

Performance Audit relating to Government Companies

2.1 Promotion and Development of coir and handloom sectors in Kerala

Executive Summary

Introduction

In Kerala, as of March 2017, there were 1.89 lakh workers and 0.19 lakh weavers in coir and handloom sectors respectively under the co-operative fold. There were 564 working societies in coir sector and 409 working societies in handloom sector. Similarly, there were six PSUs/organisations, engaged in the promotion and development of the respective sectors.

Implementation of schemes and monitoring by Government of Kerala (GoK)

Measures outlined and suggested in the report of Coir Commission (2008) were not implemented. The mechanisations and modernisation of working units, liquidation/revival/reorganisation of dormant societies and welfare measures contemplated were not progressing at the expected pace in both sectors. Absence of reliable data prevented formulation of strategic approach for the coir and handloom sectors.

Promotion and development programmes

Raw material support

Coconut Husk collection scheme and revival of defibering units initiated by Directorate of Coir Development could not resolve the issue of non-availability of raw material in coir sector, which in turn made them dependent on other States and their products less market competitive.

Financial support

Financial support extended by GoK/GoI in the form of working capital assistance scheme for coir sector and Revival, Reform and Restructuring package for handloom sector was not effective due to absence of monitoring and deviation from scheme guidelines.

Marketing support

Societies could not avail full benefit of market assistance schemes and programmes due to the delays in processing of claims and release of assistance by Directorates. Failure to register under handloom mark scheme and non-conduct of expos resulted in loss of opportunity to showcase the handloom products.

Infrastructure development and modernisation

The infrastructure development and modernisation schemes and programmes implemented for the development of both coir and handloom sectors were not satisfactory because of inadequate coverage, delay in implementation, absence of/deviation from guidelines, etc.

Welfare of workers and weavers

Welfare measures initiated by GoK though ensured standard of living through minimum wages, pension and insurance, did not cover the entire sector. The implementation was also marred by delays in payments and deviation from guidelines.

Introduction

2.1.1 Coir industry is the largest agro based traditional and cottage industry in Kerala and is concentrated mainly in the rural areas. The coir industry provides livelihood to nearly 3.75 lakh people, of which women constitute 80 per cent¹. Co-operative societies in the coir sector are organised under yarn sector (comprising of husk collection societies, defibering societies and yarn societies) and product sector (comprising of mats and matting societies and small scale producers' co-operative societies). The coir co-operatives in yarn sector and product sector are affiliated to Kerala State Co-operative Coir Marketing Federation Limited (Coirfed).

Among the traditional industries in Kerala, handloom sector stands second to coir sector in terms of employment generation. Handloom sector employed 19,321 weavers as of March 2017. Weavers outside the co-operative societies in the handloom sector are organised under the aegis of Kerala State Handloom Development Corporation Limited (Hanveev), a Public Sector Undertaking (PSU). Similarly, co-operative societies in the handloom sector are affiliated to Kerala State Handloom Weavers' Co-operative Society Ltd. (Hantex).

Agencies involved in promotion of coir and handloom sectors under the Government of Kerala

2.1.2 The Directorate of Coir Development formulates and implements schemes for promotion and development of coir sector in the State. It has 10 Project Offices under it to implement various schemes for coir sector. Similarly, Directorate Handlooms and Textiles formulates and implements schemes for the development of handloom sector. Policies and schemes of Government of India (GoI)/Government of Kerala (GoK) are administered through 14 District Industries Centres. Besides the co-operative societies,

¹ As per Economic Review 2017, published by State Planning Board, Kerala.

there are three² PSUs and two organisations³ in the coir sector and one⁴ PSU in the handloom sector engaged in the promotion and development of the respective sectors.

Audit Objectives

2.1.3 The objectives of the Performance Audit were to assess whether:

- policy initiatives and planning were adequate for promotion and development of coir and handloom sectors in the State;
- the activities of Government Departments/Directorates/Agencies and PSUs in financing, protecting and promoting the coir and handloom sectors in the State were adequate, efficient and effective; and
- functioning of Departments/Directorates/PSUs was efficient to support welfare and standard of living of workers.

Audit Criteria

2.1.4 Audit criteria were drawn from the following sources:

- Industrial and Commercial Policy, 2007 of GoK;
- Guidelines issued by Central/State Governments for various schemes;
- Government Orders and Circulars;
- Memorandum and Articles of Association of the PSUs;
- Policies/Plans/Schemes formulated by the PSUs;
- Standard Industry Practice;
- State Plans for 2012-17; and
- Coir Commission Report, 2008.

Scope of Audit

2.1.5 The Performance Audit covered the period from 2012-13 to 2016-17. The records at the following Government Departments/Agencies and PSUs were examined:

- Directorate of Coir Development and selected four Project Offices⁵;
- Foam Mattings (India) Limited (FOMIL);
- The Kerala State Coir Corporation Limited (KSCC);
- Kerala State Coir Machinery Manufacturing Company Limited (KSCMMC);
- Kerala Coir Workers Welfare Fund Board (KCWWFB);
- National Coir Research and Management Institute (NCRMI);
- Directorate of Handlooms and Textiles and five District Industries Centres⁶ selected through sampling;

² Foam Mattings (India) Limited, The Kerala State Coir Corporation Limited and Kerala State Coir Machinery Manufacturing Company Limited.

³ Kerala Coir Workers Welfare Fund Board and National Coir Research and Management Institute.

⁴ Kerala State Handloom Development Corporation Limited.

⁵ Alappuzha, Kayamkulam, Chirayinkeezhu and Kozhikode were selected from 10 Project Offices.

⁶ Thiruvananthapuram, Ernakulam, Kozhikode, Kannur and Kottayam.

- Kerala State Handloom Development Corporation Limited (Hanveev); and
- The Kerala State Handloom Weavers Co-operative Society Ltd. (Hantex).

Audit Methodology

2.1.6 The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining the audit objectives to top management of the PSUs, Directorates and GoK, scrutiny of records of the audited entities, analysis of data with reference to criteria, issue of audit requisitions and queries, joint physical verification and survey of workers in societies.

An Entry Conference was held with the audited entities and GoK in June 2017, wherein the scope and objectives of the Performance Audit were discussed. Field audit involving scrutiny of records was conducted during April 2017 to August 2017. The audit observations were reported (December 2017) to GoK, besides discussing in the Exit Conference held in January 2018. The views expressed by GoK were duly considered while finalising the Report.

Acknowledgement

2.1.7 Audit acknowledges the co-operation and assistance extended by the management and staff of the PSUs, Directorates and Department of Industries in the conduct of this Performance Audit.

Audit Findings

2.1.8 The number of working societies and workers in coir sector increased from 441 and 1,61,950 respectively in 2012-13 to 564 working societies⁷ and 1,88,748 workers⁸ in 2016-17. Number of working societies and weavers in respect of handloom sector decreased from 431 societies and 52,171 weavers in 2012-13 to 409 societies and 19,321 weavers⁹ in 2016-17.

The audit findings are discussed in the succeeding paragraphs:

Policy Initiatives

2.1.9 GoK appointed (July 2007) a Coir Commission in order to identify the problems and crisis faced by the coir sector in Kerala and to recommend measures for revival of the coir sector. The Coir Commission identified (2008) lack of coconut husk, absence of mechanisation, inadequate welfare measures, marketing constraints, *etc.*, as the problems plaguing coir sector. Similarly,

⁷ As per Economic Review 2017, published by State Planning Board, Kerala.

⁸ As per Appendix 3.1.46 of Economic Review 2017 relating to 529 societies.

