

**Report of the
Comptroller and Auditor General of India
on
Role of Tea Board India in
development of tea in India**



SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



Union Government
Ministry of Commerce & Industry
No. 8 of 2023
(Performance Audit)

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Laid on the table of Lok Sabha and Rajya Sabha on.....

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Preface

This Report of the Comptroller and Auditor General of India has been prepared for submission to the President of India under Article 151 of the Constitution of India for being laid before the Parliament. The Report has been prepared in accordance with the Performance Auditing Guidelines 2014 and Regulation on Audit and Accounts, 2007 (amended in August 2020) of the Comptroller and Auditor General of India.

The Audit covered the period from 2016-17 to 2020-21. This Report examined the impact of the activities undertaken by Tea Board India towards its regulatory, developmental, research, market promotion and financial management aspects to ensure that the efforts undertaken by the Board were adequate and effective towards execution of regulatory functions, increasing production and productivity of tea in India, supporting tea research activities, promotion of Indian tea in domestic and overseas markets as well as effective financial management.

Audit wishes to acknowledge the cooperation received from the Management of Tea Board India and Ministry of Commerce & Industry of Government of India at each stage of audit process.

Executive Summary

Tea Board India

Tea Board India was established on 1 April 1954 as per the provisions of Section 4 of the Tea Act, 1953. The Board is assigned with the overall development of tea industry in India and is functioning under the administrative control of the Ministry of Commerce and Industry. Tea Board is funded through Grants-in-Aid by the Government of India and all funds available to the Board are routed through the Union Budget which are utilised as envisaged in Section 10 of the Tea Act. It also generates a meagre amount from Internal Extra Budgetary Resource.

Brief about topic of audit

The Performance Audit was conducted during November 2021 and April 2022 covering the period from 2016-17 to 2020-21. The audit was conducted to assess the impact of the activities undertaken by Tea Board India relating to its regulatory, developmental, research, market promotion and financial management aspects for the overall development of tea industry in India and to ensure that the efforts undertaken by the Board were adequate and effective towards increasing production and productivity of tea in India through various regulatory and developmental activities, supporting tea research and promotion of Indian tea in domestic and overseas markets.

Previously, a Performance Audit on “Role of Tea Board in Tea development in India” was taken up by the Comptroller and Auditor General of India during 2008 to 2010, which had been printed vide Report No.10 of 2011-12. This Report was also discussed by the Public Accounts Committee. The Committee brought out its recommendation in its 65th Report (February 2013) and actions taken by the Government on the observations/recommendations of the Public Accounts Committee in its 100th Report (February 2014). During the current audit, actions taken by Tea Board India on the recommendations made in Report No. 10 of 2011-12 and Report of the Public Accounts Committee were also examined.

Significant Audit findings and Recommendations

Regulatory Activities

Small tea growers contributed towards more than 50 *per cent* of total tea production in 2020-21. However, in absence of a well-defined strategy for identification and registration of the small tea growers, 38 *per cent* of small tea growers were not registered as of March 2021 and were out of the ambit of Tea Board’s regulatory activities and developmental assistance. Similarly, 119 out of 1,573 big tea growers were not registered as of March 2021. **Thus, it is recommended that Tea Board should build a well-defined strategy for identification of all the small tea growers, maintain a database and bring them under its ambit for extending developmental assistance and regulatory control.**

(Para 3.2.1 and 3.2.2)

Planting permits were granted to the small tea growers without necessary compliance as envisaged in Tea Rules, 1954. In 200 cases test-checked, Audit observed that soil testing reports, confirming the suitability of the land for tea plantation had not been furnished and also, no inspection had been carried out by the officials of Tea Board for verifying the details submitted by small tea growers in the said cases. Survey maps denoting the planted area were not furnished in 196 cases.

(Para 3.2.3)

Although levy of fees for issuance of planting permits was approved by the Board (June 2017), non-collection of the same resulted in loss of revenue of ₹41.36 lakh. Due to delay in implementation of provisions of Goods and Services Tax (GST), Tea Board did not collect the same on licenses fees, which resulted in loss of revenue of ₹32.39 lakh to the Government exchequer.

(Para 3.2.4 and 3.3.3)

Further, though Tea Act, 1953 authorised Tea Board to inspect the quality of tea, factories were not adequately inspected during 2016-17 to 2020-21. The shortfall of inspection ranged between 78.62 *per cent* and 91.95 *per cent* which showed poor monitoring on part of Tea Board.

