&VIC in regard to the development of work pertaining to village Oil Industry. The Indian Central Oilseeds Committee had appointed an *ad hoc* Committee to examine the matter and also to suggest the pattern of financial assistance to be adopted with regard to the schemes of the common interest. The *ad hoc* committee has made the following recommendations which have been accepted by the I.C.A.R.:—

- (i) since the Commission was responsible for all aspects of development of the Village Oil Industry, the Oilseeds Committee should no longer continue to give loans and subsidies;
- (ii) The funds for the development of Village Oil Industry hitherto earmarked should be diverted towards conducting investigations and research to effect further improvements upon the Wardha Ghani;
- (iii) Efforts should be made for improving the storage facilities for oil processed by ghanis; and
- (iv) The Committee should review periodically the progress made by the Village Oil Industry with the representatives of the Khadi Commission.

The above recommendations have already been adopted by the Indian Oilseeds Committee.

[Min. of Commerce and Industry O.M. No. 21(49) /62—KVE (A & E), dated 1st February, 1963]

COMMENTS OF THE COMMITTEE

Please see paragraphs 7 & 8 of chapter I.

Recommendation (Serial No. 38)

The Second Five Year Plan of the erstwhile Khadi Board envisages that there would be a phased transfer of paddy processed by mills to the hand-pounding industry resulting in the gradual elimination of rice mills over a five year period. The Committee regret to observe that the capacity of hand-pounding industry was not realistically assessed and was far over rated and that hopes entertained

about elimination of rice mills over a period of 5 years were not capable of being realised. The Secretary of the Ministry had misgivings about it and held that it was not possible of realisation. The Committee desire that in such matters programmes and plans should be drawn up in consultation and coordination with the State Governments/State Boards after full appreciation of the practical difficulties regarding their fulfilment. (Paragraphs 102-103).

REPLY OF THE GOVERNMENT

The annual plans of the Commission are prepared in consultation with the representatives of the State Boards who are fully aware of the practical problems. The comment made by the Committee refers to a much earlier period when it was thought that the Government of India would accept *in toto* the recommendations of the Rice Milling Committee. As there were a number of constitutional difficulties in any scheme for the elimination of rice mills, even of the huller variety, Government of India enacted Rice Milling Industry (Regulation) Act in 1958. Even this has not been of great assistance, as the rules framed thereunder give considerable discretionary powers to officials at the lower level. The suggestions of the Committee regarding annual plans and programmes are already being implemented.

[Min. of Commerce and Industry O.M. No. 21(49)/62-KVE (A & E), dated 1st February, 1963]

Recommendation (Serial No. 39)

The primary object of developing non-edible oil and soap industry was to find substitute oils for that industry and release the edible oils for human consumption. The Committee's doubt that edible oil had gone into the manufacture of soap is also confirmed by the Evaluation Committee on Village Industries. They hope that Government would look into the matter and ensure that the primary object of developing the industry is fulfilled. (Paragraphs 104—106).

REPLY OF THE GOVERNMENT

Since the Evaluation Committee for village industries reported, steps have been taken by the Commission to organise the collection of non-edible oil seeds in a systematised fashion. 127 seed collection centres have so far been organised. Collection, storage, crushing and distribution of non-edible oils to the soap manufacturing centres has each been organised only in recent years. The objective of increasing the availability of edible oils for consumption by utilising non-edible for the manufacture of soap is essentially a long-term one, and can be realised only over a period of time, since to replace coconut oil, for instance, substitutes are not available in adequate quantity all over the country. Special types of ghanis are needed for crushing some of these seeds.

[Min. of Commerce and Industry O.M. No. 21(49)/62—KVE (A & E), dated 1st February, 1963]

COMMENTS OF THE COMMITTEE

Please see paragraphs 9 & 10 of Chapter I.

Recommendation (Serial No. 40)

The Committee are not able to appreciate how when not more than 24 out of the 467 units allotted for the cottage match industry are working the Commission has planned to set up another 200 units during the Third Plan. It looks as though the past experience has been no guide to the Commission. They hope that the Commission would review its programme periodically with reference to the actual performance and before allocating further units would ensure that the units allocated earlier have actually been set up. (Paragraph 109).

REPLY OF THE GOVERNMENT

Accepted, although provision has been made in the Third Plan for additional units actual allotment will be made only after the Commission is satisfied with the progress.

It may be pointed out that additional units are not allotted to the same institution or agency. In a State, there are several agencies capable of undertaking work. If the country as a whole is to be covered in gradual stages, there is need to have adequate provision for it in the plan.

[Min. of Commerce and Industry O.M. No. 21(49)/62--KVE (A & E), dated 1st February, 1963.]

