

**THIRTEENTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC ACCOUNTS  
(2011-2014)**

**TWELFTH REPORT**

(Presented on 26th June, 2012)



SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM  
2012

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**On**

**Paragraphs relating to Industries Department contained  
in the Report of the Comptroller and Auditor  
General of India for the year ended  
31st March, 2008 (Civil)**

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\* Resigned on 29th March 2012.

## INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report on their behalf present the Twelfth Report on paragraphs relating to Industries Department contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2008 (Civil).

The Report of the Comptroller and Auditor General of India for the year ended 31st March, 2008 (Civil) was laid on the Table of the House on 23rd June, 2009.

The Committee considered and finalised this Report at the meeting held on 28th March, 2012.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General in the examination of the Audit Report.

Thiruvananthapuram,  
26th June, 2012.

DR. T. M. THOMAS ISAAC,  
*Chairman,*  
*Committee on Public Accounts.*

## REPORT

### INDUSTRIES DEPARTMENT

#### AUDIT PARAGRAPH

#### **Development of traditional industries–Handloom**

##### *Highlights*

Handloom industry is one of the main traditional and labour oriented industries in the State. Ninety six per cent of handloom production in the State is contributed by the Co-operative sector. Central and State Governments give financial assistance for implementing various schemes for handloom development. Some of the points noticed during the review of the implementation of the schemes in the sector are given below :

- The Department did not have a reliable and accurate database for planning and implementation of various schemes.
- During 2005-08 ₹ 34.23 crore of budgeted funds remained unspent due to non-availing for Central assistance in full.
- During 2003-07 Central funds of ₹ 2.78 crore meant for Marketing Incentive under Deen Dayal Hatkargha Prothsahan Yojana (DDHPY) was diverted for rebate on handloom under State scheme.
- ₹ 1.01 crore released to 58 Primary Handloom Weaver's Co-operative Societies (PHWCS) in three test checked districts for DDHPY were diverted for working capital.
- ₹ 1.68 crore was collected from 224 PHWCS to constitute a common fund for utilisation towards publicity, of which ₹ 97.25 lakh was diverted and ₹ 70.75 lakh retained in bank without utilisation.
- Training imparted at a cost of ₹ 1.70 crore under DDHPY was unfruitful as the weavers were not trained for using Jackquard and Dobby which are essential for weaving design patterns.
- Out of ₹ 2.95 crore given for design input ₹ 1.19 crore had become unfruitful as the societies did not adopt the design supplied by the agencies and ₹ 1.76 crore released to the societies did not serve the intended purpose.
- Apex organisations in the State–Hantex and Hanveev–could not avail assistance of ₹ 36.40 crore due to their inability to submit project reports based on GOI guidelines.

- Though marketing incentive of ₹ 54.80 crore was released to PHWCS and apex organisations to increase production and sales during 2001-07, the production and sales decreased during the period.
- The apex organisations Hantex and Hanveev established for the development of handloom in co-operative and unorganised sectors were making losses year after year and the accumulated loss at the end of March 2007 was ₹ 133.52 crore.
- There was no effective monitoring by the officials responsible and false utilisation certificates were sent to GOI.

### **Introduction**

Handloom industry is one of the main traditional industries in the State. This labour-oriented sector which employs about two lakh persons is facing many problems like competition from the powerloom sector, dwindling number of weavers and other labourers due to low wages and certain specific financial problems of the Primary Handloom Weavers Co-operative Societies\* (PHWCS). Out of 58400 handlooms in the State, 46720 were in the co-operative sector. There were 758 registered PHWCS in the State of which about 300 are now defunct. There were two apex level organisations in the State—Kerala State Handloom Weavers Co-operative Society (HANTEX) and Kerala State Handloom Development Corporation (HANVEEV) to supply raw material, sell the products of the PHWCS and the individual weavers. Ninety six per cent of the total handloom production in the State is contributed by the Co-operative sector and the balance by the unorganised/corporate sector. In order to develop the handloom sector, Central and State Governments are implementing various schemes.

### **Organisational set-up**

At Government level Principal Secretary, Industries and Commerce is in overall control of all activities in the handloom sector. There is a separate Directorate of Handloom and Textiles (DH&T) headed by a Director. The schemes are implemented through the District Industries Centre (DIC) under the Director of Industries and Commerce. The organogram depicting the organisational set-up of handloom sector is given in Appendix III.

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\* These are societies registered under the Kerala Co-operative Societies Act, 1969 and engaged in weaving of handloom clothes. There should be a minimum of 25 members from 25 families of which eight per cent can be non-weavers. The society has a secretary who looks after the administration.

### **Audit Objectives**

The objectives of the Performance Audit were to assess whether:

- Adequate data was available for planning and implementing various Central and State schemes,
- Sufficient funds were made available and were efficiently and economically utilised,
- The Deen Dayal Hatkargha Prothsahan Yojana (DDHPY) scheme was implemented efficiently and economically,
- The apex level organisations and co-operative societies implementing the schemes were functioning effectively and
- Schemes were effectively monitored.

### **Audit Criteria**

- Specified target population and eligibility conditions fixed/prescribed for various Central/State schemes,
- Budget provision and allotment to various projects in the handloom sector,
- Scheme guidelines, targets and time span fixed by Central and State Governments,
- Aims/Goals fixed for achievement by State Level Organisations,
- Annual Statements, UCs, etc. submitted by field level/State Offices to State/Central Governments.

### **Scope of audit and audit methodology**

A Performance Audit was conducted during February 2008 to June 2008 covering the period 2003-08. As handloom units were mainly concentrated in Kannur and Thiruvananthapuram districts these districts were selected compulsorily. Two\* districts from the remaining 12 have also been selected using simple random sampling. The methodology adopted was mainly scrutiny of files, records and documents in the various offices, interaction with those concerned with the implementation of the schemes, field visits to randomly selected societies and collecting information from weavers through questionnaire. An entry conference was conducted with the Principal Secretary (Industries and Commerce) in March 2008. Audit methodology, coverage, samples and other

\* Ernakulam and Thrissur.



essential features of the audit were explained at the meeting. An exit conference with the Principal Secretary, Industries Department was held in September 2008.

### **Audit Findings**

#### *Absence of authentic database*

A reliable and authentic database is necessary for successful planning and implementation of different schemes. The Economics and Statistics Department conducted a survey (2003-04) to study the status of handloom sector in Kerala such as a number of weavers, number of looms, ownership of looms, production details, count-wise consumption of yarn, rebate sales, wages and the socio-economic impact of various activities. The Provisional Report sent to the Director of Handloom and Textiles in 2006, has not been published so far. According to the survey, against 758 PHWCS registered in the State, only 467 are functioning. As against a total membership of 65590, only 26624 members (40.59 per cent) were involved in active weaving at the time of survey.

A field visit of the Audit Team to 12 PHWCS selected at random from the 74 test checked PHWCS in the sample districts revealed that the percentage of active members in the selected PHWCS was much lower (12 to 27 per cent) than the percentage mentioned in the survey. The results are given below:—

TABLE 1—PERCENTAGE OF ACTIVE WEAVERS

<i>Name of Districts</i>	<i>Number of societies visited</i>	<i>Number of registered weavers</i>	<i>Active weavers</i>	<i>Percentage active weavers to registered</i>
Thiruvananthapuram	4	1279	238	19
Ernakulam	2	264	70	27
Thrissur	3	593	73	12
Kannur	3	1061	185	17
Total	12	3197	566	18

The survey conducted by the Director of Economics and Statistics in 2003-04 at a cost of ₹ 13 lakh could not therefore, be relied upon as the data had lost its relevance due to lapse of time.

It was also noticed that the data relating to handloom sector for the year 2007-08 given by DH&T to the State Planning Board for inclusion in the Economic Review contained figures for only 11 districts in the State. Thus there were inconsistencies in the data, hence the data cannot be relied upon.

The Handloom Advisory Committee reconstituted in October 2007 recommended for survey and issue of identity cards to weavers. No follow-up action was however, taken on the recommendations.

In the context of declining number of weavers actually working in the handloom sector it is necessary to have adequate and reliable data for planning and implementation of various schemes in the sector. The department had, however, not taken active interest in ensuring availability of accurate and reliable data on weavers, working looms, etc. This had an adverse effect on planning and implementation of various projects in the sector.

#### **Availability of funds and their utilisation**

The budget provision, expenditure and saving in the sector during 2003-04 to 2007-08 are detailed below :

TABLE 2—BUDGET PROVISION AND EXPENDITURE

<i>Year</i>	<i>(Rupees in crore)</i>					
	<i>Provision *</i>		<i>Expenditure</i>		<i>Savings</i>	
	<i>Plan</i>	<i>Non-Plan</i>	<i>Plan</i>	<i>Non-Plan</i>	<i>Plan</i>	<i>Non-Plan</i>
2003-04	25.97	4.26	24.93	3.60	1.04	0.66
2004-05	24.81	2.51	23.23	2.02	1.58	0.49
2005-06	25.77	16.36	16.07	14.59	9.70	1.77
2006-07	24.57	10.74	15.92	8.90	8.65	1.84
2007-08	42.36	11.92	26.48	10.21	15.88	1.71
Total	143.48	45.79	106.63	39.32	36.85	6.47

The savings during 2005-06 to 2007-08 were due to shortfall in expenditure on Central schemes. During 2003-08, the State received ₹ 56.78 crore (including ₹ 3.86 crore received for SGSY projects) from GOI towards various plan and non-plan schemes.

\* Including Central Assistance.

### Diversion of Central Funds towards State Scheme

Deen Dayal Hatkargha Prothsaan Yojana (DDHPY) was a comprehensive Central scheme for the handloom sector implemented during 2000-07. The scheme was completed in 2006-07. One of the components of the scheme was Marketing Incentive (MI) given as a fixed percentage\* of sales turnover to handloom societies or agencies for creating infrastructure. The MI was in the form of grant shared between GOI and State in the ratio of 50:50.

The State Government was also extending financial assistance to handloom agencies/societies in the form of rebate to enhance the sale of handloom goods in the State. As the State Government felt that MI and rebate would result in double benefit, it ordered (February 2003) deduction of MI from the rebate admissible to the beneficiary agencies. The action of Government amounted to diversion of funds granted under a Central Scheme to a State Scheme. During 2003-07<sup>†</sup> MI of ₹ 2.78 crore was diverted for rebate due to Hantex and Hanveev as shown in the table.