⁹ Up to 2012-13, number of weavers was taken from the data provided by handloom societies. From 2013-14 onwards, details of weavers were uploaded in the website of Directorate of Handlooms and Textiles after physical verification of assets and weavers. Hence, the decrease in number of weavers.

Report of the Working Group on Handlooms for the Twelfth Five year Plan (2012-17) of Planning Commission of India identified non-availability of raw material, cheap credit and marketing avenues, *etc.*, as problems affecting growth of handloom sector in the country. In order to address these issues, policy initiatives and specific schemes were necessary on the part of GoK. Audit observations on these are discussed below:

Non-implementation of recommendations of Coir Commission

2.1.10 The Coir Commission suggested certain measures to overcome problems in the coir sector. GoK stated (September 2016) in the Legislative Assembly that there were no practical problems in implementing the recommendations of the Coir Commission. Besides, GoK also proposed certain measures to address raw material and marketing constraints.

Audit, however, observed that some of the important measures for developing market and ensuring availability of raw material were not implemented by GoK and Directorate of Coir Development as shown in **Table 2.1** below:

Table 2.1 – Major projects recommended for developing market and ensuring raw material not implemented

Project	Purpose
Model Coir Village	Integrating coir producers and agencies for marketing of coir products in tandem with booming tourism activities in a place.
Marketing Consortium	For strengthening marketing with participation of private players.
Exhibition centre	A permanent exhibition centre of international standard.
Innovation fund and Incubation cell	For development of new technologies and assist the units for production of innovative products. The same was entrusted to National Coir Research and Management Institute.
Coir processing park for export	For production of fibre/coir and export.
Factories for production of fibre in Public Private Participation mode	
An Information Processing Committee and Kiosks	For collection and processing of data to form a strategic policy and for dissemination of information in areas where coir industry is concentrated.

(Source: Coir Commission Report, 2008)

GoK replied (February 2018) that Directorate of Coir Development, as part of implementation of 2nd reorganisation of coir industry during 2017-22, prepared a detailed five year plan envisaging an outlay of ₹1,000 crore and the issues such as modernisation and mechanisation, product diversification, research & development, marketing, *etc.*, would be taken care of.

Coverage of coir sector units for assistance

2.1.11 The GoK was implementing its schemes for the coir sector through Directorate of Coir Development. Vision of Directorate of Coir Development aimed at progressive economic development and sustainable employment generation in the coir sector of Kerala through planned development of coir industry. Mission of Directorate of Coir Development was to act as a facilitator for the promotion and sustainability of coir sector in the State.

However, the coverage of schemes implemented by Directorate of Coir Development except Income Support Scheme and Investment Subsidy scheme for defibering mills and machineries was restricted to co-operative societies only. As of March 2017, the number of coir units registered with the Coir Board¹⁰ in the State was 9,125¹¹ whereas the number of registered co-operative societies in the sector was only 1,001¹². Hence, the schemes implemented by Directorate of Coir Development did not cover major part of the sector.

Similarly, around 2,000 coir units were registered (September 2015) with District Industries Centres as micro, small and medium enterprises (MSMEs). These MSME units were also not covered under any scheme of Directorate of Coir Development.

While agreeing with the audit observation, the GoK stated that thrust of the Directorate of Coir Development's initiative on societies was due to the fact that large number of the workforce with 90 *per cent* women was concentrated in such societies. There were also specific schemes under Directorate of Industries and Commerce for providing assistance to MSMEs. Further, financial assistance up to 50 *per cent* of cost of machinery was extended to defibering mills in the private sector.

The fact, however, remains that focussing on co-operative sector alone was not in line with mission and vision of Directorate of Coir Development in the State. This resulted in exclusion of large number of private coir units from the coverage of schemes implemented by GoK.

Registration of new societies and reorganisation of non-working societies

2.1.12 As per Section 7 of the Kerala Co-operative Societies Act, 1969, a new society shall be registered only if its proposed area of operation does not overlap with the area of operation of another society of similar type. Section 71 of the Kerala Co-operative Societies Act, 1969 further provided that the Registrar may direct the winding up of a society if it has not commenced working within six months of registration unless extension of time is granted by the Registrar or has ceased to work. The Coir Commission also recommended (2008) Project Offices to examine feasibility of revival of non-

¹⁰ An autonomous body of Government of India (GoI).

¹¹ As against 8,744 units on 01 April 2012.

¹² As per Appendix 3.1.45 of Economic Review 2017. Against 564 registered working societies.

working societies and to liquidate societies which were not feasible for revival.

- In four test-checked Project Offices, 131 new co-operative societies were formed during 2012-13 to 2016-17. Two societies each in two locations¹³ were registered with the same area of operation in violation of the Act.
- As of March 2017, there were 437 non-working co-operative societies (43.66 *per cent*) out of 1,001 registered societies in the coir sector. Out of this, liquidation process was initiated in respect of 219 co-operative societies. In respect of balance 218 co-operative societies, the respective Project Offices did not examine feasibility for their revival or reorganisation itself to make use of the fixed assets like land, building, *etc.* In eight cases, where liquidation process was undertaken, the process was pending completion for 50 years or more.

Similarly, in the handloom sector, there were 216 non-working primary handloom weavers' co-operative societies (PHWCSs), which were either to be revived or liquidated as of March 2017.

The delay on the part of Directorates of Coir Development and Handlooms and Textiles in reviving non-working societies made the assets of these societies idle and vulnerable to encroachments.

GoK stated (February 2018) that the four societies with overlapping areas of operation went into liquidation. GoK also assured that procedure would be streamlined to prevent registration of societies with overlapping areas of operation. The audit observation on non-liquidation of non-working societies in the coir sector was noted by GoK for compliance. In respect of handloom sector, GoK stated (March 2018) that the status of non-working co-operative societies in the handloom sector was reviewed in the Plan Review Conference meetings and strict directions issued from time to time for their liquidation or revival as the case may be.

Absence of reliable data

2.1.13 Adequate and reliable data about any sector is inevitable to formulate suitable and appropriate policies and programmes for the promotion and development of the sector. Audit observed the following deficiencies in data collection in coir and handloom sectors:

- Coir Commission Report, 2008 identified absence of reliable information as one of the reasons preventing formulation of strategic approach for the development and marketing of the coir sector. Therefore, the Coir Commission recommended a detailed survey for fine-tuning of the coir sector. With this objective, Directorate of Coir

¹³ Ward number 10 (Chandiroor Elayapadam SCVCS Ltd No. A.1171 and Vattakuttithara SCVCS Ltd. No.A.1175) and ward No.13 (Indira Gandhi SCVCS Ltd No. 1178 and Chanthiroor Chalithara SCVCS Ltd. No. 1227) of Aroor Grama Panchayat in Alappuzha district.

Development initiated a survey belatedly in 2016 to identify targeted beneficiaries for implementation of schemes and welfare measures. However, the report was not finalised and published so far (February 2018).

GoK stated (February 2018) that as part of the next Five Year Plan, an internet based Management Information System and Review Framework would be created to track cultivation and production of coconut and marketing of coir.

- GoK announced a detailed survey on handloom industry in Kerala and sanctioned (September 2013) ₹50 lakh for conducting the same. The survey was intended to study the present status of handloom sector in Kerala such as number of weavers, number of co-operative societies, number of looms and to study financial assistance received by each society under various schemes. Directorate of Handlooms and Textiles awarded (March 2014) the survey work to the Centre for Management Development (CMD), Thiruvananthapuram at a cost of ₹28.65 lakh. The CMD was to complete the study and submit the report within four months from the date of signing of MoU (July 2014). CMD submitted the report on handloom survey only in March 2017 after a delay of two years and seven months. The report was incomplete.