Recommendation (Serial No. 44)

It would be seen that a non-official member of the Commission has been entrusted with the functions which should normally be performed by its Chief Executive Officer. The Committee do not appreciate the reasons adduced for entrusting the Secretarial functions to a non-official Member of the Commission. They do not share the view that an official might not fall in line with the ideology of the Khadi movement merely on the ground that the status of the Chief Executive Officer does not permit him to participate in the deliberations of the Commission and formulation of its policies. He can only make suggestions for the consideration of the Commission and once a policy decision is taken he is expected to carry it out faithfully in accordance with the best traditions of the service. Since, however, the present arrangement is stated to be working satisfactorily the Committee do not want to comment on this point. The Committee consider that things ought to be institutionalised in the sense that the constitution of any public body should follow certain accepted patterns. (Paragraphs 122-123).

REPLY OF THE GOVERNMENT

Noted.

[Min. of Commerce and Industry O.M. No. 21(49)/62-KVE (A & E) dated 1st February, 1963.]

Recommendation (Serial No. 45)

It was suggested to the Committee that the Commission should confine its activities to the provision of financial assistance, technical and economic research and major policy issues and leave the actual implementation of the programme to other agencies. The Committee agree with the above suggestion and recommend that the Commission may be re-organised suitably to serve the purposes now envisaged. (Paragraph 126).

REPLY OF THE GOVERNMENT

The Government agree with the Estimates Committee's recommendation in principal. However, the KVI Commission will continue to undertake the work of implementing different developmental programmes in certain areas directly till a suitable organisational and administrative machinery is evolved in all the States, as explained in reply to paras 33-35 (S. No. 8).

[Min. of Commerce and Industry O.M. No. 21(49) /62-KVE (A & E), dated 1st February, 1963.]

Recommendation (Serial No. 46)

The Committee note that the strength of technical staff in the Central Office of the Commission works out to about 2% of the total staff strength. Since the Commission is charged with the task of preparing and organising programmes for the development of Khadi and Village Industries, it is essential that it should have adequate technical personnel to man the various spheres of its activities. This matter might also be looked into by the Committee appointed by the Commission. (Paragraph 127).

REPLY OF THE GOVERNMENT

Accepted.

[Min. of Commerce and Industry O.M. No. 21(49) /62-KVE (A & E), dated 1st February, 1963.]

Recommendation (Serial No. 49)

The Committee feel that the location of offices of an organisation charged with the task of developing industries throughout the country should be decided after careful consideration of their need and on well-established criteria. They hope that the matter would be re-examined from this angle. (Paragraph 135).

REPLY OF THE GOVERNMENT

Accepted.

[Min. of Commerce and Industry O.M. No. 21(49) /62-KVE (A & E), dated 1st February, 1963.]

Recommendation (Serial No. 51)

The following suggestions were discussed in the course of examination by the Committee:—

- (i) *A few members of the Commission might be changed after a specified period so that there could be a periodical infusion of fresh blood in it;*
- (ii) *A quorum for the meetings of the Khadi and Village Industries Board might be prescribed;*
- (iii) *An upper-limit for the membership of the Khadi Board might be laid down;*
- (iv) *Some Members of Parliament who are actively associated with the development of Khadi & Village Industries may be nominated on the Khadi Board; and*
- (v) *Section 4(d) of the Khadi and Village Industries Commission Rules requiring the Members of the Commission to disclose financial interest in any subsisting contract with or in any work being done for the Commission, might also be made applicable to the Members of the Khadi Board.*

The Committee trust that it should be possible to implement the above suggestions. (Paragraphs 138-139).

REPLY OF THE GOVERNMENT ..

- (i) Accepted in principle and will be kept in view while re-constituting the K.V.I.C. in future. It is not considered desirable to prescribe the maximum period for which an individual can remain as a member of the Commission.
- (ii) This has been done already.
- (iii) Accepted, and the KVIC Rules have been amended suitable.
- (iv) Accepted.
- (v) Accepted, and the KVIC Rules have been amended suitably.

[Min. of Commerce and Industry O.M. No. 21(49) /62-KVE (A & E), dated 1st February, 1963.]

Recommendation (Serial No. 52)

It will be seen that the courses run by the Commission and the State Boards etc. are more or less similar. The Committee note that in each year from 1957-58 to 1960-61 the capacity of the training institutions run by the Commission and those run by the State Boards etc., has not been fully utilised. The training institutions of the State Boards Registered Institutions would have been sufficient for training all the persons including those trained at the institutions run by the Commission. Both the Evaluation Committee (viz. the

Khadi and Village Industries), have commented on the training programme of the Commission. According to them, its training programme was not related to the requirements of trained persons. Further training facilities had been under-utilised resulting in wastage of funds. The Committee hope that with the implementation of the recommendations made by the Evaluation Committees, the position would improve. They would suggest that this work except specialised and higher training should be entrusted to the State Boards. (Paragraphs 141-143).