TABLE 3—MI ADJUSTED AGAINST REBATE

*(Rupees in crore)*

<i>Year</i>	<i>MI adjusted</i>		<i>Total</i>
	<i>Hantex</i>	<i>Hanveev</i>	
2003-04	1.08	0.58	1.66
2004-05	0.45	0.22	0.67
2005-06	0.20	0.09	0.29
2006-07	0.08	0.08	0.16
	1.81	0.97	2.78

Amount of MI adjusted against rebate paid to PHWCS, though called for, had not been received (June 2008).

\* For the State level agencies the incentive was eight per cent for the first two years, six per cent for the next two years, four per cent for the subsequent two years and two per cent on the seventh year i.e. 2006-07. For the PHWCS the phasing out was from 10 per cent in first two years to four per cent in the last year.

† Scheme was completed in 2006-07.

### **Excessive Budget provision**

In the Budget for the year 2007-08, ₹ 30 crore (₹ 15 crore towards State Share and ₹ 15 crore towards Central Share) was provided for payment of MI for the year 2006-07 under DDHPY scheme. The scheme was completed in 2006-07 and ₹ 2.69 crore was required for the payment of arrears. In view of this, provision of ₹ 30 crore made in the budget (2007-08) for payment of arrears was excessive and against the provisions of Kerala Budget Manual. The Department used ₹ 19.48 crore out of this provision for expenditure under 'Integrated Handloom Development Scheme', a new Centrally Sponsored Scheme introduced from 2007-08 onwards. Incurring of expenditure from funds specifically provided for one scheme to another scheme was irregular and resulted in depiction of incorrect expenditure against these schemes in State accounts.

### **Implementation of Deen Dayal Hatkargha Prothsahan Yojana (DDHPY)**

Various schemes aimed at product development, infrastructure development, skill development, housing and welfare of weavers etc., were implemented by State Government and GOI to improve the handloom sector. Of this the major scheme DDHPY only was covered by Audit. Results of the review of schemes are detailed below :

#### **Project formulation**

DDHPY Scheme was implemented in the State during 2000-07\* and the total cost of ₹ 78.13 crore (including MI) was shared between Central and State equally (75:25 for projects having all SC/ST or women members). The scheme provided for two packages, Basic Inputs<sup>†</sup> and Marketing Incentive. The Ministry of Textiles, GOI directed (September 2000) State Governments to prepare the project in two packages. The Sub-committee formed for technical scrutiny found that it was not feasible to implement the scheme through individual PHWCS due to severe financial crisis faced by them and recommended a cluster based approach for implementation. It was, however, seen that the project reports were

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\* Scheme was completed in 2006-07.

<sup>†</sup> Margin Money, assistance for looms and accessories, Training, Infrastructure support, Design Inputs, Publicity.

prepared for individual societies with specific fund allocation for each of them and GOI approved the projects as individual projects and not as cluster as recommended.

GOI approved (2002-04) 295 projects, of which 270 were for PHWCS (₹ 20.23 crore) and the balance for 25 Mahila Samajams under an NGO (₹ 3.10 crore). The amounts for different components were released to the individual societies. Hence although the Technical Sub-Committee had reported the non-availability of the scheme through individual societies and recommended cluster formation, the scheme was implemented through individual societies and no cluster approach was adopted except in the case of 25 projects implemented through Mahila Samajams.

#### **Funding of the Project**

The total project cost (excluding MI) for the 295 projects was ₹ 23.33 crore (2001-07) consisting of GOI share (₹ 7.83 crore), State share (₹ 6.15 crore), bank finance (₹ 8.53 crore) and beneficiary contribution (₹ 0.82 crore). The share of GOI and State was for different components such as margin money, procurement of Jacquard/Dobby, publicity, training, etc. During 2002-05, GOI share and State share amounting to ₹ 13.75 crore (GOI: ₹ 7.31 crore; State: ₹ 6.44 crore) for basic inputs was disbursed to societies/training institutes/design agencies.

As per GOI instructions, the margin money provided as grant by the State and GOI and the share of beneficiaries were to be deposited into the bank account of the societies and the same was to be used as seed money for enhancement of Cash Credit Limit (CCL) of the beneficiaries. The grant towards training was to be paid to the concerned training institutions. The District Industries Centres were responsible for monitoring the implementation.

#### **Violation of GOI guidelines**

The funds released to each society were kept in a joint account in the name of General Manager, District Industries Centre and Secretary of the concerned PHWCS. The records in the DICs in the selected districts revealed that a major portion of the funds were utilised for working capital needs of the societies and not for the components sanctioned in the project as detailed in table.

TABLE 4—UTILISATION OF DDHPY ASSISTANCE BY TEST CHECKED SOCIETIES

*(Rupees in crore)*

<i>Name of District</i>	<i>Number of societies under DDHPY scheme</i>	<i>Number of societies test* checked</i>	<i>Amount sanctioned to test checked societies</i>	<i>Total amount released as grant to societies</i>	<i>Amount utilised for the components of the scheme as per UC</i>	<i>Amount diverted for working capital needs</i>
Thiruvananthapuram	156	40	1.83	1.16	0.47	0.69
Ernakulam	8	8	0.32	0.18	0.06	0.12
Thrissur	10	10	0.40	0.23	0.03	0.20
Kannur	32	16	0.67	0.51	No UC for 5/11 UCs incomplete	Not available
Total	206	74	3.22	2.08		

- All the test checked societies had withdrawn the margin money required to be kept in Bank and used it towards working capital.
- The fund sanctioned for each society included provision for procurement of 10 Jacquards and Dobby essential for weaving value added products using modern diversified designs. Only two societies in Thiruvananthapuram had procured Jacquard and Dobby.
- In Ernakulam district UCs were submitted by seven (out of eight) societies in the same format showing similar expenditure of ₹ 2.60 lakh including expenditure of ₹ 0.64 lakh towards training. But ₹ 0.64 lakh towards training was not actually released to the societies as it was paid directly by the DH&T to the training institute. Hence the UCs furnished by the societies were not factually correct and reliable. One of the societies did not furnish any UC at all.

\* excluding 25 Mahila Samajams under NGO.

- In Kannur five out of the 16 societies test checked had not furnished the UC. The UCs furnished by the others were incomplete. Only the expenditure towards design and development and weaving accessories were shown.
- As per register maintained at DIC Kannur for watching withdrawal of funds under DDHPY, ₹ 9.51 lakh remained unutilised after the closure of the scheme.
- No contribution was made by beneficiaries except in Thiruvananthapuram district and even in this case it was withdrawn and utilised as working capital. The bank loan of ₹ 7.45 crore was not availed as envisaged in the project.

#### **Diversion of funds**

The assistance released to 295 projects contained ₹ 2.95 crore towards publicity. As per GOI guidelines assistance was to be available on the basis of a project specifying the nature of publicity and the target market. State Level Project Committee (SLPC) decided (December 2003) to implement a comprehensive marketing strategy by utilising 75 per cent of the total publicity component for this purpose with IIM-Kozhikode as the resource agency. Accordingly, a Fund with a corpus of ₹ 1.68 crore was formed by collecting ₹ 75,000 each from 224 PHWCS and deposited in a separate bank account. A Marketing Strategy Committee was constituted by Government in 2004 under the Chairmanship of DH&T for implementing this project. As no progress was made in the implementation of the Project till August 2006, based on request from PHWCS, the State Government accorded sanction to return ₹ 50,000 each to PHWCS, as interest-free loan from the Fund for their working capital needs to be repaid in ten instalments. Accordingly DH&T disbursed ₹ 97.25 lakh to 207 PHWCS as interest free loan and the balance ₹ 70.75 lakh was retained in bank. The loan was not repaid as of March 2008. The diversion of funds received for publicity towards working capital was irregular.

#### **Training**

To facilitate weavers to switch over to high value added products, assistance for training in the form of compensation of wages to weavers and Master Trainers at ₹ 750 & ₹ 2,500 per month respectively was provided in the DDHPY scheme. The training for three months was to be provided by Weavers Service Centre/State Institute for Design and Training or other National/State level organisations. Assistance of ₹ 63,750 was provided for societies having 25 members and ₹ 1,27,500 for societies having 50 members. Out of the 295

projects, 236 projects had the training component and the training was organised as shown below :

TABLE 5—DETAILS OF TRAINING UNDER DDHPY

<i>Name of training institute</i>	<i>No. of Projects</i>	<i>No. of weavers</i>	<i>Amount (Rupees in crore)</i>
Weaver's Service Centre, Kannur	28	700	0.18
Institute of Handloom and Textile Technology, Kannur	146	3950	1.01
Institute of Handloom and Textile Technology, Salem	62	1975	0.51
Total	236	6625	1.70

A joint inspection of the societies revealed that:—

- Jacquard and Dobby were essential for switching over from low value to high value added items as these were required for weaving design patterns. As a majority of the PHWCS had not procured these items they were not given training for using Jacquard and Dobby.
- No society among the 12 jointly inspected was using Jacquard/Dobby. Weavers stated that the training provided was not sufficient to weave using Jacquard/Dobby. Hence they were continuing with the earlier practice.
- After the training many of them left the societies. Out of 12 societies visited, in four there were only 58 weavers remaining in place of 100.

Thus the training imparted at a cost of ₹ 1.70 crore was not effective as it did not improve the weaving skill of the weavers.

#### **Assistance for new design**

The assistance for design input was for procurement of new designs and installation a Computer Aided Design system to improve the design quality of handloom products. The implementing agencies were required to diversify their products to meet the changing market scenario. For acquiring design from Weavers Service Centre, Institute of Handloom and Textile Technology, etc., Rupees one lakh was provided to each of the 295 projects. DH&T deducted ₹ 1.19 crore towards design from the funds sanctioned to the societies and made it available to these agencies as detailed in the Appendix IV. The balance amount of ₹ 1.76 crore was released to the projects for developing the paper designs into marketable products.



Scrutiny revealed that even though the agencies entrusted with the work of design had given paper designs to the societies, no society had adopted the designs supplied. It was stated by the societies that the designs furnished by the agencies were not marketable in the State. As the societies had not adopted the new designs, ₹ 1.19 crore provided to the design agencies had become unfruitful and ₹ 1.76 crore released to societies could not achieve intended objective.