(Para 3.4.1)

In the above backdrop, it is recommended that Tea Board should frame a comprehensive internal procedure/ manual for monitoring various inspection activities as required under various Control Orders. Further, a system of real time monitoring of the inspection activities, carried out by field officers, may be introduced with the help of modern technology for ensuring timely inspection of tea factories/gardens.

Tea Board directed its officials to collect tea samples from the manufacturing units and send the same to the authorised laboratories for testing. The samples are to be tested, for quality assurance, once in six months, in line with Clause 12 of the Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011. However, Audit observed that there was a shortfall in sample collection ranging between 84 *per cent* and 97 *per cent* during the audit period indicating poor monitoring. **Thus, it is recommended that Tea Board should ensure that the tea produced and sold in the market should be in conformity with norms stipulated in Food Safety and Standards Act. Further, in view of manpower shortage, Tea Board may also explore the feasibility of engaging external agencies for inspection of factories and collection of tea samples.**

(Para 3.4.2)

As per Tea (Waste) Control Order 1959, all tea factories should declare a minimum of two *per cent* of their production as tea waste. However, 72 *per cent* to 78 *per cent* tea manufacturing units generated less than two *per cent* tea waste during the years 2018-19 to 2020-21. Further, there were instances where factories had not generated any tea waste.

(Para 3.4.4)

Tea Marketing Control (Amendment) Order, 2015 provides for constitution of Green Leaf Price Monitoring Committee in each tea growing district. The Committee is to monitor the average green leaf price payable to small tea growers. The Order stipulates requirement of holding one meeting in every month. However, in 10 out of 18 tea growing districts of Assam, not a single meeting was held during 2016-17 to 2020-21 and in the remaining eight districts, the number of meetings held in a year were less than four. Similarly, in five tea growing districts of West Bengal, the number of meetings held was less than two in a year during the period 2016-17 to 2020-21. **It is recommended that to protect the interests of small tea growers and to ensure payment of minimum benchmark price of green leaves, meetings of Green Leaf Price Monitoring Committee should be conducted as stipulated in the Tea Marketing Control Order.**

(Para 3.5)

Tea Marketing Control (Amendment) Order, 2015 stated that every registered tea manufacturer should sell, not less than 50 *per cent* of the total tea manufactured in a calendar year, through e-auction in India. But the minimum threshold limit of 50 *per cent* could not be achieved in any of the years covered under audit. Tea sold through e-auctions ranged between 42 *per cent* and 44 *per cent* of total tea produced in the country. **In this regard, it is recommended that in view of non-fulfilment of mandated 50 *per cent* sale of produced tea through e-auction, Tea Board should also consider fixation of a minimum benchmark quantity for purchase of tea by the registered tea buyers through e-auction.**

(Para 3.6.2)

Developmental Activities

For formulation of policies and implementation of various subsidy schemes, Tea Board should have authentic database of tea industry which should be updated at regular intervals. However, Tea Board did not maintain database regarding areas of extensions of tea plantation, replacement & replanting of tea, age of tea bushes, district-wise yield, labour productivity rate, etc., on tea industry. **In this regard, it is recommended that comprehensive database of tea growers and tea plantation, especially of small tea growers may be maintained and updated regularly by Tea Board for effective implementation of various developmental schemes.**

(Para 4.3.3)

The overall productivity of tea in India had decreased gradually over the years from 2,165 kg/ hectare in 2016-17 to 2,016 kg/ hectare in 2020-21. Productivity of big tea growers was much lower than small tea growers due to ageing of the tea bushes of the big tea growers. 46 *per cent* of total tea cultivation areas of big tea growers were not economically viable as the tea bushes were more than 40 years old and had been commercially unproductive.

(Para 4.3.1 and 4.3.4)

The schemes guidelines stipulate that no subsidy was to be disbursed in cases the applicant has Provident Fund dues of more than ₹10,000 at the time of application and disbursement of subsidy. Audit observed that Tea Board disbursed subsidy amounting to ₹12.87 crore without adhering to the above guidelines under various schemes *viz.*, Plantation Development Scheme, Quality Upgradation & Product Diversification Scheme and Orthodox and Green Tea Production Scheme.

(Para 4.4.2.1, 4.5.2 and 4.5.4)

Moreover, Government funds of ₹1.55 crore were lying in bank account of one beneficiary who could not set up a new factory within the time frame stipulated in scheme guidelines. However, no recovery was initiated by Tea Board. Further, Tea Board disbursed excess subsidy of ₹2.05 crore to 23 tea estates for creation of irrigation facilities for areas exceeding the approved limits as per scheme guidelines.