GoK stated (March 2018) that CMD was directed to revise the report with more clarity on issues such as the facilities available in the sector, availability of raw material and the constructive comparisons of sector wise growth (private *versus* co-operative) in handloom industry. Accordingly, CMD submitted (February 2018) their revised report, which would be placed in the next State Level Monitoring Committee and appropriate decision would be taken.

The fact remains that the absence of reliable information prevented formulation of strategic approach for the development of the handloom sector.

Promotion and development measures for coir and handloom sectors

2.1.14 Traditional industrial sectors of coir and handloom are dependent on availability of raw material at minimum cost, cheaper credit facility, sufficient marketing and infrastructure support and proper welfare measures for their survival. State Government and Government of India implemented several schemes to make available raw material, credit, marketing facility, *etc.*, to the coir and handloom sectors as detailed in **Appendix 3**.

Audit observations on the implementation of these schemes are discussed below:

Schemes for raw material support

2.1.15 Coconut fibre is the main raw material used in the production of coir products. Fibre is extracted from coconut husk through a process called defibering. The fibre is then spun into yarn, which is a product in itself and can also be used for manufacturing value added products like mats and mattings. The Coir Commission Report, 2008 identified non-availability of sufficient coconut husk at economical prices as one of the factors affecting the growth of coir sector in Kerala. Therefore, the Coir Commission recommended promotion of defibering societies and introduction of a husk collection scheme.

Inadequate husk collection and non-revival of defibering societies

2.1.16 For attaining self-sufficiency and profitability in operations of defibering societies, the Coir Commission recommended (2008) to make available 15,000 to 20,000 husks daily for minimum 200 days to 72¹⁴ registered defibering societies through establishment of consortium of units with support of Local Self Government Institutions (LSGIs). In order to mobilise husk collection, GoK introduced a Coconut Husk Collection Scheme in 2010, which was modified in 2015. The scheme envisaged husk collection through consortium and self help groups on payment of incentives¹⁵.

Audit observed that:

- In Kerala, total coconut husk available ranged from 579.90 crore to 594.70 crore during 2012-13 to 2015-16. Against this, husks collected during 2012-13 to 2016-2017 ranged between 78 lakh and 113 lakh. This collection was insufficient to meet even the requirement (5.10 crore¹⁶) of 17 working societies, out of 69 (as of March 2017) registered defibering societies.
- The total annual fibre production from the husk collected by working defibering societies ranged between 780 MT and 1,130 MT during 2012-13 to 2016-17. This was not adequate to meet the fibre requirement of yarn societies in Kerala, which ranged between 11,745 MT and 20,635 MT. Consequently, the yarn societies procured balance fibre ranging from 10,965 MT to 19,505 MT from other sources including neighbouring States.
- Low collection of coconut husks was a major reason for not reviving the 52 defunct defibering societies.

Thus, due to low collection of coconut husk and non-revival of defibering societies, the yarn societies depended on neighbouring States for meeting their requirement. In view of the insufficient husk collection, GoK may holistically

¹⁴ Of which, 54 were non-working societies as on March 2007.

¹⁵ 15 paisa to 25 paisa per husk in 2015.

¹⁶ 17 working defibering societies X 200 days X 15,000 husks daily.

examine the availability of husk, the wages and incentive for husk collection and its demand.

While accepting the audit observation, GoK stated (February 2018) that considerable scope existed for participation of LSGIs in husk collection and defibering. As the expected results of the husk collection scheme were not achieved, GoK decided to review the scheme by exploring various methods.

Financial support

2.1.17 In order to provide finance to the coir sector, GoK introduced scheme for working capital assistance (2006). In the handloom sector, GoK implemented a debt revival package introduced by GoI during 2012-13 to 2016-17.

Audit reviewed the implementation of these schemes and audit observations are discussed in succeeding paragraphs.

Working Capital Assistance for the coir sector

2.1.18 GoK provided working capital assistance to coir societies since December 2006 with the objectives of increasing working days to generate employment, increasing production and strengthening marketing network. The assistance to the tune of ₹5.00 lakh to ₹7.50 lakh each was granted to societies based on the viability assessment and project report. Further, Project Offices were to review the working of these societies on a quarterly basis. Under the scheme, assistance of ₹10.58 crore was extended to 544 societies across the State during 2012-13 to 2016-17.

Audit observed that:

- Out of the above 544 societies, 21 societies (**Appendix 4**) in four Project Offices, which were granted (2012-13 to 2013-14) working capital assistance of ₹81.94 lakh subsequently became defunct.
- In Project Office, Kayamkulam, out of 128 societies, 66 societies received assistance of ₹1.59 crore during 2012-13 to 2013-14. Aggregate working days of these 66 societies increased during 2015-16 and 2016-17 by 3,545 days and 2,725 days respectively. However, there was no increase in aggregate production as 17 societies registered negative growth in both the years.
- In Project Office, Alappuzha, total working days of 21 out of 25 yarn societies, which received assistance decreased from 2,546 days in 2012-13 to 2,115 days in 2015-16. Similarly, the production of yarn in these societies also decreased from 643.50 MT to 519.50 MT during the same period.

- No system was put in place for quarterly reviews to analyse the working of the societies and as such, the reasons for dormancy and negative growth of these societies were not on record.

GoK, while agreeing to audit observation, stated (February 2018) that the scheme was revamped and corrective measures were incorporated to ensure that future assistance would be based on productivity. Further, the Directorate of Coir Development proposed to constitute a review mechanism in the form of a Project Management Unit during the thirteenth five year plan (2017-2022) to monitor the activities on a monthly basis.

However, the fact remains that the achievement of objectives envisaged in the scheme for employment generation and enhanced production was not satisfactory.

Implementation of Revival, Reform and Restructuring Package for the handloom sector

2.1.19 Acknowledging the financial distress faced by handloom weavers and co-operatives due to their inability to repay debts, Government of India (GoI) introduced (November 2011) Revival, Reform and Restructuring (RRR) package with a total outlay of ₹3,884 crore. National Bank for Agriculture and Rural Development (NABARD) was the designated implementing agency of RRR package. Under the Scheme, funds equivalent to principal and 25 *per cent* of interest as on the date of loan becoming Non-Performing Asset (NPA) and which was overdue as of March 2010 would be provided by NABARD to lending institutions towards repayment of loan availed by viable Primary Handloom Weavers' Co-operative Societies (PHWCSs) and Apex societies and individuals. The balance 75 *per cent* of overdue interest and the entire penal interest, if any, would have to be written off by the lending banks as a pre-condition. The funds required for the scheme were to be shared by GoI and GoK¹⁷.

The scheme also envisaged lending institutions to provide fresh loans to the PHWCSs and individual handloom weavers at 6 *per cent* rate of interest. NABARD sanctions maximum interest subsidy of 7 *per cent* on fresh loans given by lending institutions on submission of claims for subsidy.

GoI sanctioned (March 2013 to September 2014) ₹165.34 crore for implementation of the Scheme and GoK contributed ₹45.31 crore as State share in respect of 357 PHWCSs, Hantex and 1,204 individuals in two phases under the Scheme.

Audit reviewed the implementation of RRR package in five selected districts and observed that:

- District Co-operative Bank (DCB), Thiruvananthapuram received (March 2013 to March 2015) ₹84.87 crore from NABARD towards

¹⁷ In respect of Apex societies, the sharing pattern would be 3:1 by GoI and GoK and in other cases, the sharing pattern would be 4:1.

repayment of loan and interest availed by 292 PHWCSs. NABARD repaid the loan after the DCBs committed to issue fresh loans and to waive interest. Despite this, in respect of 152 PHWCSs, DCB, Thiruvananthapuram neither issued fresh loan nor did it waive interest amounting to ₹41.31 crore on the loan after it became NPA. Instead, the interest of ₹41.31 crore was treated as fresh loan, which was against the guidelines of the Scheme. As a result, loan liability remained with the PHWCSs without any additional cash inflow. Non-waiver of interest was on the ground that the waiver would affect the financial position of DCB.