REPLY OF THE GOVERNMENT

Accepted in principle. The training programmes, training institutions and their work will be reviewed by the Commission.

[Min. of Commerce and Industry O.M. No. 21(49)/62-KVE (A & E), dated 1st February, 1963.]

Recommendations (Serial No. 53)

It has been stated that among other things progress in the setting up of khadi cooperatives mainly depends on the agreement by the registered institutions to 'Co-operativise' their decentralised units. It would thus appear that only existing units are being decentralised and registered as cooperatives. The real progress in this matter can only be judged by the number of new cooperatives organised and actually working. The Committee suggest that a review of the working of the cooperatives may be undertaken with this end in view. It would also be desirable if the number of cooperatives organised and those actually operating is indicated in the annual reports of the Commission. (Paragraph 146).

REPLY OF THE GOVERNMENT

Accepted. It may, however be pointed out that quite a number of Cooperative Societies have been organised in addition to the registration as cooperatives of decentralised centres of existing institutions. It may also be pointed out that it would generally be difficult to indicate accurately in the Annual Reports the number of cooperatives operating all over the country at the end of the year to which the Annual Report relates as the information has to be obtained from the Cooperative Departments of the various States who in turn have to obtain it from their offices located in each District. The Commission will however make every effort to furnish in the Annual Reports as up-to-date and comparable information as possible.

[Min. of Commerce and Industry O.M. No. 21(49)/62-KVE (A & E), dated 1st February, 1963.]

Recommendation (Serial No. 54)

The back-log of employment at the end of the Second Plan is estimated to be 9 million and the under-employment is believed to be of the order of 15—18 million. Against this, the activities of the

Khadi Commission are stated to have provided employment to 1.53 lakh (full-time) and 22.49 lakh (part-time). The Committee, however, feel that the present earnings of the workers engaged in khadi and village industries are low when compared with other occupations. They hope that a purposeful orientation of the programme of work and introduction of improved equipment, technique and methods of production would, besides enlarging employment opportunities, result in proportionate increase in wages so as to attract surplus agricultural labour to take to these avocations. (Paragraphs 148-153).

REPLY OF THE GOVERNMENT

The Commission has only made a beginning in the implementation of its programmes for village industries and, therefore, the volume of employment provided by it has been small in relation to the backlog of unemployment and underemployment in the country. The Commission has taken steps to introduce improved tools and equipment, and also has schemes for a gradual improvement of techniques. Introduction of improved techniques is, however, contingent upon expansion of technical training facilities, on a scale sufficient to meet the requirements. This can be achieved only over a period of time.

[*Ministry of Commerce and Industry O.M. No. 21(49)/62—KVE (A & E), dated 1st February, 1963.*]

COMMENTS OF THE GOVERNMENT

Please see paragraphs 15 and 16 of Chapter V.

Recommendation (Serial No. 56)

No time-limit has been fixed for the presentation of the Annual Reports and Accounts of the Commission to Parliament. The Annual Report for the year 1959-60 was laid on the Table of the Lok Sabha on 16th March, 1961 and the Report for 1960-61 has not been presented as yet. Thus there has been a time-lag of more than 11 months in presenting the annual reports. That annual reports of all Public Undertakings should be presented to Parliament before the presentation of general budget for the following year has been stressed in para 22 of the 73rd Report of the Committee (Second Lok Sabha). They hope that a start in this direction would be made from the next year. (Paragraph 157).

REPLY OF THE GOVERNMENT

Noted.

[*Min. of Commerce and Industry O.M. No. 21(49)/62—KVE (A & E), dated 1st February, 1963.*]

Recommendation (Serial No. 58)

The two Evaluation Committees which went into the working of the Commission have also referred to the non-availability of basic

statistics and stressed the need for strengthening the Economic Research Section of the Commission. The Committee, however, regret to note that the position has not improved as yet. For instance, the Commission was not in a position to indicate the number of Bhandars sanctioned or located in areas with a population of 10,000 and below. Details regarding functional classification of cooperatives were also not available with it. The necessity for complete statistical information needs no emphasis. It is vital for a continual appraisal of the implementation of the Commission's schemes in both financial and physical terms, as also for making necessary adjustments in both current and perspective plans. The Committee trust that the Commission would take suitable measures to improve the position in this regard. (Paragraphs 161-162).

REPLY OF THE GOVERNMENT

The Commission is making necessary arrangements for the collection of fuller statistical information.