#### **Projects implemented by NGOs**

GOI sanctioned (October 2004) 25 projects for all Mahila Samajams represented as NGOs (ECOTEX Consortium). The projects were sanctioned as a cluster of 25 units with 25 beneficiaries in each unit. The total project cost was ₹ 3.10 crore consisting of GOI share (₹ 1.27 crore), State share (₹ 0.69 crore), Bank loan (₹ 1.08 crore) and beneficiary contribution (₹ 0.06 crore).

The components approved were the same as for the other 270 projects except that the training component was not included in the project. Training was imparted to the weavers by the Master Weaver under whose guidance and supervision the project was implemented. All the units were working in the same compound having a Common Facility Centre for pre-loom and post-loom activities. The weavers had acquired Jacquard Dobby for weaving sarees, set mundu, etc., with designs. Good quality yarn and zari were arranged through a reputed private handloom house and the marketing was also done through it. During joint inspection it was stated by the units that they were making profit and the weavers were getting better remuneration than other co-operative societies/individual weavers.

Thus a scheme which could not be implemented effectively by the weavers' societies under the co-operative sector with substantial assistance from Government was successfully implemented by an NGO without any concession like MI, rebate, etc. from Government.

#### **Failure of Hantex and Hanveev to avail grant**

Under the component 'Strengthening of Handloom Organisation', assistance towards financial restructuring of National Level Handloom Organisations, State Handloom Corporation and Apex Weavers Co-operative Societies/Federations was available as seed money and was sharable between GOI and State in the ratio 50:50. In order to avail assistance the organisations were required to improve their viability by strengthening their business policies, rationalising their manpower, preparation of a feasibility project for Ministry by an independent management consultancy organisation, approved by the SLPC, etc.

A project proposal from Hantex was sent to the Ministry of Textiles in 2004 for the restructuring of Hantex. This was not accepted by the Ministry as it was defective. Hantex submitted a revised proposal for ₹ 38.48 crore (including ₹ 32.72 crore towards seed money) in August 2006, this was also not accepted by the Ministry. No further revised proposal was submitted to the Ministry (June 2008) and the scheme ended in 2006-07.

In July 2004 Hanveev also submitted a project proposal for restructuring to State Government prepared by the Centre for Management Development, Thiruvananthapuram with an estimated cost of ₹ 16.40 crore. SLPC directed (August 2004) Hanveev to submit a revised proposal in accordance with the GOI guidelines. A revised proposal for a total amount of ₹ 6.84 crore (including ₹ 3.68 crore towards seed money) submitted by Hanveev was not approved by State Government due to the weak financial position of Hanveev.

Hence the two State level Apex organisations (Hanveev and Hantex) could not avail financial assistance of ₹ 36.40 crore due to inability in submitting feasible projects based on GOI guideline/weak financial position of the organisation.

#### **Expenditure on Marketing Incentive**

₹ 54.80 crore disbursed to various PHWCS, Hantex and Hanveev as Marketing Incentive during the period 2001-02 to 2006-07 for improving productivity/marketing. It was, however, found\* that production decreased from ₹ 318.16 crore in 2001-02 to ₹ 281.16 crore in 2006-07 and sales decreased from ₹ 497.06 crore to ₹ 274.17 crore. As production and sales declined during the scheme period, ₹ 54.80 crore disbursed as Marketing Incentive did not serve the intended purpose.

#### **Submission of false utilisation certificates to the Ministry**

Under the DDHPY, DH&T had to furnish UCs to the Ministry of Textiles, GOI. It was noticed that the UCs furnished were false as noted below :

- The major portion of the common fund created for publicity component was diverted as interest-free loan to PHWCS and the balance was lying unutilised in the bank. However, DH&T furnished UC stating that Rupees one lakh each provided to 295 projects (₹ 2.95 crore) had been utilised for publicity.

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\* From Economic Review 2002 to 2007.

- Expenditure statement provided by PHWCS to District Industries Centres indicated withdrawal of margin money and diversion of funds for working capital. However, UC was furnished stating that these were utilised for the intended purpose.

#### **Evaluation by Government**

Hanveev conducted an evaluation of the DDPHY for Government. The evaluation team visited four\* districts and submitted its report to Government in May 2007. The report stated that the scheme was a failure except in a few societies. The report also pointed out the failure in adopting the design supplied by National Institute of Design, National Institute of Fashion Technology, Institute of Handloom and Textile Technology, etc. However, no action was taken on the basis of the report.

Hence the major scheme funded by GOI and implemented for the overall development of the handloom sector could not achieve its intended objectives even after spending ₹ 13.75 crore for the basic inputs and ₹ 54.80 crore as Marketing Incentive. Audit scrutiny revealed that non-implementation of various components, diversion of funds, ineffective functioning of the apex organisation, poor planning, lack of proper monitoring and guidance were the main reasons for the apparent failure of the scheme.

#### **Problems faced by PHWCS and weavers**

Audit team visited 12 PHWCS (out of 74 PHWCS in selected districts) along with the departmental officials and 35 weavers selected randomly were interviewed and information collected through Questionnaire. The information collected revealed the following:

- Wages ranging from ₹ 40 to ₹ 100 earned by weavers were much below the daily average wage in most other sectors. The wages were fixed for weaving a single piece of product like a saree, one dhothi, one set mundu, etc. Where there were no common pre-loom facilities, the pre-loom activities were to be done by the weavers in their houses. It took them 10 to 14 days for making the 'paavu' for weaving. No wages were, however, provided for this. The members of Mahila Samajams were however, earning better wages ranging from ₹ 75 to ₹ 150 per day.
- Out of 12 PHWCS, nine were running on loss, one society was at break-even point and only two were making profit.

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# Thiruvananthapuram, Kozhikode, Kannur and Palakkad.

- Only an average of 18 per cent of registered weavers were actually working.
- All the 12 PHWCS had dues pending from Hantex and State Government.
- Out of 12 PHWCS, seven had got their own showroom for marketing. Others depended on private showrooms. Those who had their own showrooms stated that they had no problem in marketing their products.
- 67 per cent of the weavers interviewed were above the age of 45 years, 23 per cent were in the range of 30 to 35 years and only 10 per cent were below 30 years. The low wages in the sector was cited as the main reason for the reluctance of the younger generation in taking up weaving as a career.
- It was further stated that when weavers were provided training in using Jacquard, Dobby, etc. there were no skilled masters for consultation or clearing doubts as a follow-up to training. In Kannur and Thiruvananthapuram they often got the services of masters from Hantex or Hanveev.

#### **Working of apex handloom organisations**

The apex organisations were established with the objective of making available quality raw materials to member societies and procurement of handloom cloth from these societies for sale.

#### **Functioning of the Apex organisations**

Scrutiny of the results of the apex organisations revealed that they were incurring losses year after year. The annual accumulated loss of Hantex increased from ₹ 70.56 crore in 2003-04 to ₹ 102.20 crore in 2006-07\* and of Hanveev from ₹ 20.86 crore to ₹ 31.32 crore during the same period. Delay in getting the value of goods procured made the PHWCS reluctant to trade with Hantex. As a result, the number of PHWCS trading with Hantex reduced to 150 in 2006-07 from 193 in 2003-04 though there were 466 PHWCS registered with Hantex. Only 4 per cent of the production in the co-operative sector was procured by Hantex during 2003-04 which was further reduced to 2 per cent in 2006-07. Moreover, the dues payable to PHWCS by Hantex as on 31st March 2007 was ₹ 25.88 crore.

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\* Accounts for 2007-08 not yet finalised.

State and Central Governments gave Hantex and Hanveev ₹ 13.95 crore and ₹ 9.15 crore respectively during this period towards Marketing Incentive, Share Capital contribution and rebate though sales by them was not significant. The working results of Hantex and Hanveev are indicated Appendix V.

#### Non-implementation of renovation/computerisation

During 2004-05 ₹ 10 crore was received by State Government as a one-time Central assistance for traditional industries of which Rupees three crore was allotted to handloom sector. State Government approved (March 2005) a project for the renovation and computerisation of the showrooms of Hantex and Hanveev and released Rupees three crore as shown below :

TABLE 6—PROJECT DETAILS OF RENOVATION AND COMPUTERISATION

<i>(Rupees in crore)</i>				
<i>Sl. No.</i>	<i>Particulars</i>	<i>Hantex</i> (20 showrooms)	<i>Hanveev</i> (5 showrooms)	<i>Total cost</i>
1	Upgradation of marketing network facility to ordinary showrooms	1.76	0.44	2.20
2	Training Programme for skill upgradation of sales personnel	0.08	0.02	0.10
3	Upgradation of Technology (computerisation)	0.40	0.10	0.50
4	Handloom quality assurance programme	0.16	0.04	0.20
Total		2.40	0.60	3.00

*Source*—Directorate of Handloom and Textiles.

On the basis recommendations of the Marketing Strategy Committee the work of design for renovation of showrooms was awarded to Kerala Small Industries Development Corporation Limited (SIDCO) in February 2006. The estimates and designs submitted by SIDCO for three showrooms of Hantex (₹ 52.93 lakh) and two showrooms of Hanveev (₹ 20.48 lakh) were accepted and an advance of ₹ 33.95 lakh was given to it. However, SIDCO had completed only two showrooms of Hantex (Thiruvananthapuram and Kollam). As the work

done by SIDCO was found to be of inferior quality, the balance of ₹ 26.78 lakh out of ₹ 60.73 lakh claimed by SIDCO was not paid. The work of the other three showrooms (Thiruvananthapuram, Kayamkulam and North Paravur) were awarded to Forest Industries (Travancore) Limited and they had completed the work at a cost of 20.77 lakh. Thus only 54.72 lakh was actually spent for renovation. A proposal for awarding the work on computerisation was pending with Government as of June 2008.

As the other components of the project were not implemented, State Government decided to treat Rupees two crore as working capital loan (interest free) to Hantex (₹ 1.50 crore) and Hanveev (₹ 0.50 crore) on the condition that the loan should be repaid before September 2007. No refund had, however, been made as of April 2008. Thus out of Rupees three crore released, only ₹ 54.72 lakh was actually spent on the project and Rupees two crore was diverted as working capital loan to Hantex and Hanveev. The objective of renovation of the showrooms enunciated in the proposal of DH&T, namely, production and selling of value added products had not therefore been achieved even after three years of receipt of Central assistance. On this being pointed out, DH&T reported that the responsibility for the lapses lay with the Managing Directors of both institutions and the department could not be held responsible, as the role of Monitoring Committee was limited to supervision and guidance only. As the DH&T was also the Chairman of the Marketing Strategy Committee, he did not give or furnish reasons for the failure/lapses.