GoK in their reply (March 2018) admitted the audit observation and stated that the matter was under their consideration. Directorate of Handlooms and Textiles assured that further follow up action would be taken.

- DCB, Kannur collected interest at the rate of 11.50 per cent, instead of 6 per cent, on fresh loan of ₹3.70 crore sanctioned to 27 PHWCSs without claiming interest subsidy from NABARD.

General Manager, District Industries Centre, Kannur replied (July 2017) that though direction was given to the DCB in this regard, it was not considered favourably. Further, there was lapse on the part of bank authorities in not claiming interest subsidy of 5.50 per cent from NABARD.

GoK replied (March 2018) that the matter was under their consideration and action to rectify the defects pointed out by Audit would be taken shortly.

Thus, breach of commitment by District Co-operative Banks resulted in denial of fresh loans/loans at cheaper rate to PHWCSs and thereby defeating the objective of the Scheme.

Marketing Support

2.1.20 In order to address the marketing constraints faced by the coir sector and handloom sector, GoK and GoI implemented several schemes during 2012-13 to 2016-17 as shown in **Table 2.2** below:

Table 2.2: Schemes implemented by GoK and GoI for marketing support in coir and handloom sectors

Sl. No.	Coir sector	Sl. No.	Handloom sector
1	Purchase Price Stabilisation scheme	1	Marketing Incentive Scheme
2	Market Development Assistance for coir sector	2	Handloom mark scheme
3	Production and Marketing Incentive for coir sector	3	Registration under India Handloom brand
	...	4	Rebate scheme

(Source: Data collected from Directorates)

Audit examined the implementation of these schemes and audit observations are discussed in *paragraphs 2.1.21 to 2.1.27*.

Purchase Price Stabilisation Scheme for the coir sector

2.1.21 Under Purchase Price Stabilisation Scheme (PPSS), the semi-finished/finished coir products and allied products manufactured by small scale producers and mats and matting societies will be procured by Kerala State Coir Corporation Limited (KSCC). The exporters purchasing coir products from KSCC were eligible for an incentive of 7.50 *per cent* of Freight on Board (FOB) value of hand woven products procured through this mechanism. KSCC was entitled for service charge from Directorate of Coir Development at the rate of three *per cent* of the value of products procured.

Audit observed that during the period 2013-14 to 2016-17, KSCC sold mats and mattings under Purchase Price Stabilisation Scheme (PPSS) to 146 parties for the purpose of export. As per the Scheme, KSCC was to ensure that the export obligations were met by the exporters. KSCC did not devise a mechanism to ensure that the export obligation was met by the exporters though ₹33.21 crore was paid as export incentive during 2013-17.

Marketing Incentive Scheme for handloom sector

2.1.22 In the handloom sector, Marketing Incentive is given at the rate of 10 *per cent* of the average sales turnover of the last three years to support marketing of handloom products by marketing agencies. Incentive would be shared equally by GoI and GoK. Kerala State Handloom Development Corporation Limited (Hanveev), The Kerala State Handloom Weavers Co-operative Society Ltd. (Hantex) and PHWCS are eligible for incentive in the State. The share of GoK would be released in advance.

According to the revised (June 2015) guidelines, GoK should identify a nodal agency for implementation of the scheme. GoK appointed (January 2016) Hanveev as the nodal agency of the Scheme.

Audit examined implementation of Marketing Incentive scheme in five selected districts and observed that out of 35 PHWCSs in Kannur district, 30 PHWCSs submitted (November 2015 to March 2017) Marketing Incentive claim (₹1.89 crore) for the period 2013-17 to Hanveev. Hanveev did not forward the claims to the Development Commissioner (Handlooms) so far (December 2017) on the plea that Hanveev did not have adequate staff to verify the claims submitted by PHWCSs. Due to non-submission of claims by Hanveev, Marketing Incentive was not extended to PHWCSs.

GoK stated (March 2018) that Marketing Incentive was sanctioned earlier by a State Level Committee chaired by the Secretary (Industries), GoK. Claims approved and sanctioned by the State Level Committee were only forwarded to Government of India for assistance. On appointment of Hanveev, the role of Hanveev, was not made clear. The matter was now with Government and a

clear direction in this regard would be issued shortly and all pending claims would be processed and submitted to GoI.

The reply was not acceptable as GoK did not clarify the role of nodal agency even after two years from the date of appointment of Hanveev and as a result, assistance envisaged under Marketing Incentive Scheme was denied to PHWCSs in the State.

Handloom Mark Scheme

2.1.23 Handloom Mark provides a guarantee to the buyer that the product is genuinely hand woven. PHWCSs manufacturing genuine handloom products could register under the Handloom Mark Scheme after payment of registration fee of ₹2,000 to the Textiles Committee constituted by GoI for implementation of the Scheme. After registration, PHWCSs can purchase labels¹⁸ from the Textile Committee for affixing the same on the handloom products sold. Handloom mark is compulsory for claiming Marketing Incentive and participation in national Expos. GoK reimburses 75 per cent of registration fee and cost of labels.

Audit observed that out of the 409 working PHWCSs as of June 2017, 37 societies were not registered under Handloom Mark Scheme. Out of the registered 372 PHWCSs, 104 PHWCSs did not purchase any labels so far.

Thus, popularisation and marketing of genuine handloom products through Handloom Mark Scheme was not done by 37 PHWCSs, which were not registered under the Scheme and 104 PHWCSs, which did not purchase labels.

GoK replied (March 2018) that instructions were given to all PHWCSs to register them under Handloom Mark scheme.

The fact, however, remains that despite the efforts of GoK, many PHWCSs were yet to register themselves under the Scheme.

Delay in releasing Rebate

2.1.24 With a view to providing marketing support to PHWCSs, Hantex, Hanveev, etc., GoK offers rebate¹⁹ on the sale of handloom cloth during festival seasons of Onam, Christmas, Vishu and Ramadan. The period of rebate sale would extend between 5 days and 21 days. According to the conditions of sanctioning rebate, PHWCSs/Hantex/Hanveev would submit rebate claims within 30 days after the rebate period to the Co-operative Inspectors of the Circles concerned who, in turn, would submit the applications to General Managers of the District Industries Centers concerned within 30 days. General Managers would consolidate and submit the claims of each financial year by 30th of June to the Directorate of Handlooms and Textiles for releasing the fund.

¹⁸ Price ranged from 20 paise to ₹1.25 per label.

¹⁹ For the school uniform sale season - 30 per cent. Other season - 20 per cent.

Audit scrutiny revealed that:

- Directorate of Handlooms and Textiles did not release rebate claim of ₹20.48 crore received from all 14 District Industries Centres for the period 2011-12 to 2017-18. Out of the five districts (District Industries Centres) examined in audit, General Manager, District Industries Centre, Kozhikode submitted the rebate claims for the year 2013 (₹11.59 lakh) after a delay of more than two years.

Audit observed that GoK was not serious in reimbursing the rebate claims to the PHWCSs on time. There was also no mechanism for effective monitoring of receipt and release of rebate claims. The delay in release of rebate claims would become a source of discouragement to the PHWCSs, which sell their products at reduced prices and wait indefinitely in the hope of getting funds.