[Min. of Commerce and Industry O.M. No. 21(49)/62—KVE (A & E), dated 1st February, 1963.]

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY.

Recommendation (Serial No. 2)

The Committee are surprised to see the various changes made or sought to be made in the organisational set-up for the development of Khadi and Village Industries. It will be seen that initially a Board was set up in 1953 for the purpose. Within four years, the Board was replaced by a Statutory Commission in 1957. Hardly another period of 4 years has elapsed before another statutory body in the shape of Rural Industrialisation Commission is being projected. The exact picture of this new proposal has not yet emerged. But the purpose of it seems to be that the multiplicity of organisations working towards the same end, namely the development of village industries, should be avoided and it should be made possible for Gram Ekai programme to be included in its functions. Before even the framework of this new proposal has been worked out, further difficulties have been encountered.

It is difficult to understand how by the mere transformation of the Khadi and Village Industries Commission into Rural Industrialisation Commission, the all-comprehensive activities under Gram Ekai programme could be taken up by the Rural Industrialisation Commission. The Committee are of opinion that the constitution of Rural Industrialisation Commission and merging Khadi Commission in it, is not going to solve the problem. Rather, it may give rise to more problems. In the first place, any Industrialisation Commission cannot take up activities of 'Samagra Seva' character which Gram Ekai purports to do. It can only be by an organisation such as Rural Development Commission—a nomenclature with which the Secretary of the Ministry agreed. Secondly, there are other agencies such as the Community Development Administration, Handloom Board, Handicrafts Board, the Small Scale Industries Board, the Social Welfare Board, the Bharat Sevak Samaj etc., whose activities may necessarily impinge on the activities of the proposed organisation, whether it is called the Rural Industrialisation Commission or even the Rural Development Commission. What relationship would subsist between the existing various bodies and the proposed Commission and how overlapping of functions between them is sought to be avoided is not clear. While the Committee are of opinion that multiplicity of organisations and overlapping of functions should be avoided, they suggest that before any proposal for the constitution of Rural Industrialisation Commission is considered, a thorough enquiry must be undertaken by a Committee consisting of the representatives of all the bodies that are going to be affected by the proposal including those of the States. There need be no hurry in the matter. What is wanted is a comprehensive examination of all aspects of the question before a final shape is given to the new organisation. (Paragraphs 17—19).

REPLY OF THE GOVERNMENT

There is no proposal to set up a Rural Industrialisation Commission. The Planning Commission have set up a Rural Industries Planning Committee with the object of reviewing the progress of industries in rural areas, advising on problems of policy and planning relating to them and recommending programmes for the intensive development of industries in rural areas, including coordinated area and regional plans of development and pilot projects. A copy of the Planning Commission Resolution No. VSI/8(6)/61, dated the 18th April, 1962, regarding constitution of the Rural Industries Planning Committee, placed at page 86. The Rural Industries Planning Committee of the Planning Commission has appointed a Standing Committee for continuous guidance for the programme for rural industries to be implemented by the State Government.

[*Ministry of Commerce and Industry O.M. No. 21(49)/62—KVE (A & E), dated 1st February, 1963.*]

COMMENTS OF THE COMMITTEE

In view of Government's reply that there is no proposal to set up a Rural Industrialisation Commission, the recommendation may not be pursued.

Recommendation (Serial No. 28)

The Committee note from the Third Five Year Plan that one of the main objectives to be kept in view in implementing the programmes for village and small industries is "to reduce progressively the role of subsidies, sales rebates and sheltered markets". This is an objective which, the Committee hope, would be constantly borne in mind by the Commission. (Paragraph 86).

REPLY OF THE GOVERNMENT

Noted. However, it may be mentioned that the price differential between khadi and mill cloth in respect of certain varieties of khadi cannot be altogether eliminated.

[*Ministry of Commerce and Industry O.M. No. 21(49)/62—KVE (A & E), dated 1st February, 1963.*]

Recommendation (Serial No. 33)

The Commission has appointed separate organisers for edible oil and non-edible oil and soap industries. The Committee feel that some economy could be achieved if allied industries were placed under one organizer. They hope that the Commission would re-examine this matter. (Paragraph 96).

REPLY OF THE GOVERNMENT

This has been examined and found to be not practicable. The problems of edible oil and non-edible oil and soap industries are

fundamentally different and, therefore, require the whole-time attention of two different organisers.

[*Ministry of Commerce and Industry O.M. No. 21(49)/62-KVE (A & E), dated 1st February, 1963*]

Recommendation (Serial No. 34)

The Committee further suggest that integration of organisations for the Gur and Khandsari and Palm Gur Industries might also be considered. (Paragraph 97).