(Para 4.4.2.1 and 4.4.3.2)

In the above context, it is recommended that strict adherence to the schemes conditions/ guidelines should be exercised by the Tea Board, during disbursement of subsidies to tea estates/ factories and ineligible subsidy disbursed may be recovered. Further, responsibility may be fixed for such ineligible disbursement.

Labour welfare activities are among the functions of Tea Board as mandated in the Tea Act 1953. However, limited allocation and inability to meet the financial targets envisaged under the Human Resource Development scheme resulted in unsatisfactory performance of the scheme.

Tea Board had been assigned with the responsibility to assist in implementation of the various labour welfare activities by the Labour Welfare Committee of the Board as per the Tea Act, 1953. Audit observed that only four meetings were held by Labour Welfare Committee during last five years ending March 2021. Thus, infrequent meetings of Labour Welfare Committee had an adverse impact on the monitoring and implementation of the labour welfare schemes. **For performance of the functions, as envisaged in the Tea Act and monitoring of the labour welfare activities, it is recommended that Tea Board may fix the periodicity of holding meetings of Labour Welfare Committee.**

(Para 4.6.4)

Planning Commission/ NITI Aayog directives provide for mandatory allocation of funds as 4.5 *per cent* for Scheduled Caste Sub Plan during 2016-17 which was increased to 8.3 *per cent* from 2017-18 onwards. However, Tea Board allocated only 3.29 *per cent* for Scheduled Caste Sub Plan scheme. Further, allocation towards Tribal Area Sub Plan scheme was only 2.63 *per cent* against mandatory allocation of 4.3 *per cent* during 2018-19 to 2020-21.

(Para 4.7 and 4.8)

Golaghat Regional Office under Guwahati Zonal Office of Tea Board disbursed subsidies under Scheduled Caste Sub Plan and Tribal Area Sub Plan schemes without proper inspection/ verification of the requisite documents, which indicated serious systemic lapses and resulted in many ineligible payments of subsidies.

In light of the above, it is recommended that Tea Board should earmark stipulated budgetary allocation for Scheduled Caste Sub Plan and Tribal Area Sub Plan. The Board may also initiate steps to investigate the cases of ineligible subsidy payments as these indicate corruption/ fraud and accordingly, responsibility may be fixed, and an appropriate action may be taken.

(Para 4.7.1 and 4.8.1)

Research Activities

The Research Directorate of Tea Board co-ordinates tea research in the country mainly through three Tea Research Institutes (TRIs) *viz.*, two private TRIs namely Tea Research Association (TRA) for North-East India and United Planters' Association of Southern India–Tea Research Foundation (UPASI-TRF) for South India and Darjeeling Tea Research and Development Centre (DTR&DC) functioning under Tea Board for Darjeeling Tea Industry.

During the last five years ending March 2021, Tea Board disbursed 83.46 *per cent* research related funds (₹66.62 crore) to the two private TRIs *viz.*, TRA and UPASI-TRF. Out of the ₹66.62 crore extended to private TRIs, only ₹4.63 crore (6.95 *per cent*) was utilised for research and remaining ₹61.99 crore (93.05 *per cent*) was used for administrative expenses.

Further, Tea Board did not conduct any audit of these private TRIs during period of audit. Moreover, although 80 *per cent* of the total expenditure of the two private TRIs was funded from the grants-in-aid by GoI, these are out of the purview of the Government audit. **In this regard, it is recommended that as substantial amount of grants is disbursed to private tea research institutions by Tea Board India, a mechanism should be devised for bringing the private tea research institutions under the scope of Audit.**

(Para 5.2)

During XI and XII Plan periods, several research projects were sanctioned by Tea Board and awarded to TRIs, which were mainly aimed at basic and applied aspects of research for long term benefit of the tea industry. However, the research projects failed to deliver the desired and targeted results and transfer any deliverable for use of the tea industry, which indicated failure of Tea Board in the monitoring mechanism of research projects.

In this regard, it is recommended that Tea Board should review the performance of the research activities conducted by private research organisations on regular basis to ensure the accountability of the money spent.