#### **Irregular payment of ₹ 5.87 crore to Hantex and Hanveev**

GOI introduced (2007-08) the Integrated Handloom Development Scheme (IHDS) integrating four schemes including DDHPY. Strengthening of State level apex organisations was a component under this scheme. For this the agencies had to submit a bankable project prepared by an Independent Management Consultancy Agency and approved by the State Level Project Committee to the Ministry of Textiles. Hantex/Hanveev did not submit any such proposals to the SLPC or Ministry.

DH&T released ₹ 4 crore to Hanveev and ₹ 1.87 crore to Hantex towards strengthening of these organisations. Later DH&T and Government approved (May 2008) the request from Hantex and Hanveev for diverting the amount for their immediate working capital needs/payment of dues, etc. Thus release of grant of ₹ 5.87\* crore by DH&T under IHDS without prescribed proposals and without the approval from GOI was irregular.

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\* ₹ 4 crore to Hanveev and ₹ 1.87 crore to Hantex.

The above details show that even after getting huge financial support from Government, the apex organisations did not contribute much to the procurement and sales of handloom products and was blocking the working capital of the PHWCS by not paying their dues.

### **Monitoring and Evaluation**

State Level Project Committee and District Level Project Committees had to give approval and monitor implementation of different Central Schemes. The implementation of schemes and other activities of PHWCS were to be monitored by the DICs. Scrutiny of records revealed that:

- Fund utilisation by different implementing agencies/beneficiaries was not monitored.
- Claims were settled without proper scrutiny of basic data.
- Statistical data was collected and sent to higher authorities without ensuring its correctness.
- Utilisation certificates from field offices were accepted and furnished to Ministry without any check.

As the staff are under the administrative control of the Director of Industries and Commerce, DH&T has no control over them as they are transferable to other wings under Industries Department. The field staff supervising/inspecting the PHWCS are Industrial/Co-operative Inspectors who did not have expertise in handloom weaving.

### **Conclusion**

The Directorate of Handloom and Textiles did not have complete and reliable data on handloom weavers. Even though various Committees submitted detailed reports on problems faced by the handloom sector and recommended remedial measures, no follow-up action was taken. Due to financial constraints and low wages, number of working PHWCS have been reduced and only one-fifth of the members were active in the working societies. The DDHPY Scheme implemented with the aim of comprehensive development of the sector could not achieve its targeted objectives. Major portion of the assistance disbursed under the scheme were diverted for the working capital needs of PHWCS. DH&T had not utilised the one-time GOI assistance of Rupees three crore for the intended purpose. The apex organisations created for the development of co-operative and unorganised sectors have failed in their

mission due to poor performance. They were making losses year after year despite receipt of huge financial assistance from Government. The number of PHWCS trading with Hantex were steadily decreasing as substantial amount was due to them. Schemes and Projects were implemented without proper monitoring and false UCs were sent to GOI.

#### **Recommendations**

- Government should ensure that the Department maintains reliable and authentic/accurate data pertaining to handloom sector and update it periodically to serve as a useful tool for planning projects.
- The Department should have an effective mechanism to ensure that GOI assistance for various schemes is availed in full and utilised within the prescribed time limit.
- Government should not sanction diversion of funds available with implementing agencies for specific components of schemes/projects for other purpose, even temporarily.
- Undue delay in payment of claims of primary societies should be avoided and arrangements made to ensure that all claims are scrutinised and settled expeditiously.
- Government should review the performance of the apex organisations Hantex and Hanveev, as their role in the development of handloom sector has declined over the years, despite being in receipt of bulk of the Government funding in the sector.
- Department of Handloom and Textiles should have exclusive trained staff with expertise in technical matters at district and lower levels to provide advice and guidance to the weavers and societies.
- Government should take action as recommended by various committees to improve the working conditions of weavers so as to retain the existing weavers and attract youngsters into the handloom sector.

The above points were referred to Government in August 2008 ; reply has not been received (October 2008).

[Paragraph 3.2 contained in the Report of C&AG of India for the year ended 31st March, 2008 (Civil).]

Government notes on the above paragraph is given as Appendix II of the report.



Based on the audit paragraph which necessitated the availability of a reliable and authentic database for successful planning and implementation of various Central and State Schemes for the functioning and upliftment of handloom sector, the Committee opined that the Department did not have a clear data or statistics. A provisional survey conducted by the Economic and Statistics Department during the year 2003-04 was not published till year 2006. When the Committee enquired about the date of receipt of the report by the department, the Secretary, Industries Department replied that the Report was made available in December 2009. When the Committee raised doubts about the delay in publishing the survey report, the Director of Handloom and Textiles informed the Committee that the delay that happened in publishing the survey report was not because of the paucity of funds but because certain societies got excluded from the list that needed to be covered, and for sorting out such issues much time was consumed.

2. The Committee understood that there was no data with the Industries Department showing the list of societies. When test check was conducted by AG's audit party in 12 Primary Handloom Weavers Co-operative Societies at random, the average percentage of active weavers present came only up to 18. The Committee opined that the above statistics and calculations were generated for giving rebate. However the Director of Handloom and Textiles stated that the rebate was not given based on this calculation. The Director also informed the Committee that the production base was taken while giving rebate and it was not the workers who were in the production unit. The Committee opined that, sometimes materials manufactured from Powerlooms would be brought from Tamil Nadu and supplied as handloom products. The Committee asked whether the rebate was being given after calculating the number of working days per month as well as the turn over. The Director, Handloom and Textiles replied that rebate would be given only for the production in the particular society, not for the whole turn over.

3. To certain other queries from the Committee regarding the calculation of production, the Director of Handloom replied that the production is calculated by taking up the number of yarns bought and the corresponding turn over obtained from the yarns. Later the number of workers, ESI, PF etc., would also be taken into account. The number of workers would be counted from the Attendance Register.

4. The Committee noticed from audit observations that during a visit at Ernakulam District in two societies, when there were only 70 active weavers, the number of registered weavers were 264, which was only 27%. Similarly in Thrissur District there were only 73 active weavers out of 593 registered

weavers which constitute only 12%. In Kannur District, the percentage of active weavers was only 17. On an average across the State, only 18% weavers were active in Societies. The Committee enquired whether this observation made by Accountant General was correct or not. The Director of Handloom and Textiles replied that it was correct. Then the Committee retorted that the department could not authentically state this because there was no proper internal audit wing for Industries Department. The Director of Handloom and Textiles apprised the Committee that there is indeed an Internal Audit Wing functioning for the Industries Department, however this particular task was not being handled by them. The Internal Audit Wing focused more on matters of accounting and finance. The field visitors are in charge of accounts and other matters of Handloom Societies.

5. The Committee remarked that the Internal Audit Wing of the Department was not at all functioning properly and their performance was not satisfactory. The Internal Audit Wing also has the duty to check whether the societies were properly utilising the allotted funds. They have to check whether the accounts submitted from district office is correct or not. The Audit Wing should verify whether the funds were utilised and reconciliation of accounts was done. The Committee opined that the related mistakes were brought to light only when the audit was conducted by the Accountant General.

6. The Committee enquired whether the Internal Audit Wing of the Department took any earnest effort to check the statistics which revealed that only 18% of total workers across the State, i.e. 566 out of 3197 were active weavers. The Committee also wanted to know the number of other Societies which had similar percentage in respect of active weavers and their details. The Director of Handloom and Textiles replied that there were 676 societies as of previous year. The Committee then demanded the exact details as to the total number of societies, registered and unregistered, number of active members, etc., to be submitted to them within 15 days time. The Director of Handloom apprised that employment for workers/active members could be given only in societies having working capital. If there was paucity of fund, then employment could not be provided.

7. The Committee mentioned that in the year 2007, there was a recommendation for issuing identity cards to the members of society which was not complied with. Had that been issued, the actual statistics could have been known. The Committee asked the reason for not complying with the earlier recommendations. The Director replied that a national survey was started in the year 2009 by the Centre and identity cards were being issued, however it was not completed.

8. Continuing on the issue related to the failure of the Department in publishing the Report of the Economics and Statistics Department, the Committee said that the number of Societies as per the said Report was 469 while the current position as told by the witness was 676 which meant that the number of societies have been increased. But there was no proof for such a data in the Directorate or Secretariat. The Committee asked whether Department possessed any data substantiating their arguments and enquired about the latest position.

9. The Director replied that statistics included defunct societies as well as liquidated ones. He added that the required data were being collected and a separate wing was functioning exclusively for this purpose. The Committee lamented that the Department did not have a time bound programme or action plan for the collection of data and hence the distribution of identity cards in more than 600 similar societies were stalled. The Committee opined that the functioning of the Department was far from satisfactory and even the recommendations of the year 2007 were not implemented. The Committee suggested that the survey should be completed within three months. The Director of Handloom and Textiles informed the Committee that the data would be collected within three months time.

10. Regarding Budget provision and expenditure the Committee had a close look at the statistics provided with respect to plan and non-plan funds for the years from 2003-04 to 2007-08. The Committee understood that there was considerable difference in the savings of Plan and Non-Plan funds in the provision and expenditure during the said years. Citing a few cases, the Committee said that during 2003-04, there was ₹ 25.97 crore as plan provision but only ₹ 24.93 crore on expenditure side. Similarly in non-plan side while the provision was ₹ 4.26 crore, the expenditure was ₹ 3.60 crore. The highest difference in savings was noticed in the year 2005-06. The Committee enquired the reasons for these variations happened even in subsequent years.

11. The Secretary, Industries Department appraised the Committee that the funding pattern of GOI Schemes was in different proportions like 75:25, 50:50 or even 100%. The advance fund required from GOI may be allocated on the State Budget in respective months and the matching grant would be obtained later from Central Government. At this juncture the Committee opined that the Department never submitted their projects on time and proper utilisation certificates were not submitted in time. The department replied that Government did not provide sanction for the projects. Actually on all those projects where the Department failed to provide proper project charts, the allotted fund was converted into working capital and hence a proper utilisation certificate could not be issued.