REPLY OF THE GOVERNMENT

The problems of Palm Gur and Gur and Khandsari industries are entirely different and, therefore, in their case as well, separate organisers are required.

[*Ministry of Commerce and Industry O.M. No. 21(49)/62—KVE (A & E), dated 1st February, 1963.*]

Recommendation (Serial No. 36)

The Committee find that traditional telis (oilmen) are not impressed with the efficiency of improved Wardha Ghanis which are distributed by the Commission. The extraction of oil in both types of ghanis (traditional and Wardha) is stated to be more or less the same and the annual repair cost per improved ghani is nearly 50% higher than that required for a traditional one and, even at the subsidised rate of Rs. 150 per improved ghani, the cost of it is nearly twice as much as the price of the traditional one. It was also reported that in certain places oil produced by small expellers was sold as ghani oil thereby evading excise duty on mill oil. The Committee trust that the Commission would look into these matters. (Paragraph 100).

REPLY OF THE GOVERNMENT

Wardha ghanis are definitely an improvement measured in terms of out-put per hour and percentage of recovery of oil from seeds. The ability of telies to derive the benefits of the improved ghani fully, however, depends upon the size and strength of bullocks. In areas where the bullocks are small, the Commission does not insist on the adoption of ghanis, but assists those who want to purchase such ghanis.

It has been ascertained that the Registered Sales Agencies assisted by the commission do not market oil produced by the baby oil expellers or by other oil mills. Hence the question of evading excise duty on such mills' pressed oil so far as the commissions agencies are concerned, does not arise.

[*Ministry of Commerce and Industry O.M. 21(49)/62—KVE dated 1st February, 1963.*]

Recommendation (Serial No. 37)

The Committee understand that the work relating to the Gur and Khandsari Industry has recently been transferred from the Ministry of Commerce and Industry to the Ministry of Food and Agriculture. Government considered that the Commission could more appropriately deal with the latter Ministry in regard to technical and advisory aspects of Gur and Khandsari Industry. The administrative and budgetary control, however, continues to be exercised by the Ministry of Commerce and Industry. The Committee feel that on the same analogy, the feasibility of transferring the work relating to industries like processing of cereals, village oil and Bee-keeping to the Ministry of Food and Agriculture may be considered. (Paragraph 101).

REPLY OF THE GOVERNMENT

The suggestion of the Estimates Committee has been examined in consultation with the Ministry of Food and Agriculture. There does not seem to be any advantage in transferring the work relating to these industries to that Ministry.

[Ministry of Commerce and Industry O.M. 21(49) /62—KVE (A & E), dated 1st February, 1963.]

Recommendation (Serial No. 50)

The Chairman admitted that the Information Bureau at Delhi had not served the purpose for which it was intended. In the circumstances, the need for its continuance requires to be examined. (Paragraph 137).

REPLY OF THE GOVERNMENT

Recently steps have been taken to improve the Information Bureau at Delhi and it is expected that hereafter it will serve the purpose for which it was intended.

[Ministry of Commerce and Industry O.M. 21(49) /62—KVE (A & E), dated 1st February, 1963.]

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Serial No. 1)

The Committee do not consider that the Intensive Area Scheme and Gram Ekai Programme fall within the province of the Commission. While the Committee appreciate the Commission's anxiety to carry on with these activities, they feel that specific and prior approval of Parliament by way of amendment of the Act should have been taken before embarking upon activities not specifically covered by the Act and more so when they involve financial commitments. The Ministry would have done well to be more vigilant in the matter and directed the Commission well in time against undertaking activities not legitimately covered by the Act. (Paragraphs 7-11).

REPLY OF THE GOVERNMENT

The Khadi & Village Industries Commission has not incurred any expenditure under the Intensive Area Scheme and the Gram Ekai Programme on activities other than those of Khadi & Village Industries. These activities, such as cooperative farming, agricultural improvements, etc., are being organised by local institutions on their own initiative and with their own funds. However, the question of amending the Khadi & Village Industries Commission Act, 1956, suitably, is being examined.

[Min. of Commerce and Industry O.M. No. 21(49)/62-KVE (A. & E.), dated 1st February, 1963].

COMMENTS OF THE COMMITTEE

The Committee consider that the Intensive Area Scheme and Gram Ekai Programme do not fall within the scope of the Khadi & Village Industries Commission Act and if it is intended to cover these activities the Act would need to be suitably amended.

