Chapter 4 - Conclusion and Recommendations

4.1 Conclusion

Technology Upgradation Fund Scheme (TUFS), a flagship scheme of the Ministry of Textiles, was introduced in 1999-2000 to catalyze investment in all the sub-sectors/segments of textile industry for technology upgradation of the machinery by way of interest reimbursement. The scheme was subsequently modified in 2007 (M-TUFS), 2011 (R-TUFS) and 2013 (RR-TUFS). During 1 April 1999 to 31 March 2014, Ministry released subsidy of ₹ 18,580.45 crore under TUFS.

Performance Audit of Technology Upgradation Fund Scheme (TUFS) revealed the following:

- Magnitude of problem to be addressed is at the core of the formulation of any scheme. Thereafter, relevant targets / benchmarks are to be identified for evaluating scheme performance. No documents were, however, available in the Ministry indicating availability of baseline data about the magnitude of problem of obsolescence of machineries which was sought to be addressed through the scheme. Documents for level of benchmark to be achieved, quantum and degree of modernisation actually achieved through various phases of the scheme were also not available.

- As against the investment target of ₹ 1,50,600 crore under TUFS, investments of only ₹ 1,31,228 crore could come during the XI Five Year Plan. The shortfall in attracting investments was inspite of increase in financial allocation by GoI from ₹ 10,273 crore to ₹ 15,404 crore.

- Ministry did not have beneficiary-wise and bank-wise details of future committed liabilities.

- Out of total 22,998 cases, Audit selected a sample of 3,231[17] cases in which following deficiencies were noticed:
  - (i) Extending subsidy to ineligible beneficiaries (₹ 46.96 crore in 129 cases);
  - (ii) Extending subsidy to ineligible investments (₹ 52.87 crore in 193 cases);
  - (iii) Excess payment made to beneficiaries (₹ 6.42 crore in 40 cases); and
  - (iv) Delay in crediting subsidy to beneficiaries accounts (1 to 1509 days in 172 cases).

- TUFS was a reimbursement scheme. However, in 2009-10 an amount of ₹ 121.45 crore was refunded by the FIs on account of either excess claimed subsidy or subsidy paid to ineligible beneficiaries which indicated lack of proper scrutiny of claims by the FIs.

- Monitoring of the working of FIs by the Ministry was weak. Monitoring was dependent solely upon FIs' audit set up and their monitoring mechanism.

- There was no mechanism existing in the Ministry to check compliance of its instructions by FIs. Further prior to 2014 mechanism of inspection was not used.

4.2 Recommendations

1. While designing the scheme in future, Ministry should assess segment-wise magnitude of problem of obsolescence in the industry and set the benchmarks to be achieved.

2. Ministry may also consider segment-wise monitoring of the scheme to keep a close watch on progress of each segment.

3. Ministry should maintain its own data of beneficiary-wise committed liabilities.

4. Ministry may instruct FIs for strengthening their due diligence mechanism to avoid recurrence of implementation issues in future.

[17] Cases audited were, however, 2,831 due to non production of records for 400 cases.

5. Ministry may also consider instituting checks at its end to ensure that the FIs are exercising proper due diligence so that subsidy is passed on to eligible beneficiaries / investments.

6. Ministry should activate its monitoring mechanism so as to take mid course corrective action, if needed.

Dated: 11 December 2015
Place: New Delhi

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Countersigned

Dated: 14 December 2015
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