12. The Committee remarked that since the Department converted the fund into working capital without permission, such projects did not get sanction and this was what happened in the said situation.

13. The Committee understood that Marketing Incentive was one of the primary components of the Central Scheme Deen Dayal Hatkargha Prothsahan Yojana (DDHPY). But this was diverted for giving rebate to Hantex and Hanveev which was originally targeted for providing more infrastructure facilities to Societies or Agencies. The Committee enquired how the Department gave utilisation certificate when the money for infrastructure development was given as rebate. The Secretary, Industries Department told that the rebate scheme of State Government was different from Marketing Incentive. A new G.O. was issued in 2003 when there occurred duplication such that a society enjoyed the same benefits twice. The rebate and marketing incentive should be equitably distributed which meant that if a rebate was allowed then there should be a limit for marketing incentive. The Committee retorted that this particular new G.O. was mainly issued because the Department moved against the above said rules.

14. The Committee made it clear once again that every Centrally Sponsored Project had its own norms and guidelines and it was quite impossible to divert the GOI fund for working capital purposes without obtaining sanction from the Central Government. The Committee enquired whether the Department diverted the fund for giving rebates.

15. The Secretary, Industries Department informed the Committee that as per a Government direction, if the rebate is more on marketing incentive, then that rebate which was more than marketing incentive was disbursed. But this was later corrected after the observation from the Accountant General. The Committee pointed out that the marketing incentive intended for the institution was distributed among consumers. The Director of Handloom and Textiles told the Committee that the error was rectified by reimbursing ₹ 11 crore to the societies and ₹ 5 crore had been provided in the current years' budget for the same purpose. With this amount, the reimbursement process would be completed.

16. The Committee stated certain points from AG's observations which said that Marketing Incentive would be used as assistance for implementing agencies for preparing conditions which are conducive to marketing of handloom products. However, the Department did not abide by the rules laid down in the scheme thereby largely affecting the competitiveness of handloom sectors, improvement of the quality of product and enhancement of productivity.

17. Based on the paragraph which mentioned about Excessive Budget Provision the Committee concluded that ₹ 30 crore was allocated in the 2007-08 budget for payment of Marketing Incentive (MI) under DDHPY Scheme. However only ₹ 2.69 crore was required for the purpose. Moreover ₹ 19.48 crore, out of this provision was used for a new centrally sponsored scheme called 'Integrated Handloom Development Scheme'. The Committee opined that directing funds from one scheme to another was a clear example of poor budgeting and sought explanation for this. The Director of Handloom and Textile replied that their Department was unaware of the GOI's plan to stop the scheme and hence carried forward the provision for the next year. Instead the Central Government introduced another new scheme.

18. With regard to the implementation of DDHPY Scheme, the Committee noted that GOI approved 295 projects across various societies out of which 270 were for PHWCS (₹ 20.23 crore) and the balance for 25 Mahila Samajams under an NGO (₹ 3.10 crore). Though there was specification from GOI to treat the projects as individual ones, the State utilised the project in cluster schemes. The fact was that the 270 projects undertaken by co-operative societies was a total failure and there also was diversion of funds. At the same time the 25 Mahila Samajams under NGO's which undertook the projects turned out to be successful mainly because the fund was used properly. Their products got better price and profit due to which their employees were given better wages ranging from ₹ 75 to ₹ 140. On the other hand the wages in PHWCS were only from ₹ 40 to ₹ 100. The Committee also remarked that those Mahila Sanghams successfully utilised the Jacquard/Dobby machines for production which was one factor specified during the launch of the scheme apart from giving publicity and proper training. While the Committee appreciated the cluster functioning of the Mahila Societies, the 270 PHWCS faced the wrath of the Committee for their poor implementation of the GOI scheme.

19. To a query of the Committee about the location of the particular Mahila Society, the Director replied that the society is situated at a place called Manjavilakom in Neyyattinkara Taluk, Trivandrun District. The Committee wanted to visit the society. The Committee mentioned that the other 270 societies diverted the scheme fund towards working capital which was against the rules and a utilisation certificate could not be obtained for such an expense. Some societies even deposited the amount in the name of the Secretary and the Director. The fund amount was also given as interest free loan (₹ 50,000 each).

20. The Director, Handloom and Textiles told that the fund was diverted with the permission of State Government. However the Committee retorted that State did not have the power to do so except to allot the money from Central Fund. The Committee opined that the Mahila Society should be visited and studied so that their methodologies be adopted in other societies.

21. The Additional Secretary, Industries Department apprised the Committee that the above mentioned project was implemented in Hanveev and the reason for the failure of project in other societies was the Bank loan component. The non-availability of Bank loan after the commencement of the project with only the GOI grant as financial support resulted in failure of the Project. On the other hand the Mahila Samajams got both the Bank loan and grant and they utilised it successfully. However the Mahila Samajams had not repaid the loan amount in Bank.

22. The Committee then enquired about the 'Jacquard' and 'Dobby' systems. The Director of Handloom and Textiles replied that the above two systems were equipments for weaving. The Committee asked whether Department officials did an onsite inspection of the Mahila Samajams to check the functionalities of the project. The Additional Secretary, Industries Department replied that they had visited the society during its implementation stage.

23. The Committee summarised the position such that out of the 295 approved projects by Central Government, 270 projects (₹ 20.23 crore) were undertaken by PHWCS and the remaining 25 projects (₹ 3.10 crore) by NGOs run by the Mahila Samajams. The latter one was running successfully. The funds for infrastructure and marketing incentives received based on the better performance of the Mahila Samajams had been disbursed as working capitals for these Societies.

24. The Director of Handloom and Textiles informed the Committee that a team was constituted for inspecting the Handloom Societies to check whether any sort of corruption was happening, however the Court had stayed such an inspection of the Handloom Director.

25. The Committee then discussed about the financial soundness of various societies and economic support for them. Many societies faced difficulties while taking own funds or loans from Banks. Many societies had large amount of debt to be cleared from District Co-operative Banks. There were difficulties in getting new loans and because of this the Societies had to utilise 25 to 50% of their own funds. The Committee opined that marketing is more important aspect than infrastructure. Moreover many Societies were unable to give wages to their employees, even minimum wages for that matter due to which there was scarcity of labourers. Now with the advent of 'Employment Guarantee Scheme' nobody would be ready to work for ₹ 40 per day because the above scheme guarantees a minimum daily wages of ₹ 165.

26. The Committee decided to recommend certain things so as to boost the operational output of societies such as waiving off the debts of the societies and providing funds in State Government Budget for carrying out several schemes in the light of non-receipt of funds from banks and financial institutions. The Banks should be facilitated to issue loans with Government guarantee. Even though Committee raised certain apprehensions in the above recommendation such as waiving off debts of banks, they decided that equity shares of Government should be either waived off or converted to share capital because the net effect was same for both. Another advantage of this was that any profit obtained in the business was supplemented with the proportionate dividend of the shares.

27. The Secretary, Industries department suggested the need of a complete revival package for the projects. However the Committee was of the opinion that such an idea could be considered only after obtaining the statistical data arrived. For getting such a data, the survey should be completed first. Hence the revival scheme could be considered only after getting related facts and figures.

28. The Committee on Public Accounts visited the ECOTEX Consortium, Manjavilakom, Neyyattinkara on 31st January 2011 as part of on the spot study in connection with the examination of the audit paragraph and held a meeting in the Office room of the ECOTEX Consortium. As the audit observation mentioned about development of traditional industries especially Handloom Sector, the Committee asked whether this particular institution received any subsidy from the GOI. The Director, Handloom and Textiles replied that this institution received ₹ 1.76 crore under DDHPY Scheme as subsidy from Government of India, ₹ 67,39,000 from the State Government, ₹ 12,90,000 from SC/ST Development Department as financial assistance and a loan of ₹ 94,60,000 from State Bank of Travancore. The Committee asked whether such institutions received any kind of financial assistance from the State Government each year. They also asked when this institution was started. The Joint Director replied that there was no financial assistance from State Government and added that this institution is in existence for about 24 years. However the institution attained its current position mainly because of the benefits availed through the DDHPY Scheme.

29. The Committee enquired whether this institution was registered as an SSI group and which fund could be made available to such institutions for its infrastructure development like building and furniture. Simultaneously the Committee enquired whether Government grant be provided to other similar institutions. The Joint Director, Directorate of Handloom & Textiles answered

that this is registered as per the Charitable Societies Act and not as an SSI Unit. Hence the departmental benefits enjoyed by other SSI Units would not be availed for this. The Committee then asked whether the units under DIC would be eligible for departmental aid or not. The Joint Director reiterated that only those institutions registered under SSI would be eligible for financial aid.

30. The Committee then enquired whether the Society was running profitably or not. The Secretary, ECOTEX Consortium, Manjvilakom told that the institution was currently running on loss. The employees were given ₹ 75 to ₹140 per day as wages. But when the Government implemented the minimum wage policy, the institution had to pay ₹156 per day as wages. When this wage was given for 9 months, the Society ran into loss. However the main reason for such a situation was that the textile products considering its quality, did not get the expected market value. The Committee then asked about the current wages given to the employees. The Secretary replied that for weaving one 'mundu', an amount ranging from ₹100 to ₹125 was given as wages. Apart from this 25% bonus was also given. For each texturing and threading process, ₹125 was given as wages. The Secretary said that theirs was the only institution that gave ₹156 per day when the Government implemented the minimum wages policy, even the SSI units could not give that much amount as wages.

31. The Committee enquired whether the Jacquard system was being used there currently. The Secretary, ECOTEX consortium replied that it was used at the beginning and currently it was defunct. The Committee then asked the quantum of loss incurred by the institution during the last financial year. The Secretary replied that loss incurred was around ₹ 65 lakh in the last financial year. To another query regarding the annual loss incurred, the Secretary answered that each year the society was losing ₹ 65 lakh after taking into account the wages and expenditure. The Secretary added that the institution was functioning profitably in the initial years, however after the advent of the Employment Guarantee Scheme of Central Government, most of the weavers gave up their jobs and joined the above scheme. The cluster system further dampened the prospects resulting in more loss.