Recommendation (Serial No. 7)

The proportion between grants and loans disbursed to the various States during the Second Plan differs widely from State to State. Thus, for instance, in Bihar the loans are 2-1/2 times the amount of grants, while in Bombay loans are little less than the amount of grants. In Delhi, the grants are twice the amount of loans and in Jammu and Kashmir they are one and a half times thereof. The

Committee consider it desirable that the proportion between grants and loans to the various States should be broadly laid down... In case there are special considerations necessitating large grants to a particular State, the reason therefor should be indicated in the annual reports of the Commission. (Paragraph 32).

REPLY OF THE GOVERNMENT

The suggestion has been considered very carefully. The Government are of the view that it would not be desirable to lay down the proportion between grants and loans for the various States. Proportion between grants and loans have already been fixed for the different schemes, but in the aggregate volume of disbursements, the proportion cannot be uniform as the nature of the responsibility undertaken by different States varies. States like Maharashtra, Delhi etc. absorb more of grants than of loans as they are mainly sales centres.

[Min. of Commerce and Industry O.M. No. 21(49)/62-KVE (A. & E.), dated 1st February, 1963].

COMMENTS OF THE COMMITTEE

The Committee reiterate their recommendation that in case there are special considerations necessitating larger grants to a particular State, the reason therefor should be indicated in the annual reports of the Commission.

Recommendation (Serial No. 41)

The Committee find that the composition of the Commission does not conform to accepted pattern. The relevant provision in the Act does not preclude any official from being appointed on the Commission. The Government has chosen to put on the Commission only non-officials who in the opinion of Government have full faith in the ideals and principles laid down by Gandhiji etc. In this connection the Committee note that Government has recently decided that it would not only be advantageous but necessary to have one representative each from the Finance Ministry and the Administrative Ministry on the Boards of each of the Government Companies/Corporations. The Committee are not sure whether an exception has to be made in the case of Khadi Commission. They recommend a re-examination of the position whether the Commission should be treated as an exception to this rule. (Paragraphs 112—114)

REPLY OF THE GOVERNMENT

The representatives of the Ministry of Finance and the Ministry of Commerce and Industry actually attend, by invitation all the meetings of the Commission and offer their comments and advice on matters before the Commission. Having regard to the special position of the Khadi and Village Industries Commission, the Government of India feel that it is neither desirable nor necessary to have officials as members of the Commission.

[Ministry of Commerce and Industry O.M. 21(49)/62—KVE (A & E) dated 1st February, 1963.]

COMMENTS OF THE COMMITTEE

Please see paragraphs 11 & 12 of Chapter I.

Recommendation (Serial No. 43)

The Committee recommend that the desirability of giving representation to the specialised agencies like the Council of Scientific and Industrial Research, Indian Central Oilseeds Committee, Indian Central Cotton Committee etc. on the Khadi Board might also be considered since they are also engaged in one way or the other with activities cognate to the development of Khadi and Village Industries. (Paragraph 118).

REPLY OF THE GOVERNMENT

The outlook and the spheres of work of the Council of Scientific and Industrial Research, Indian Central Oilseeds Committee, Indian Central Cotton Committee, etc. are different from those of the K. & V. I. Commission. As such giving representation to such agencies on the K. & V. I. Board is not necessary. However, in the past officials of these agencies have been associated with the work pertaining to their respective fields and the Commission will continue to avail of their specialised assistance, as and when considered necessary.

[Min. of Commerce and Industry O.M. No. 21(49)/62-KVE (A. & E.), dated 1st February, 1963].

COMMENTS OF THE COMMITTEE

The reply of the Government is not convincing. The Committee consider that there may be positive advantage in having representatives of special agencies like the C.S.I.R. etc. on the Khadi Board. Even where these representatives cannot be taken as members of the Khadi Board, at least their services should be more frequently utilised in advisory and consultative capacity.

Recommendation (Serial No. 47)

The Commission is assisted by its Zonal Directors in each State in the implementation of its schemes. The Committee are not convinced of the need for these Zonal Offices. They fully endorse the views of the Khadi Evaluation Committee about the overstaffing in the Zonal Offices in relation to the quality of work rendered by them. If the suggestion made by the Committee in para 132 of the Report were implemented that would lead to the establishment of the desired link between the Commission and the State Boards and thus obviate the need for having these Zonal Offices. Further, the suggestion made by the Committee for the disbursement of funds to all institutions through the State Boards would enable the Commission to transfer most of the functions of the Zonal Offices to the State Boards. (Paragraphs 128—130).

REPLY OF THE GOVERNMENT

The Zonal Offices, at present, are performing important functions like coordination of work of different agencies, collection of periodical returns, administrative supervision over the staff for inspection and audit of the accounts of the institutions assisted by the Commission, etc. etc. In these circumstances it would not be possible to transfer the functions of Zonal Offices to the State Board at present.