Directorate of Handlooms and Textiles replied that funds were released based on available budget and there was delay in releasing rebate claim each year. Directorate of Handlooms and Textiles requested GoK to release more funds to ensure availability and distribution of fund. Directorate of Handlooms and Textiles admitted (October 2017) that there were lapses on the part of District Industries Centre, Kozhikode to submit application relating to rebate claims.

GoK stated (March 2018) that claim towards rebate of ₹20.48 crore was under its consideration.

The replies are not acceptable as the inaction on the part of GoK to release rebate claims is a matter of concern to a sector, which is dependent on Government support for its survival.

Revitalisation and strengthening of Hanveev and Hantex

2.1.25 Hantex and Hanveev offer marketing facilities for the weavers in the co-operative sector and outside the co-operative fold respectively. GoK sanctioned (2012-2016) ₹7.12 crore and ₹9.75 crore for revitalisation and strengthening of Hanveev and Hantex respectively. The fund was to be utilised within the respective financial year itself for modernisation and computerisation of showrooms for customer attraction, producing innovative high value and value added products, *etc.*, to exploit the existing market potential.

Audit observed that:

- Out of ₹7.12 crore sanctioned to Hanveev, ₹2.70 crore was not utilised for modernisation and computerisation of showrooms and for strengthening of pre loom and post loom facilities. Hanveev diverted ₹1.05 crore out of ₹2.70 crore for clearing Provident Fund arrears, dues on account of yarn purchase, dues on account of printing and dyeing, *etc.*

- As per the conditions of sanction of fund to Hantex, unspent amount should be refunded to GoK with interest at 12 *per cent*. Out of 30 showrooms, for which fund was sanctioned, modernisation and computerisation of only five showrooms were completed while two were ongoing. Work in respect of remaining 23 showrooms did not commence so far (August 2017). There were delays ranging between 18 and 42 months to utilise the fund sanctioned (2013-16) for renovation of these 23 showrooms.

Thus, the scheme intended for revitalisation of Hanveev and Hantex by attracting customers through renovated showrooms, easy business through computerisation, *etc.*, was not implemented effectively.

GoK replied (March 2018) that a newly formed Monitoring Committee of the Directorate was instructed to verify the utilisation of funds by Hantex and Hanveev. Appropriate action would be taken on receipt of report of the Committee.

Handloom Export Promotion Scheme

2.1.26 GoI introduced (2013) Handloom Export Promotion Scheme to enable apex societies /PHWCSs/handloom corporations (implementing agency) in developing export-worthy products. Apex society and Primary Handloom Weavers Co-operative Societies (PHWCSs) with minimum average domestic sales turnover of ₹50 lakh during last three years and minimum of 100 looms were eligible to submit proposals. Directorate of Handlooms and Textiles was to recommend export project. Financial assistance of ₹28 lakh, to be shared by GoI (₹21 lakh) and implementing agency (₹7 lakh) was available under the Scheme.

Audit observed that even though Directorate of Handlooms and Textiles had the overall responsibility to support the handloom sector in areas of infrastructure, marketing, export, *etc.*, to compete in a globalised environment, the Directorate did not disseminate information about the Handloom Export Promotion scheme among PHWCSs. As a result, no PHWCSs submitted any proposals under the Scheme. Audit also noticed that three PHWCSs in Kannur district met the eligible criteria for assistance under the Handloom Export Promotion Scheme but, did not submit proposals due to lack of information about the Scheme.

GoK admitted (March 2018) that there were lapses in the timely dissemination of important information and publicity of schemes. GoK also agreed that new means of print and electronic media would be used to address it and matters would be uploaded on the new web portal of the Directorate of Handlooms and Textiles. Further, the field level officers would be instructed and equipped to carry out the propaganda activity in a better way.

National Handloom Expos (NHE) and Special Marketing Expos

2.1.27 With a view to promoting and developing market for the handloom sector, GoI implemented National Handloom Expos (NHE) and special marketing expos. These expos would be organised for a period not less than 14 days in metropolitan and big cities to assist sale of handloom products. PHWCSs/Hantex/Hanveev/Self Help Groups registered under the Handloom Mark Scheme would be eligible for participation in the expo. Financial assistance up to ₹38.00 lakh for organising NHE in cities with population of 25 lakh²⁰ would be provided to Directorate of Handlooms and Textiles towards infrastructural support (stall rent, electricity charges, publicity, organising buyer-seller meet, backup services, administrative expenses etc.).

Besides the above, financial assistance at the rate of ₹20 lakh and ₹8 lakh would be provided for organising Special Expos (SE) at national level and State level respectively. According to conditions of scheme, GoI would release first instalment of 50 per cent as advance to meet preparatory expenses. Balance 50 per cent would be released on submission of performance cum achievement report within 10 days after completion of the event and claims in three months.

Audit observed that:

- During 2012-13 to 2014-15, GoK conducted three National Handloom Expos and for 2015-16, Hanveev was the implementing agency. For these NHEs, GoI released ₹66 lakh towards first instalment. Directorate of Handlooms and Textiles did not submit performance cum achievement report to the GoK within 10 days and claim for the balance 50 per cent within the stipulated period of three months. Claim and utilisation certificates were also not submitted by Hanveev for the year 2015-16. Due to delay in submission of claims, GoI did not release balance share amounting to ₹66 lakh. Further, proposal (February 2017) against sanction for conducting NHE during 2016-17 was also not approved by Development Commissioner (Handlooms), GoI due to non-submission of utilisation certificate (UC) for the year 2015-16 leading to failure to obtain further GoI assistance of ₹38 lakh for marketing the products.
- In three NHEs conducted during 2012-15, 307 participants sold handloom cloth valuing ₹12.08 crore. Due to non-conduct of NHEs during 2016-17, handloom weavers were deprived of one of the avenues to sell their handloom products.
- Directorate of Handlooms and Textiles did not submit any proposal for conducting three Special Expos for the period 2016-17 against three special expos sanctioned by Development Commissioner (Handlooms) for Kerala.

²⁰ ₹18.00 lakh for organising NHE in cities with population below ₹25 lakh.

Thus, due to non-conducting of NHEs and special expos during 2016-17, the handloom weavers were deprived of the opportunity to showcase their exquisite handloom products.

Directorate of Handlooms and Textiles admitted (January 2018) that due to non-submission of UC on time, 50 *per cent* of grant was not released by GoI. GoK replied (March 2018) that Hanveev, implementing agency of NHE for the period 2015-16, did not submit UC on time. Therefore, application for conduct of National Handloom Expos for 2016-17 was rejected by GoI.

Assistance for Infrastructure Development and modernisation

2.1.28 For infrastructure development and modernisation of coir and handloom sectors, GoK implemented many schemes during 2012-13 to 2016-17. Audit observations on implementation of these schemes are discussed in *paragraphs 2.1.29 to 2.1.32*.

Scheme for Infrastructure Development in the coir sector

2.1.29 GoK introduced Infrastructure Development Scheme (IDS) to increase production in coir societies, improve the overall quality of production and to fulfil the basic requirements of workers. The scheme assistance was extended for procurement of machinery, construction of work shed, *etc.*, based on the feasibility of the proposed project and necessity of the societies. Under the scheme, assistance of ₹31.61 crore was disbursed to 548 societies during 2012-13 to 2016-17. Out of these, 40 societies received assistance worth ₹0.10 crore or more each till 2015-16.

Audit observed that guidelines specifying eligibility criteria, quantum of assistance per beneficiary, *etc.*, were not devised for effective, transparent and fruitful implementation of the scheme.