32. The Committee then enquired about the number of working days and also about selling and marketing methodologies of the establishment. The President, ECOTEX Consortium replied that the Society functions 6 days in a week. Apart from giving a few holidays for onam festival, this consortium functioned well thereby giving continuous employment to their employees. Most of the employees were women with a few male employees as well. Regarding marketing, the President informed that the weaved products are directly given to



'Karalkada' for sale as there were no agencies for the society. To a query of the Committee about machineries, the Joint Director, Handloom and Textiles told that the machines could be used for weaving and related jobs. Then the President of the Consortium opined that if machinery were engaged in weaving, threading and related works, the employees would be deprived of an opportunity to get wages ranging from ₹ 100 to ₹150 per day. The above fact was endorsed by the Committee. Simultaneously the Committee enquired how much amount was remaining to be repaid from loan availed. The Secretary, ECOTEX Consortium informed that as the interest was mounting daily, an amount roughly about ₹ 1 crore was pending to be remitted.

33. The Committee felt that this institution primarily required to repay the loan amount in 'One time Settlement' scheme. For that a separate grant should be allocated in the State Budget. Apart from this, another grant for infrastructure development should also be provided. For the next five years, the Government should give 25% of the total expenditure including establishment expenditure as a 'Managerial Grant' and each year the amount of infrastructure development should be allocated in the Budget for the next 5 years, considering this as a model women institution for handloom products. Secondly for each new unit having a strength of 20 or more, the Government should provide a minimum wage of ₹ 250 along with funds for supplying machinery and providing marketing facilities. The fund for the same should also be provided in Budget.

34. The Committee then enquired whether any products were kept as unsold stocks. The Secretary told that such a situation would not arise as the woven products would be carried in bulk to be supplied at 'Karalkada'. In fact the Society failed to supply the required textile products most of the time. The Committee felt that the infrastructure of the Consortium should be developed so as to suit the working condition of the workers.

35. The Joint Director, Handloom and Textiles said that since the sheds were constructed using bamboos and coconut leaves suiting the landscape and geography, the place would normally be cool and the area is having a steppe nature which allows good air circulation also. But Committee told that during rainy season the thatched roofs will definitely leak and cause problems for the entire structure. If funds for infrastructure development is provided, the conditions could be improved.

36. The Committee enquired about the salary of Secretary and President of the Organisation. The Secretary, ECOTEX consortium replied that they don't receive any honorarium but only the wages like other employees get since they were also doing work there. The Committee then enquired about a few

establishment details of staff and their nature of jobs. The Secretary replied that there are 54 staff in the unit; all of them were employees of the organisation. Five staff working in weaving unit are engaged as office staff. The President and Secretary were also employees of the Consortium and engaged in weaving their jobs along with other employees.

37. The Committee then enquired about the loan availed and the details of interest. The Secretary told that the loan availed was ₹ 94,60,000 and the interest which was 10% at the beginning has increased upto 14%. Out of the total loan, ₹ 52,00,000 had been repaid. The Committee then asked about the financing agency of the institution. The Secretary, ECOTEX apprised the Committee that the financial agency of the institution was State Bank of Travancore, Dhanuvachapuram Branch. The Consortium had around ₹ 1 crore pending to be repaid. Even though the quality of products such as 'mundu' was comparatively better than those from other institutions that was not reflected in the Market price. The expenditure incurred by the unit when the products were taken to Karalkada, would come around ₹ 22,000. If any financial assistance is received from Handloom Department, this institution could perform in a better way.

38. The Committee opined that since this being a model institution, a special consideration in the form of a rebate could be given to such societies from Government. After the discussion with the officials, the Committee visited the Handloom Weaving Society and convinced themselves the conditions prevailing there and the various weaving methods and related machineries used there.

39. Going through the audit paragraph which said about diversion of funds released for societies for its working capital needs instead of the components sanctioned in the projects, the Committee understood that funds were kept in a joint account in the name of General Manager, DIC and the secretary of the concerned society. When the Committee asked how the amount was withdrawn for a purpose not mentioned in the project the Director of Handloom and Textiles answered that the fund was withdrawn with the permission of State Government. But the Committee retorted that it was not correct because if the Government had given permission, the Manager DIC would have signed on it and in this case, the signature was not found. Hence it was done without the knowledge of the DIC Manager. This time the Director told that the procedure for fund withdrawal was not like that. However the Committee stood firm on their stand and explained that fund was not used for the specified purpose and cited few examples where the Jacquard and Dobby Technology was not used in the required places. Moreover the utilisation

certificates in Ernakulam District showed similar expenditure to seven out of eight societies where in ₹ 2.60 lakh was shown as expenditure including expenditure of ₹ 0.64 lakh towards training. The fact is that either the funds were not properly utilised or if utilised, no utilisation certificates were submitted.

40. Based on the paragraph which detailed about diversion of funds released to various projects, the Committee understood that for the implementation of a project under the chairmanship of Director of Handloom and Textiles, a Marketing Strategy Committee was constituted by Government in the year 2004, but no progress was made till August 2006. Moreover, based on the request from PHWCS, State Government accorded sanction to return ₹ 50,000 each to PHWCS as interest-free loan from the fund for working capital needs which was to be repaid in ten instalments. The Committee opined that there was no progress in the scheme even though the Director was the Chairman of the said Committee.

41. The Director of Handloom & Textiles apprised that after the scheme got ready, an amount of ₹ 50,000 each was taken from publicity fund and diverted for other purposes. Later the project could not be continued due to paucity of fund. The Committee, expressing its dissatisfaction over the diversion of funds, retorted that the Department gave the fund amount as interest free loan and later it was not refunded. The Committee wanted to know the balance amount to be refunded from Societies out of the total ₹ 70.75 lakh, the reason for the delay in getting the money back, the number of societies that did not avail the amount, the number of societies that utilised the amount etc., which was agreed to by the Director.

42. Regarding the paragraph which detailed about the training facilities given to weavers, the Committee understood that majority of the PHWCS had not procured the machines Jacquard and Dobby which were essential for making high quality materials getting high prices items. At the same time the Mahila Samajams used the systems effectively and reaped profit.

43. The Committee asked the officials about the number of weavers who were given training, and how many of them were still working in the societies. The Director of Handloom and Textiles replied that they could furnish the details within one month time. The Committee mentioned that though the training was imparted at a cost of ₹ 1.70 crore, it was not effective as it did not improve the weaving skills of the weavers. Moreover, those who underwent the training did not turn up for work either.

44. The Director of Handloom & Textiles informed the Committee that the Jacquard and Dobby systems would be used only on the basis of market conditions. There were other schemes where training on Jacquard/Dobby was given. The Secretary, Industries Department added that this institute is one of the best in South India for giving training on these advanced systems. The Director supplemented that this training was being organised in Societies having sufficient facilities.

45. Based on the paragraph which explained about non-adoption of designs provided by the agencies like Weavers Service Centres, Institute of Handloom and Textile Technology, the Committee opined that the Department spent ₹ 1.19 crore for design work, but it could not be used at all. The main reason was that, the design work was entrusted without proper study and without ascertaining the taste of the customers in our state. Hence the amount thus spent resulted as a wasteful expenditure to the tune of ₹ 1.76 crore.

46. The Director of Handloom and Textiles submitted that the societies handed over the design work to people outside the State who stayed only for a limited period. The mistake happened when the team returned before seeing the actual product. The Committee remarked that it was a clear lapse from the Department in not formulating proper action plans nor studying the taste of the consumer before venturing into the designing aspect of the scheme. The Committee cautioned the officials not to repeat such flaws in future. The Committee decided to recommend that the designs should be adopted after studying the aptitude and taste of the people of Kerala.

47. Regarding the paragraph which said about the failure of Hantex and Hanveev in availing assistance for strengthening Handloom organisations, the Committee asked the reason for the non approval of project submitted by them by the State Government. The Director of Handloom and Textiles answered that the GOI had put forward certain conditions like closing down unviable show rooms, reducing staff strength, setting the Hantex dues of ₹ 25 crore with State Co-operative Bank etc. which could not be done as easy as it was said. The Committee was also having similar views as that of the Director and said that the debt was something beyond the control of the Societies and the Government should clear the debt and convert it to share capital. The Director also pointed out that the Hantex property was being pledged.

48. The Committee observed that normally the State Government gave guarantee to State Level Institutions. Currently ₹ 12,000 crore had been given under State guarantee. It can go even up to ₹ 14,000 crore. So the Government should convert this loan to capital shares. To a query from the Committee

regarding the proposals for converting loans to equity shares, the Director replied that a proposal was sent to Government and that they were awaiting final orders. He also said that a new project was submitted since the previous two were rejected by the Ministry of Textiles.

49. The Committee opined that an amount of ₹ 54.80 crore given as Marketing Incentive to Hanveev and Hantex did not fetch the intended results as the production and sales decreased compared to the years 2001-02 and 2006-07 there by defeating the purpose of improving productivity and marketing. The Committee pointed out the statistics and showed declining trend in production and sales such as the sales which was ₹ 497.09 crore in 2001-02 came down to ₹ 274.17 crore in 2006-07 and the production which was ₹ 318.16 crore in 2001-02 came down to ₹ 281.16 in 2006-07.

50. The Director, Handloom and Textiles submitted that the products used to lie unsold in godowns during 2001-02 but wasn't happening currently. The Committee retorted that since production was low at present there wasn't any products lying unsold. The Committee reiterated that the Department diverted their funds for other causes and hence could not utilise the amount for marketing and production of goods. As a result proper utilisation certificates could not be issued and created trouble for the smooth functioning of many other schemes.

51. The Committee felt that current situation in the Handloom sector was heading towards a crisis if this trend continued and eventually this would lead to winding up of all schemes in the State of Kerala. To avoid such a serious thing to happen the Committee recommended for a revival scheme and wanted the Department to take all necessary steps for planning a proper revival package.

52. The Committee made no remarks about submission of false utilisation certificates to the Ministry as the amount was spent for a different purpose as per State Government Order.

53. The Committee wanted to know whether any action was taken based on the evaluation report submitted by Hanveev on the DDPHY to Government and whether the report was approved or not, if published the current position. The Secretary, Industries Department apprised that he would check into the matter.

54. Based on the audit paragraph which detailed about informations collected through random interviews on weavers across selected PHWCS, the Committee enquired about the minimum wages given currently. The Director of Handloom and Textiles replied that the minimum wage was ₹ 124 and in some

societies in Kannur and Thiruvananthapuram, the wages ranged from ₹ 200 up to ₹ 250. The Committee also enquired about the action that the Department had taken since the funds were not disbursed to primary societies on time and how much amount it would require if the funds were given in proper time. The Director answered that there was ₹ 25 crore remaining undisbursed. The Committee asked why the department kept such a huge sum undisbursed where the wages were only ₹ 40. The Director told that there was some old dues to be settled. The Committee directed the Department to clear the old dues and simultaneously take steps to increase the wages. The Director informed that the dues were being settled in instalments of 10% as and when Hantex received its fund.