[Ministry of Commerce and Industry O.M. 21(49) /62—KVE (A & E), dated 1st February, 1963.]

COMMENTS OF THE COMMITTEE

The Committee hope that where the Zonal Office is found to be necessary, there should be proper demarcation of functions so that there may not be any overlapping or duplication.

Recommendation (Serial No. 48)

The Committee suggest that the desirability of preparing a Model Act on the analogy of the State Financial Corporations Act, 1951 providing for a uniform set-up for the State Boards as also an organisational link between the Commission and the State Boards might be considered by Government. (Paragraph 132).

REPLY OF THE GOVERNMENT

The various Acts setting up statutory State Boards by different State Governments provide in practice, with certain exceptions, a uniform pattern. It will not be desirable to fetter the position of the State Governments in this respect nor would any useful purpose be served by having a uniform set-up for all the State Boards.

[Min. of Commerce and Industry O.M. No. 21(49) /62-KVE (A. & E.), dated 1st February, 1963].

COMMENTS OF THE COMMITTEE

Please see paragraph 13 & 14 of Chapter I.

Recommendation (Serial No. 55)

The Committee understand that Government have not so far laid down any form for the presentation of the annual reports of the Commission. The budget of the Commission as required under Section 24(2) of the Act is also not published in its reports. The Committee have suggested at appropriate places what additional information should be given in its annual reports so as to make them more informative and useful. Among other items, the Reports should clearly indicate the physical and the financial programme, achievements in relation to the programme and the prescribed objectives and functions of the Commission. The Committee trust that Government would prescribe the form of Reports as early as possible, taking into consideration the various suggestions made by them. (Paragraph 156).

REPLY OF THE GOVERNMENT

The form in which the annual Reports are being submitted by the Commission, has been considered to be quite suitable and it is not considered necessary to prescribe any specific form for this purpose. However, the recommendation that the Annual Reports should clearly indicate the physical and financial programme, etc., is accepted.

[*Ministry of Commerce and Industry O.M. 21(49)/62—KVE (A & E), dated 1st February, 1963.*]

COMMENTS OF THE COMMITTEE

The Committee feel that the form in which the annual Reports are submitted by the Commission should be prescribed by Government so that all the required information is included therein. The recommendation is reiterated.

Recommendation (Serial No. 57)

The Committee feel that it would be advantageous to include the audited accounts in the annual reports so that a full picture of the working of the Commission is available at one place. They hope that a beginning would be made in this regard from the next year. (Paragraph 158).

REPLY OF THE GOVERNMENT

While the object of the recommendation is appreciated and the Commission would like to implement it, it is not feasible due to some practical difficulties. The time limit for the submission of annual accounts by the Commission to Audit is the end of October. The audit of the accounts and the acceptance of the audit report thereon by the Ministry etc. generally take considerable time before the audited accounts could be placed on the Table of the Parliament. If the audited accounts are to be included in the annual reports of the Commission, as suggested, submission of this report to Government which falls due by the end of September would also be further delayed. The present arrangement by which these documents are separately laid before the Parliament, which is also in accordance with the provisions of the K & VIC Act, 1956, is considered better and workable.

[*Ministry of Commerce and Industry O.M. 21(49)/62—KVE (A & E), dated 1st February, 1963.*]

COMMENTS OF THE COMMITTEE

It is surprising that after appreciating the recommendation and expressing its readiness to implement it, the Commission has felt it not feasible due to practical difficulties—which the Committee expect Government should have removed. In accordance with Rule 22

of the Khadi and Village Industries Commission Rules, the annual accounts of the Commission are required to be submitted to the Government and the audit officer normally by the end of August, i.e., five months after the close of the financial year. From this time till the presentation of the General Budget for the following year, there is thus a time-lag of six months. The Committee feel that during this period it should be possible to have the accounts audited and get the audit report approved by the Ministry so that the audited accounts could be incorporated in the annual report before it is laid on the Table of the House. The recommendation of the Committee is, therefore, reiterated.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation (Serial No. 9)

The Committee recommend that effective measures should be taken to recover the outstanding loans as also to ensure timely recovery of the loans falling due in future. One way of doing so would be to allow some margin of profit to the Institutions/Cooperatives engaged in Khadi and Village Industries instead of expecting them to run on 'no-profit no-loss' basis as at present. The Committee hope that this matter would receive due attention. (Paragraph 38).

REPLY OF THE GOVERNMENT

The Commission has agreed to examine how this can be managed without raising costs of production to an extent that may affect its marketability.