GoK stated (February 2018) that majority of assistance extended fell in the category of construction/ renovation of work sheds, godowns, toilets, *etc.* Further, since almost 90 *per cent* of the workforce comprised of women, providing better gender sensitive infrastructure gets precedence. From 2016-17 onwards, projects were sanctioned based on the activities and requirements stipulated in the “micro plan” of each society. GoK further stated that specific guidelines would be framed for selecting the beneficiaries stipulating the quantum of assistance.

The fact, however, remains that in the absence of guidelines, the assistance was also extended for the purchase of machinery by societies, despite having another dedicated scheme for such purchase.

Skill Development in coir sector

2.1.30 National Coir Research & Management Institute (NCRMI) was established by GoK in 1994 with the mission of conducting research and imparting training to workers in the coir sector. Similarly, Kerala State Coir

Machinery Manufacturing Company Limited (KSCMMC) was to impart training to workers of co-operative societies which procure machineries from KSCMMC. The Coir Commission observed that low productivity of workers in the coir sector was on account of outdated technologies and machineries. The Coir Commission recommended modernisation of technology along with training to workers for production of different varieties of coir at improved productivity.

Audit observed that:

- Total number of workers trained through NCRMI during 2012-13 to 2016-17 was only 613. But, Coir Board had given training to 5,492 workers under its Mahila Coir Yojana Scheme and to 7,336 workers under training for manufacturing valued added products. The workers trained by Coir Board were from both co-operative and private sector.
- KSCMMC distributed (March 2015 to June 2017) 71 mini defibering machines, 65 willowing machines, 61 screeners, 20 conveyors, 10 screeners for pith, 6 bailing press and 6,490 electronic ratts. Despite supplying these machines to co-operative societies, KSCMMC did not train the workers of these societies due to staff shortage.
- From the data collected from 355 societies by Project Offices at the instance of Audit, it was noticed that no workers from 221 societies were selected for any training during the last five years.

These instances indicated scope for improvement of skills of coir workers by assessing training needs of workers, thus, improving viability of societies.

GoK stated (February 2018) that training programme of NCRMI was for longer duration than that of Coir Board. As part of speedy mechanisation of coir sector, KSCMMC was entrusted to manufacture various machines. As most of coir workers are unaware of operating new machines, ₹1.42 crore was sanctioned for training. A list of 1,877 workers from various societies was sent to KSCMMC to impart training and adequate training will be given to coir workers to become familiar with these machines to enhance productivity.

The fact, however, remains that a large section of the workers were untrained even after commencement of mechanisation and the number of workers imparted training during the audit period was less than one *per cent* of work force in co-operative sector.

Procurement of modern equipment for the coir sector

2.1.31 As of June 2017, out of 355 co-operative societies, details of which were available, 153 societies were working in manual mode. As part of modernisation of coir sector, GoK approved the proposal of the Kerala State Coir Machinery Manufacturing Company Limited (KSCMMC) to

manufacture and supply 30 Integrated Coir Processing Units²¹ (ICPU) to 20 co-operative societies/PSUs, free of cost and to 10 private units at 50 per cent subsidy. GoK sanctioned (October 2016) ₹4.31 crore to KSCMMC for supply of the equipment. The scheduled date of completion of supply was 31 March 2017. The Project Offices were to identify the co-operative societies/ PSUs and private parties requiring ICPUs.

Four²² Project Offices submitted proposals for 15 societies and after assessing scope and infrastructure facilities, the Directorate of Coir Development recommended 14 societies and one private party for supplying the ICPU. Directorate of Coir Development later decided (April 2017) to reassess the infrastructure facilities of the beneficiaries and postpone the issuance of ICPU till then.

Audit observed that:

- The machines were ready for supply by December 2016. However, due to delay in reassessment of infrastructural facilities, the machines were not delivered to the societies and were idling.
- Though the project envisaged free distribution of ICPUs to societies, the Project Office, Thrissur reported that societies were reluctant to purchase the machine due to financial constraints. This indicated that Project Offices themselves, who were to spread information among beneficiaries, were unaware that the machines were given free of cost.

GoK stated that delay occurred as physical inspection had to be carried out to ascertain the infrastructural facilities in societies before selecting suitable beneficiaries. A list of 17 coir societies was forwarded to KSCMMC for distribution of machines and the process of installing the machineries commenced in December 2017.

The reply was not acceptable as due to delay in assessment of infrastructural facilities, ICPUs manufactured by KSCMMC for mechanisation of societies remained unutilised. Moreover, there was lack of awareness about the scheme among project offices and beneficiaries to make use of the benefits.

Promotion of Master Weavers Scheme for handloom sector

2.1.32 Industrial and Commercial Policy, 2007 of GoK envisaged establishment of handloom units by master weavers. Directorate of Handlooms and Textiles implemented (2011-2016) 'Promotion of Master Weavers Scheme', intended to promote Master weavers²³ to set up new production units or to revamp their existing production units so as to boost the handloom sector and maintain employment potential. According to the Scheme, the production unit should provide employment directly to 10 or

²¹ The units with an installed capacity of processing 8,000 husks per shift per day with proposed output of 2,40,000 Kg of fibre and 4,80,000 kg of coir pith annually.

²² Alappuzha, Ponnani, Kozhikode and Vaikom.

²³ Weavers having sufficient experience in the field of handloom weaving/ dyeing/ post loom or pre-loom activities.

more workers at a time. Maximum assistance available under the scheme for one individual would be ₹1,28,125 for purchase of looms, technology upgradation, design and training. Balance fund was to be arranged by the beneficiaries through banks. The applicant having own land and building to establish such units would be preferred. If the unit is intended to be set up in a rented building, copy of rent deed executed for a minimum period of five years should be furnished.

The progress of the implementation as well as the functioning of the unit would be periodically watched by the Directorate of Handlooms and Textiles and General Managers, District Industries Centres of the district concerned.

Directorate of Handlooms and Textiles sanctioned ₹85.64 lakh to 84 beneficiaries under the scheme during the period 2011-12 to 2015-16. Out of these 84 beneficiaries, 59 beneficiaries did not submit utilisation certificate so far.

Audit examined five projects sanctioned in Thiruvananthapuram district under Master Weaver Scheme and observed that:

- Even though the grant was to be released to the financing bank concerned, in four out of five test checked cases, fund was released to the allottees directly.
- In one case, Directorate of Handlooms and Textiles released (2014) ₹1,28,125 to a beneficiary²⁴ for strengthening of existing units. Before sanction of the assistance, Senior Co-operative Inspector of the Circle²⁵ reported (September 2012) that the beneficiary owned five looms in her own property. Junior Co-operative Inspector of the Circle also reported (December 2012) that four looms were existing and five more looms could be installed in the work shed. The assistance was to be used for purchase of five looms, technological upgradation, margin money assistance, etc. During joint physical verification (August 2017) along with the officials of District Industries Centre, Audit could not identify any looms and work shed in the premises of the allottee.

GoK replied (March 2018) that a new Monitoring Committee of the Directorate would be instructed to verify the utilisation of funds and that appropriate action would be taken on receipt of report of the Committee.

The fact, however, remains that sanction of assistance under the scheme and release of assistance was not in accordance with the guidelines of the scheme.

Welfare measures

2.1.33 With a view to ensuring the welfare of workers in the coir sector, GoK introduced Pension Scheme and Income Support Scheme. Similarly, for the handloom sector, GoK implemented Income Support Scheme and

²⁴ Smt. S. Sulochana.

²⁵ Nemom circle.

Productivity Improvement Scheme. Audit observations on implementation of these schemes are discussed in succeeding paragraphs.