55. Based on the paragraph which mentioned about the failure of the Department in utilising the central assistance for renovation/computerisation of traditional industries in handloom sector, the Committee understood that out of the total assistance of ₹ 10 crore, ₹ 3 crore was given to Hantex and Hanveev for marketing network facility and skill upgradation. The Committee wanted to know about the money expended for computerisation and also enquired about the utilization of ₹ 2.20 crore given for network facility. It was also observed that the work with SIDCO was done in substandard quality and claimed amount (₹ 26.78 lakh) was not given because of poor execution of the job. The Committee sought explanation for this.

56. The Director of Handloom and Textiles told that the amount given to Hanveev had been fully utilised and work of 5 showrooms of Hantex was also finished. Regarding the work of SIDCO, the Director informed the Committee that the claimed amount had not been settled till date since there was lot of irregularities and anomalies in the work. An Engineer who was asked to evaluate the work did not comment on the work on the ground that the work was ageing back to years.

57. The Committee opined that if SIDCO approached the court and filed a case, the Department would have no way but to settle their claim. The Committee even thought that the Department would have decided to entrust someone to evaluate the work only after getting legal notices from the court. This time the Additional Secretary, Industries Department informed the Committee that the work was completed and the bill was given in the year 2006. The evaluation was done in 2007 however the claim was not settled.

58. The Committee enquired about the quality of the remaining works done by SIDCO and Forest Industries Limited (Travancore). The Managing Director, Hanveev told that the remaining works got over. The Director of

Handloom and Textiles added that ₹ 1.50 crore from the fund was diverted for the production of uniforms with the permission of State Government. But the work got slow because the uniforms made could not be sold out. Regarding the Computerisation works, the Additional Secretary, Industries Department told the Committee that a discussion with Dinesh Information Technology was conducted.

59. The Committee asked when the Department was allotted the fund for this task. The Additional Secretary told that fund was sanctioned in the year 2004, however the computerisation was being done only now because the sanction for the same could be obtained only in 2009-10. The Committee though accepted the fact that there wasn't any monetary loss to the Department as the cost of computer diminished, opined that proper utilisation of fund amount could not be effected and as a result the money should have been refunded according to the project norms and conditions. The Committee also remarked that if the amount could not be utilised, it should be remitted with interest. The Committee enquired the reason for the delay in halting the work till 2009-10 when the fund got allotted in 2004-05 itself. The Director of Handloom and Textiles answered that the delay occurred due to the delay in taking decision by Hantex. When enquired about the reason for this, the Director told the Committee that important decisions could be taken only after Board meetings are convened and it was usual to have such delay in similar situations. But the Committee mentioned that according to the AG's observations, the responsibility for the lapses lay with the Managing Directors of both institutions and the Department could not be held responsible.

60. The Committee opined that Department undertook the whole job under the preconceived notion that things would happen only like this if the allotted fund was diverted as working capital. The Committee warned that the Department should show keen interest and do things more sincerely. The Government had no authority to divert the funds and should repay the money with interest if acted against the guidelines or policies of any project. Hence the responsibility lay clearly with the Government in the proper execution of Centrally Sponsored Schemes. The Committee strictly urged for a comprehensive revival scheme for the upliftment of handloom sector or else the Hantex and Hanveev would be in deep peril in the coming days and its repercussions would seriously affect the economy of Kerala's rural population.

61. The Committee also decided to recommend to merge Hantex and Hanveev into one institution in order to avoid duplication and wastage of expenditure.

62. The Committee enquired about the expenditure for the establishment of Hantex and Hanveev. The Managing Director, Hantex replied that it costs ₹ 4 crore per year for Hantex. The Managing Director, Hanveev said that both were same products. The Committee opined that since they were one and the same, the Hantex and Hanveev should be amalgamated and new Rules would come when both got amalgamated.

63. The Committee decided to include all the Conclusions and Recommendations as given by the Accountant General in its report.

#### **Conclusion/Recommendation**

64. **The Committee finds that the Industries Department failed in maintaining a reliable and authentic database that enables the successful implementation of various Central and State Schemes for the proper functioning and upliftment of Handloom sector. The Committee also laments the lacklustre approach adopted by the Department which did not publish the report of survey conducted by Economics and Statistics Department in the Handloom sector about the number of societies functioning, the percentage of active weavers etc. Above all, the Committee is disappointed to note that the Department did not implement the recommendations of the Handloom Advisory Committee made in the year 2007 for the survey and issuing of identity cards to members of societies throughout the State mainly because the officials did not have a time bound programme or action plan for the collection of required data.**

65. **The Committee expressed its displeasure over the Internal Audit Wing of the Industries Department which totally disregarded the task of collection of data and maintenance of records in Handloom sector. The Committee directs the officials to submit the exact details such as number of registered and non-registered weaving societies, number of active weavers, their percentage etc., across the State with immediate effect. The Committee urges the Department to check whether the Societies were properly utilising the allotted funds. The Committee recommends the Department to maintain a reliable, authentic and accurate data pertaining to Handloom sector and update it periodically to serve as a useful tool for planning projects.**

66. **The Committee notes that the Department failed in preparing proper charts and plans for various projects resulting in under utilisation of allotted funds. The Department converted the allotted fund into working capital without permission which ultimately resulted in the issuance of false utilisation certificates. The Committee recommends the Department to chalk out an effective mechanism to ensure that the GOI assistance for various schemes is availed of in full and utilised within the prescribed time limit.**



67. The Committee understands that the Department diverted marketing incentive, a primary component of the Centrally Sponsored Scheme, 'Deen Dayal Hatkargha Prothsahan Yojana (DDHPY)' for giving rebate to Hantex and Hanveev which was originally targeted for improving infrastructure facilities of societies and agencies. The Committee deprecates the action on the part of the officials which flouted all the rules thereby largely affecting the competitiveness of handloom sector, improvement of quality of products and enhancement of productivity. The Committee urges that the marketing incentive should be used as assistance by implementing agencies for creating an atmosphere conducive for the marketing of handloom products. The Committee also recommends that the Government should not sanction diversion of funds available with the implementing agencies for specific components of the scheme/projects for other purpose, even temporarily.

68. The Committee infers that during the implementation of DDHPY Scheme, out of total 295 projects, 270 projects undertaken by PHW Co-operative societies were a total failure. At the same time the Committee appreciates the 25 remaining projects run by Mahila Samajams who successfully and efficiently carried out projects under cluster scheme and utilised the scheme fund. The Committee criticises the Department for its poor budgeting and implementation of the GOI Scheme through various PHWCS and also for the failure in the effective utilization of Jacquard and Dobby system of weaving.

69. The Committee stresses the need for the implementation of better marketing methodologies in weaving societies. The Committee recommends for providing funds in State Government Budget for carrying out several schemes in the light of non-receipt of financial aid from Banks and other institutions. The Committee recommends that the debts of the PHWCS be either waived off by the Government or converted to share capital as a step towards boosting the operational output of societies.

70. While doing an on-the-spot study and analysis of one of the Mahila Samajams, ECOTEX consortium, Manjavilakom, the Committee understands that the present situation of the said society was not as profitable as it was before and was currently running in loss due to various financial constraints and issues related to wages.

71. The Committee feels that this institution primarily required to repay the loan amount through any of the 'one time settlement schemes' and necessitates the allocation of a separate grant in the State Budget. Apart from this the Committee stresses the need of another grant for infrastructure

development. The Committee adds that for the next five years, Government should give 25% of the total expenditure as 'Managerial Grant' and each year the amount for infrastructure development should be allocated in the Budget, considering this as a model women institution for handloom products. Secondly, for each new unit having strength of 20 or more, the Government should provide a minimum wage along with funds for supplying machinery and providing marketing facilities. The Committee also opines that since ECOTEX consortium being a model institution, a special consideration in the form of a rebate could be given to such institutions from Government.

72. The Committee condemns the action on the part of the Industries Department which diverted the funds released for Handloom Societies and used it for purposes not mentioned in the projects such as working capital needs. Moreover utilisation certificates issued in respect of societies in Ernakulam District showed similar expenditure in seven out of eight societies which underlines the fact that either funds were not properly used or if utilised, no proper utilisation certificates were submitted. The Committee warns the department against such pathetic management of Government fund and directs the officials to patch up all the shortcomings, so that in future handloom projects are handled prudently.

73. The Committee slams the action of Industries Department which directed the funds allotted to Handloom and Textile Projects for giving interest free loans to PHWCS and later ended up depleted with the amount not being refunded. Making matters worse was the inability of the officials to comply with the instruction of the Committee given during witness examination to submit to them the details such as the balance amount to be refunded from societies out of ₹ 70.05 lakh, the reason for the delay in getting the money back, the number of societies that did not avail the amount, the number of societies that utilized the amount etc. Exhorting to take action against the delinquent, the Committee directs the Department to submit the relevant details at the earliest. The Committee also recommends that undue delay in payment of claims of primary societies shall be avoided and arrangement be made to ensure that all claims are scrutinised and settled expeditiously.

74. The Committee understands that the designs adopted from agencies like Weavers' Service Centre and Institute of Handloom and Textiles Technology by spending ₹ 1.19 crore could not be used at all mainly because the design works were done without proper study and without ascertaining the taste of the

customers of our State. The Committee remarks that it is a clear lapse on the part of the Department in not formulating proper action plan nor studying the taste of customers before venturing into such an important aspect of weaving industry. The Committee recommends that new designs should be adopted only after studying the aptitude and taste of the people of Kerala.

75. The Committee recommends that the Government should review the performance of apex organisations Hantex and Hanveev, as their role in the development of handloom sector has declined over the years, despite being the receipt of bulk of the Government funding in the sector. Considering the objections raised by the Government of India in the project proposals for restructuring of Hantex and Hanveev, State Government should convert the loan amount of Hanveev and Hantex, as share capital.