[*Min. of Commerce and Industry O.M. No. 21(49)/62-KVE (A & E), dated 1st February, 1963*]

COMMENTS OF THE COMMITTEE

Please see paragraphs 3 & 4 of Chapter I

Recommendation (Serial No. 11)

The Committee find that Handicraft Cooperatives are given 75% of their share capital as a two-year loan, 75 per cent of working capital as a two-year loan and 50% of recurring expenditure on special supervisory Cooperative Staff as grant for 3 years whereas Khadi and Village Industries Cooperatives are given loans to the extent of 87.5% of the share value besides management grants, for 4 years on the scale indicated in para 43. It would be desirable to have uniformity in the pattern of assistance offered by Government to similar institutions. Further the management grant should be gradually reduced. The Chairman of the Commission considered that this was possible. (Paragraph 44).

REPLY OF THE GOVERNMENT

A Committee has been appointed to examine, in the light of the experience so far gained and the assistance offered by other agencies for similar developmental activities, the existing pattern of financial assistance for the development of Khadi and Village Industries in regard to its scale, continuance and utilisation and suggest revised

patterns of assistance. As regards the observation regarding management grant, it is already on a progressively decreasing scale.

[Min. of Commerce and Industry O.M. No. 21(49)/62-KVE (A & E), dated 1st February, 1963]

Recommendation (Serial No. 12)

All expenditure connected with training is provided as grant by the Commission. The Committee feel that the feasibility of the institutions, which depute the trainees, bearing a portion of the training expenditure may be examined. This would not only ensure the absorption of trainees by those institutions but also act as a check against trained persons remaining idle after completion of their training. (Paragraph 45).

REPLY OF THE GOVERNMENT

The Commission has taken in hand an examination of this question.

[Min. of Commerce and Industry O.M. No. 21(49)/62-KVE (A & E), dated 1st February, 1963]

Recommendation (Serial No. 16)

While the Commission grants interest-free loans for various purposes, it charges concessional rate of interest on loans for working capital. The difference between the interest recovered by it and that due to Government is paid by the latter as a direct subsidy. The Committee feel that with a view to reflect the actual extent of concessions granted by the Commission to the various parties, it would be desirable if the normal rates of interest on loans are first charged and concessions, if any, are given by way of subsidy which should be shown separately. The Financial Adviser of the Ministry agreed that this could be done. The Committee recommend that necessary action may be taken in this regard. (Paragraph 56).

REPLY OF THE GOVERNMENT

The Government of India are examining this suggestion in consultation with the Commission.

[Min. of Commerce and Industry O.M. No. 21(49)/62-KVE (A & E), dated 1st February, 1963]

FURTHER REPLY OF THE GOVERNMENT

A proposal for providing "Working Funds" instead of individual loans to and by the Commission for its activities is under the consideration of the Government. The recommendation of the Committee will be kept in view while finalising the proposal.

[Min. of Industry O.M. No. 21(49)/62-KVE, dated 2nd March, 1964]

Recommendation (Serial No. 42)

The Committee consider that there is some virtue in having the representatives of State Governments on the Board in view of the fact that the execution of the various Schemes of the Commission necessarily devolves on the State Boards set up by the State Governments. The Committee feel that the matter deserves necessary consideration in the light of the above remarks. (Paragraph 117).

REPLY OF THE GOVERNMENT

The suggestion of the Estimates Committee is being examined in consultation with the Khadi and Village Industries Commission.

[Min. of Commerce and Industry O.M. No. 21(49)/62-KVE (A & E),
dated 1st February, 1963]

NEW DELHI;
April 25, 1964.
Vaisakha 5, 1886 (Saka).

ARUN CHANDRA GUHA,
Chairman,
Estimates Committee.

APPENDIX

(Vide Introduction)

Analysis of the action taken by Government on the recommendations contained in the 167th Report of the Estimates Committee (Second Lok Sabha).

I. Total Number of Recommendations made	58
II. Recommendations that have been accepted by Government (Vide recommendations Nos. 3, 4, 5, 6, 8, 10, 13, 14, 15, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 29, 30, 31, 32, 35, 38, 39, 40, 44, 45, 46, 49, 51, 52, 53, 54, 56 and 58 referred to in Chapter II)	
Number	38
Percentage to total	65.5%
III. Recommendations which the Committee do not desire to pursue in view of Government's reply (Vide recommendations Nos. 2, 28, 33, 34, 36, 37 and 50 referred to in Chapter III)	
Number	7
Percentage to total	12.1%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee (Vide recommendations Nos. 1, 7, 41, 43, 47, 48, 55 and 57 referred to in Chapter IV).	
Number	8
Percentage to total	13.8%
V. Recommendations in respect of which final replies of the Government are still awaited (Vide recommendations Nos. 9, 11, 12, 16 and 42 referred to in Chapter V).	
Number	5
Percentage to total	8.6%