Pension Scheme

2.1.34 The Kerala Coir Workers Welfare Fund Act, 1987 was enacted with the main objective of constituting a fund to grant relief to coir workers and self-employed persons in coir industry. Subsequently, GoK introduced the Kerala Coir Workers Welfare Fund Scheme, 1989 and promulgated the Kerala Coir Workers Welfare Fund Rules, 1989 under Sections (3) (1) and 29 (1) of the Act respectively. The scheme was to be administered by Kerala Coir Workers Welfare Fund Board (KCWWFB). Contributions to the Scheme were to be made by coir worker and co-operative society at the rate of ₹5 each²⁶ per month. GoK was also to contribute twice the amount contributed by coir workers. The fund so created shall be utilised for payment of pension (maximum ₹1,000 per month²⁷), family pension (maximum ₹1,000 per month), loans to members, maternity benefits (maximum ₹1,000), etc. Under the scheme, 1.65 lakh workers were enrolled.

Audit observed that:

- There were delays in release of GoK share to the fund. The grant of ₹1.64 crore for the year 2013-14 was belatedly released in July 2017, while grant for the year 2014-15 amounting to ₹1.66 crore was not released as of June 2017. KCWWFB did not request for matching share of GoK for 2015-16 and 2016-17 so far. The delay in release of grant resulted in consequent delay in disbursing various financial assistances to the coir workers and pensioners.
- As per orders (February 2017) of GoK, eligible pensioners of welfare fund board shall get one social security pension viz., widow pension, unmarried women pension, disability pension, etc., at the rate of ₹600 per month, in addition to welfare fund boards' pension at the enhanced rate of ₹1,000 per month. However, this benefit was not extended to pensioners of KCWWFB as Paragraph 19(4) under Chapter VI of the Welfare Fund Scheme prohibited receipt of pension under any other scheme or from any other source. Such pensioners shall not be eligible for pension/ family pension under this scheme.

Audit observed that KCWWFB proposed (January 2017) an amendment to the guidelines of Welfare Fund Scheme to extend social security pension to eligible pensioners. But, the amendment was pending approval of GoK (December 2017). Therefore, the benefit of social security pensions was not extended to eligible pensioners of KCWWFB as they were in receipt of pension from KCWWFB.

²⁶ Revised from ₹1.00 each with effect from September, 1997.

²⁷ Revised to ₹1,100 per month with effect from 01 April 2017.

Audit also observed that 1,270 pensioners covered under KCWWFB were in receipt of social security pension. Since the amendment was not approved so far, 1,270 pensioners receiving social security pension were denied monthly pension at the rate of ₹1,000 per month from KCWWFB despite payment of their contribution to the scheme.

GoK stated (February 2018) that non-submission of audited accounts and reports for the period resulted in non-payment of matching grant. GoK's order for release of matching grant for the year 2014-15 was being processed. GoK, also stated that an amendment to the scheme to extend pension from KCWWFB to eligible recipients of GoI pension was under its consideration.

The reply was not acceptable because if the delay in release of matching grant was due to non-finalisation of accounts by KCWWFB, the GoK should have persuaded KCWWFB to finalise its accounts in time. Further, the proposed amendment to the scheme so as to extend social security pension to coir workers was pending with GoK for more than one year.

Income Support Scheme

2.1.35 GoK implemented income support scheme for both coir and handloom sectors. Audit observations on these schemes are discussed below:

Income support scheme for coir sector

2.1.36 The Income Support Scheme (January 2011) for the coir sector aimed at disbursing minimum wages of ₹210²⁸ to the workers in the coir spinning and related sector and the coir product sector after fixing productivity. Under the Scheme, each worker was to open a bank account and the co-operative society/private entrepreneur shall deposit the existing wage of the worker as on 31 January 2011 into the bank account followed by the Project Office concerned depositing the enhanced portion of the wage of each worker after ensuring the productivity. GoK increased (March 2014) the minimum wage to ₹300 for yarn societies. GoK incurred an expenditure of ₹69.21 crore during 2012-13 to 2016-17 under this scheme.

Audit observed that:

- The Project Offices did not have a system to check and prevent routing of wages of different workers to single account of an individual and registration of same worker in multiple societies. A test-check of 890 accounts in Project Offices, Kayamkulam and Kozhikode revealed nine individual accounts of workers (One in Project Office, Kozhikode and eight in Project Office, Kayamkulam) into which wages of multiple workers were credited, which is a matter of further investigation by GoK. Thus, transparency envisaged under direct transfer of benefits was not ensured.

²⁸ To be shared by society and Directorate of Coir Development in an agreed ratio, which differed from Project Office to Project Office.

GoK stated (February 2018) that all the accounts were since linked with *Aadhaar* and based on the audit observations necessary directions would be issued to the Project Offices to strengthen the mechanism.

- In three Project Offices, 1,604 workers registered under 29 societies (**Appendix 5**) were paid share of societies in cash. Thus, cash payment by societies and non-insisting of upfront crediting by societies in bank accounts defeated the purpose of direct benefit transfer to beneficiaries.

GoK stated (February 2018) that due to insistence of minimum balance requirements by bankers, labour organisations were demanding direct payment through society. As such, societies are permitted to disburse wages in cash through the office of the society. GoK contribution was, however, paid only through bank accounts.

The reply was not acceptable as these workers had bank accounts as GoK share was being credited to their account. Moreover, direct payment of share of societies in cash was against the guidelines of the scheme and release of share of societies could not be ensured in such cases.

- In respect of Project Office, Kayamkulam, share of GoK of ₹1.93 crore for the period February 2017 to August 2017 relating to 91 societies was pending for disbursement with delays ranging upto five months with consequent delay in disbursement of GoK share to workers.

GoK stated (February 2018) that funds were allotted to Project Office, Kayamkulam for the payment of arrears. The reply was not acceptable as delayed release of funds defeated the very purpose of the scheme to ensure minimum wages to the workers.

- Despite having a total outlay of ₹69.21 crore till March 2017 under the Income Support Scheme, a database of societies and registered workers was not maintained in Directorate of Coir Development for effective monitoring and transparency. As per details collected from Project Offices, 644 societies were included under the scheme against 564 working societies even after exclusion of many of mats and matting societies and small scale societies from the scheme. This indicated lack of reliable and organised data about operation of the scheme.
- GoK envisaged (February 2012) a web based monitoring system at Directorate of Coir Development for the smooth and fair implementation of Income Support Scheme, wherein Project Office concerned was to enter data regarding workers and societies. Similarly, Directorate of Coir Development was to form an internal inspection wing for periodic monitoring of collection and distribution of fibre and yarn and for the payment to workers. These were not implemented so far (February 2018).

Thus, deficiencies in the implementation of scheme coupled with delay in disbursement of share of GoK revealed that the implementation of the scheme was not satisfactory.

Income Support Scheme for the handloom sector

2.1.37 GoK implemented Income Support Scheme to assist the weavers/allied workers to get better wages, which in turn would assist to retain them in the handloom sector. The weavers who were earning ₹50 or above per day and allied workers earning ₹35 or above per day but not above ₹150 would come under the purview of this Scheme. The preliminary target fixed under this Scheme was to get the workers ₹150 per day as wages for a maximum of 100 days in a year. The weavers to be eligible for this scheme should have an average attendance of minimum 10 days in a calendar month. Under the Scheme, GoK provided assistance of ₹75 per weaver.