76. Regarding training in weaving sector, the Committee urges the Department of Handloom and Textiles to have exclusive trained staff with expertise in technical matters at District and lower levels to provide advice and guidance to weavers and Societies. The Committee recommends the Government to take action for improving the working condition of weavers so as to retain existing weavers and attract youngsters into handloom sector.

77. Even though the Secretary, Industries Department agreed to submit before the Committee, the details of action taken based on the evaluation report submitted to Government by Hanveev on the DDHPY and whether the report was approved or not, the current position etc., it was not complied with. Expressing dissatisfaction over the irresponsibility shown by the official in the matter the Committee directs the Department to do the needful at the earliest.

78. Based on the informations collected through random interviews on weavers across selected PHWCSs, the Committee understands that the minimum wages to employees were on the lower side. The Committee also notes that the funds allotted were not disbursed to primary societies in time and about ₹ 25 crore was undisbursed. Expressing dissatisfaction on the lackluster approach of the Department officials, the Committee directs to clear old dues at the earliest and simultaneously take steps to increase the wages.

79. The Committee strongly believes that present situation in Handloom Industry is heading towards a crisis and struggling to find its feet mainly because the Department was directing the funds to other needs instead of utilising for training, marketing and production of quality goods. This also resulted in the non-issuance of proper utilization certificates and created trouble for the smooth functioning of many other related schemes.

**The Committee feels that a proper revival package needs to be implemented. The Committee recommends the Department for a comprehensive revival scheme for the upliftment of Handloom sector and rejuvenate the otherwise sagging image of Hantex and Hanveev, as it would seriously affect the economy of Kerala's rural population.**

**80. Finally, the Committee recommends to merge both Hantex and Hanveev into one institution in order to avoid duplication and wastage of establishment expenditure since they are one and the same.**

Thiruvananthapuram,  
26th June, 2012.

DR. T. M. THOMAS ISAAC,  
*Chairman,*  
*Committee on Public Accounts.*

## APPENDIX I

## SUMMARY OF MAIN CONCLUSION/RECOMMENDATION

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusion/Recommendation</i>
(1)	(2)	(3)	(4)
1	64	Industries	The Committee finds that the Industries Department failed in maintaining a reliable and authentic database that enables the successful implementation of various Central and State Schemes for the proper functioning and upliftment of Handloom sector. The Committee also laments the lacklustre approach adopted by the Department which did not publish the report of survey conducted by Economics and Statistics Department in the Handloom sector about the number of societies functioning, the percentage of active weavers etc. Above all, the Committee is disappointed to note that the Department did not implement the recommendations of the Handloom Advisory Committee made in the year 2007 for the survey and issuing of identity cards to members of societies throughout the State mainly because the officials did not have a time bound programme or action plan for the collection of required data.
2	65	„	The Committee expressed its displeasure over the Internal Audit wing of the Industries Department which totally disregarded the task of collection of data and maintenance of records in Handloom sector. The Committee directs the officials to submit to them the exact details such

(1)	(2)	(3)	(4)
			as number of registered and non-registered weaving societies, number of active weavers, their percentage etc., across the State with immediate effect. The Committee urges the Department to check whether the Societies were properly utilising the allotted funds. The Committee recommends the Department to maintain a reliable, authentic and accurate data pertaining to Handloom sector and update it periodically to serve as a useful tool for planning projects.
3	66	Industries	The Committee notes that the Department failed in preparing proper charts and plans for various projects resulting in under utilisation of allotted funds. The Department converted the allotted fund into working capital without permission which ultimately resulted in the issuance of false utilisation certificates. The Committee recommends the Department to chalk out an effective mechanism to ensure that the GOI assistance for various schemes is availed of in full and utilised within the prescribed time limit.
4	67	„	The Committee understands that the Department diverted marketing incentive, a primary component of the Centrally Sponsored Scheme, 'Deen Dayal Hatkargha Prothsahan Yojana (DDHPY)' for giving rebate to Hantex and Hanveev which was originally targeted for improving infrastructure

(1)	(2)	(3)	(4)
			<p>facilities of societies and agencies. The Committee deprecates the action on the part of the officials which flouted all the rules thereby largely affecting the competitiveness of handloom sector, improvement of quality of products and enhancement of productivity. The Committee urges that the marketing incentive should be used as assistance by implementing agencies for creating an atmosphere conducive for the marketing of handloom products. The Committee also recommends that the Government should not sanction diversion of funds available with the implementing agencies for specific components of the scheme/projects for other purpose, even temporarily.</p>
5	68	Industries	<p>The Committee infers that during the implementation of DDHPY scheme, out of total 295 projects, 270 projects undertaken by PHWCS were a total failure. At the same time the Committee appreciates the 25 remaining projects run by Mahila Samajams who successfully and efficiently carried out projects under cluster scheme and utilised the scheme fund. The Committee criticises the Department for its poor budgeting and implementation of the GOI Scheme through various PHWCS and also for the failure in the effective utilization of Jacquard and Dobby system of weaving.</p>

(1)	(2)	(3)	(4)
6	69	Industries	The Committee stresses the need for the implementation of better marketing methodologies in weaving societies. The Committee recommends for providing funds in State Government Budget for carrying out several schemes in the light of non-receipt of financial aid from Banks and other institutions. The Committee recommends that the debts of the PHWCS be either waived off by the Government or converted to share capital as a step towards boosting the operational output of societies.
7	70	„	While doing an on-the-spot study and analysis of one of the Mahila Samajams, ECOTEX consortium, Manjavilakom, the Committee understands that the present situation of the said society was not as profitable as it was before and was currently running in loss due to various financial constraints and issues related to wages.
8	71	„	The Committee feels that ECOTEX consortiun primarily required to repay the loan amount through any of the ‘one time settlement schemes’ and necessitates the allocation of a separate grant in the State Budget. Apart from this the Committee stresses the need of another grant for infrastructure development. The Committee adds that for the next five years, Government should give 25% of the total expenditure as ‘Managerial Grant’ and each year the amount for infrastructure



(1)	(2)	(3)	(4)
			<p>development should be allocated in the Budget, considering this as a model women institution for handloom products. Secondly, for each new unit having strength of 20 or more, the Government should provide a minimum wage along with funds for supplying machinery and providing marketing facilities. The Committee also opines that since ECOTEX consortium being a model institution, a special consideration in the form of a rebate could be given to such institutions from Government.</p>
9	72	Industries	<p>The Committee condemns the action on the part of the Industries Department which diverted the funds released for Handloom Societies and used it for purposes not mentioned in the projects such as working capital needs. Moreover utilisation certificates issued in respect of societies in Ernakulam District showed similar expenditure in seven out of eight societies which underlines the fact that either funds were not properly used or if utilised, no proper utilisation certificates were submitted. The Committee warns the department against such pathetic management of Government funds and directs the officials to patch up all the shortcomings, so that in future handloom projects are handled prudently.</p>

(1)	(2)	(3)	(4)
10	73	Industries	<p>The Committee slams the action of Industries Department which directed the funds allotted to Handloom and Textile Projects for giving interest free loans to PHWCS and later ended up depleted with the amount not being refunded. Making matters worse was the inability of the officials to comply with the instruction of the Committee given during witness examination to submit to them the details such as the balance amount to be refunded from societies out of ₹ 70.05 lakh, the reason for the delay in getting the money back, the number of societies that did not avail the amount, the number of societies that utilized the amount etc. Exhorting to take action against the delinquent, the Committee directs the Department to submit the relevant details at the earliest. The Committee also recommends that undue delay in payment of claims of primary societies shall be avoided and arrangement be made to ensure that all claims are scrutinized and settled expeditiously.</p>
11	74	„	<p>The Committee understands that the designs adopted from agencies like Weavers' Service Centre and Institute of Handloom and Textiles Technology by spending ₹ 1.19 crore could not be used at all mainly because the design works were done without proper study and without ascertaining the taste of the customers of our State. The Committee remarks that it is a clear</p>

(1)	(2)	(3)	(4)
			<p>lapse on the part of the Department in not formulating proper action plan nor studying the taste of customers before venturing into such an important aspect of weaving industry. The Committee recommends that new designs should be adopted only after studying the aptitude and taste of the people of Kerala.</p>
12	75	Industries	<p>The Committee recommends that the Government should review the performance of apex organisations Hantex and Hanveev, as their role in the development of handloom sector has declined over the years, despite being the receipt of bulk of the Government funding in the sector. Considering the objections raised by the Government of India in the project proposals for restructuring of Hantex and Hanveev, State Government should convert the loan amount of Hanveev and Hantex, as share capital.</p>
13	76	„	<p>Regarding training in weaving sector, the Committee urges the Department of Handloom and Textiles to have exclusive trained staff with expertise in technical matters at District and lower levels to provide advice and guidance to weavers and Societies. The Committee recommends the Government to take action for improving the working condition of weavers so as to retain existing weavers and attract youngsters into handloom sector.</p>

(1)	(2)	(3)	(4)
14	77	Industries	Even though the Secretary, Industries Department agreed to submit before the Committee, the details of action taken based on the evaluation report submitted to Government by Hanveev on the DDHPY and whether the report was approved or not, the current position etc., it was not complied with. Expressing dissatisfaction over the irresponsibility shown by the official in the matter the Committee directs the Department to do the needful at the earliest.
15	78	„	Based on the informations collected through random interviews on weavers across selected PHWCS, the Committee understands that the minimum wages to employees were on the lower side. The Committee also notes that the funds allotted were not disbursed to primary societies in time and about ₹ 25 crore was undisbursed. Expressing dissatisfaction on the lackluster approach of the Department officials, the Committee directs to clear old dues at the earliest and simultaneously take steps to increase the wages.
16	79	„	The Committee strongly believes that present situation in Handloom Industry is heading towards a crisis and struggling to find its feet mainly because the Department was directing the funds to other needs instead of utilising for training, marketing and production of quality goods. This also resulted in the non-issuance of proper utilization certificates and created

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(1)	(2)	(3)	(4)
			trouble for the smooth functioning of many other related schemes. The Committee feels that a proper revival package needs to be implemented. The Committee recommends the Department for a comprehensive revival scheme for the upliftment of Handloom sector and rejuvenate the otherwise sagging image of Hantex and Hanveev, as it would seriously affect the economy of Kerala's rural population.
17	80	Industries	Finally, the Committee recommends to merge both Hantex and Hanveev into one institution in order to avoid duplication and wastage of establishment expenditure since they are one and the same.

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