Audit observed that:

- Share of GoK assistance was limited to ₹75 per weaver earning ₹50 or more. As such, a weaver earning ₹75 or above would get ₹150 while a weaver earning between ₹50 and ₹75 per day would not get ₹150. In two PHWCSs in Kannur district, Audit noticed instances of 23 weavers out of 103 weavers²⁹ not getting targeted wage of ₹150 per day during October 2016 to May 2017 due to the above ceiling on share of GoK. This indicated that the Scheme was not conceived properly. Thus, the Scheme, which guaranteed minimum wage of ₹150 per day can achieve its objective only if the ceiling on GoK support is enhanced proportionately.
- In Thiruvananthapuram district and Kannur district, share of GoK under Income Support Scheme amounting to ₹4.13 crore³⁰ was pending for payment to the weavers from 2012-13 to 2016-17 due to shortage of funds, as shown in **Table 2.3**:

²⁹ Kannapuram PHWCS - 44 weavers and Vengad PHWCS - 59 weavers.

³⁰ ₹403.72 lakh at Thiruvananthapuram and ₹9.61 lakh at Kannur.

Table 2.3: Details of share of GoK under Income Support Scheme pending for payment to weavers

(Amount ₹ in lakh)

Year	Thiruvananthapuram		Kannur	
	Amount outstanding	No. of weavers	Amount outstanding	No. of weavers
2012-13	0.99	55	2.44	557
2013-14	224.80	4,286	1.81	328
2014-15	135.79	2,136	3.00	787
2015-16	41.09	1,388	2.00	838
2016-17	1.05	34	0.36	238
Total	403.72	7,899	9.61	2,748

(Source: Data furnished by Directorate of Handlooms and Textiles)

Directorate of Handloom and Textiles replied (January 2018) that funds towards Income Support Scheme are allotted by the Labour Department, GoK and requirement of fund is placed before the Labour Commissioner who makes the fund allotments based on the availability of funds. Out of ₹4.13 crore pending in Thiruvananthapuram and Kannur districts, an amount ₹2 crore was released to the districts. A claim for the balance amount of ₹2.13 crore was submitted before the Labour Commissioner and the same would be released on receipt of the same from the Labour Commissioner. GoK endorsed (March 2018) the views of the Directorate of Handloom and Textiles.

Reply was not acceptable as delay in disbursement of dues defeated the purpose of ensuring better wages to the weavers due to delay in release of funds by the GoK. The GoK needs to streamline release of funds in a timely manner to avoid delay in disbursement of dues to the weavers under Income Support Scheme.

Insurance Coverage

2.1.38 Provision of social security through health insurance, life insurance and insurance against disabilities is the minimum requirement that is essential to enable coir workers and handloom weavers to work with dignity.

Audit observed that:

- GoI implemented Mahatma Gandhi Bunkar Bima Yojana (MGBBY) during the Twelfth Five Year Plan period (2012-2017) with the basic objective to provide enhanced insurance coverage to the handloom weavers in case of natural as well as accidental death and in cases of total or partial disability. All weavers of Hantex/PHWCSs/Hanveev between the age group of 18 and 59 years were eligible to be covered under the Scheme. Directorate of Handlooms and Textiles was the nodal agency for the implementation of the Scheme. The Scheme was administered by Life Insurance Corporation of India (LIC). The annual

premium of ₹470 was shared³¹ among GoI, LIC and weaver. The weaver was insured with the coverage of ₹60,000 for natural death, ₹1,50,000 for accidental death, ₹1,50,000 for total disability and ₹75,000 for partial disability.

Audit observed that out of 19,321 weavers as of March 2017, 5,198 weavers were falling within the eligible age group of 18-59 years. Out of these, only 4,055 weavers were, however, enrolled in the scheme, leaving out 1,143 weavers (Hanveev - 687 weavers and PHWCSs³² - 456). Thus, Directorate of Handlooms and Textiles, the nodal agency of the Scheme, did not provide the benefit of the Scheme framed by Government of India to 1,143 weavers.

GoK replied (March 2018) that necessary action would be taken to enrol maximum weavers including those from Hanveev and PHWCS, not enrolled in MGBBY scheme, in the upcoming years.

- The Coir Commission recommended that all workers in coir sector should be extended insurance coverage. However, Directorate of Coir Development/KSCWWFB was yet to devise a scheme for this. Data collected by Project Offices from societies indicated that 10,070 workers in 110 societies had no personal insurance coverage.

GoK stated (February 2018) that KCWWFB already initiated an insurance scheme in association with Life Insurance Corporation of India and Comprehensive Health Insurance Agency of Kerala, a State Government Agency, during 2015 and earnest efforts were made to enroll all 1.65 lakh workers registered. But, so far 68,000 workers only were covered under the insurance scheme. Though special drives were made, the rate of growth was tardy due to the possible coverage of workers under some other similar schemes.

Thus, social security by way of insurance cover remained unavailable to a large number of workers in the handloom sector and coir sector.

Productivity Improvement Scheme for handloom sector

2.1.39 GoK implemented productivity improvement scheme for providing incentive to weavers and allied workers for encouraging them to improve their productivity. According to the Scheme, if a weaver weaves over and above the standard meterage fixed by the expert committee, the weaver would be given additional wages equivalent to twice the wages for that additional meterage weaved. The incentive would be disbursed on quarterly basis.

Audit observed that out of five selected districts, payment of productivity incentive of ₹3.56 crore was pending for disbursement since 2015-16 in respect of four districts while in respect of one district, the payment was pending since 2012-13 as shown in **Table 2.4**:

³¹ Government of India - ₹290, Life Insurance Corporation of India - ₹100, Weaver - ₹80.

³² 64 PHWCSs in 9 districts.

Table 2.4: Details of productivity incentive pending for payment

Sl. No.	District	Period of productivity incentive	Amount (₹ in lakh)	Range of beneficiary weavers
1	Thiruvananthapuram	2015-16 to 2016-17	242.00	528-666
2	Kottayam		1.99	20-31
3	Ernakulam		8.56	101-140
4	Kozhikode		55.01	369-665
5	Kannur	2012-13 to 2016-17	48.05	263-797
Total			355.61	

Directorate of Handloom and Textiles replied (January 2018) that Government was requested to allot additional fund via re-appropriation from other heads and efforts were being made to release this incentive timely.

The reply was not acceptable as delay in release of welfare assistance defeated the scheme objective of providing productivity incentive on quarterly basis.

Conclusion

Absence of Management Information System affected the policy formulation process and effective implementation of various schemes for the development of coir and handloom sectors. Revival of defibering mills and increased husk collection was not achieved along with reorganisation of societies, which were recommended by Coir Commission. Schemes for financial support to the co-operative societies in coir and handloom sectors were not effective due to non-adherence to guidelines on monitoring and utilisation of fund. Assistance under Market Assistance Schemes could not be extended to all co-operatives in the coir and handloom sectors and there were delays in release of assistance. Due to delay in reassessment of infrastructural facilities in societies, machinery manufactured for mechanisation of 15 coir societies remained unutilised. Master Weaver Scheme introduced for infrastructure creation in handloom sector did not result in infrastructure creation as funds were released in violation of guidelines of the Scheme. Welfare measures like insurance coverage and social security pensions did not reach all eligible weavers and workers.

Recommendations

- As accurate and updated information is vital for policy formulation and conceptualisation of schemes, GoK should implement a system to update information periodically about coir and handloom sectors.*

2. *Monitoring mechanism for utilisation of financial assistance should be strengthened to ensure effective fund utilisation to achieve the objectives envisaged in the scheme.*
3. *GoK should ensure adequate budget provision for timely payment of incentives under various marketing assistance schemes to coir and handloom sectors.*
4. *GoK may devise an action plan for gradual mechanisation of the coir and handloom sectors.*
5. *GoK may put in place a mechanism to extend benefit of welfare schemes to all eligible workers and weavers.*