(Para 5.3.1)

Although DTR&DC was established to carry out research activities for the growth and improvement of the Darjeeling tea, due to non-disbursement of adequate fund and decrease of scientific manpower, DTR&DC was incapacitated to conduct research for the benefit of the Darjeeling tea industry fruitfully. **It is recommended that Tea Board should provide adequate funds and scientific manpower support to Darjeeling Tea Research and Development Centre to ensure its revival and smooth functioning for the benefit of Darjeeling tea industry.**

(Para 5.3.2)

The Parliamentary Standing Committee on Commerce in its 102nd Report laid in Parliament (August 2012) raised concerns over the challenges to the tea industry on account of climate change and recommended that the Department of Commerce should conduct research activities to address prolonged drought arising due to climate change. Though, the Department of Commerce in the Action Taken Report (August 2013) stated that Tea Board initiated action in this regard, Audit noticed that Tea Board did not take up any research activity/ project on climate change during XII Plan and Medium Term Framework period. **It is recommended that Tea Board should take adequate measures to comply with the recommendations of the Parliamentary Standing Committee to address the challenges to the tea industry on account of climate change.**

(Para 5.3.4)

Market Promotion Activities

Scheme guidelines advocated for advertising through established social networks for propagating the diversity and richness of Indian tea. But Tea Board's initiative for promotion of tea through social media platforms was grossly inconsistent and no major initiative for publicity through social media was taken during the reporting period. **It is recommended that Tea Board should take up consistent efforts for publicity of Indian tea through social media with increasing influence of social media platforms.**

(Para 6.4.2)

Tea Board provided financial assistance to tea exporters for tea exported through Inland Container Depot (ICD), Amingaon, Assam. However, despite assistance, export of tea through ICD Amingaon, in comparison to export from Kolkata Port, reduced from 14.37 *per cent* in 2016-17 to 7.97 *per cent* in 2020-21. In absence of any criteria for evaluation of the performance of the exporters in terms of export, the overall impact of the scheme/actual improvement of the export scenario of Indian tea could not be assessed.

(Para 6.6.1)

Financial Management and Internal Control

Although General Financial Rules, 2017 advocates for the maximum generation of internal resources and eventually attainment of self-sufficiency, Tea Board was able to generate only 9.90 *per cent* of its total revenue from internal resources during 2016-17 to 2020-21, which showed that the Board was mostly dependent on Government grants to carry out its day-to-day activities. **In this regard, it is recommended that Tea Board should identify more areas to generate revenue to attain self-sufficiency as envisaged in General Financial Rules, 2017.**

(Para 7.1)

There was no internal audit manual for Tea Board and the Board did not prepare any audit plan for conducting internal audit. The coverage of internal audit was also inadequate as 12 out of 17 Regional Offices and all the 12 Sub-Regional Offices were not audited by the internal audit wing in last five years i.e. 2016-17 to 2020-21. Further, there was no sanctioned strength for internal audit wing and no permanent staff posted till October 2020. One permanent staff was deputed in November 2020 in internal audit wing and work of the internal audit wing was managed by nominating staff from other sections of Tea Board.

(Para 7.3)

Previously, a Performance Audit on “Role of Tea Board in Tea development in India” was printed vide Report No.10 of 2011-12. This Report was also discussed by the Public Accounts Committee (PAC) which brought out its recommendation in its 65th Report (15th Lok Sabha) and Action Taken Report on this report was brought out in 100th Report (15th Lok Sabha). The Committee observed that despite their earlier recommendations/observations (1969-70 and 1987-88) to overcome lacunae, the Government have not been able to put in place the much-needed corrective mechanism. Audit reviewed actions taken by Tea Board on the recommendations made by Audit in earlier Performance Audit Report and the recommendations made by the Public Accounts Committee in their Report. Audit observed that adequate corrective actions on the recommendations, is yet to be taken by Tea Board India even after the lapse of considerable period of time.

(Para 7.4)

Chapter – I

Introduction



Chapter I

Introduction

1.1 A brief about Tea

Tea is one of the oldest and popular beverages of the world. The botanical name of tea is *Camellia Sinensis*. It is a hardy plant that grows from the mean sea level to 6,000 feet and above from temperate to tropical climates, wherever the soil is slightly acidic with well distributed rainfall and good drainage. Tea plants are propagated from seed and cuttings and within three years, the plant becomes ready for harvesting. A tea plant can grow up to 16 meters (52 feet) if left undisturbed, but cultivated plants are generally pruned to waist height for ease of plucking. Also, the short plants bear more new shoots which provide new and tender leaves and enhance the quality of tea. A plant grows a new flush¹ every 7 to 15 days during the growing season².

Figure 1.1 Tea Leaf



High content of bioactive substances like polyphenols/ flavonoids makes the beverage rich in antioxidants, causes its anti-inflammatory activities and modulates detoxification of enzymes. Tea also has caffeine and theanine which influences the brain and appears to elevate mental alertness.

¹ Flush refers to harvesting of tea leaves in different seasons in the year, which leads to different types of flushes like first flush/spring flush, second flush/monsoon flush and autumn flush.

² In West Bengal, Assam and other North-Eastern States, tea is traditionally harvested from March to December and tea harvesting/ plucking is withheld during winter for upkeeping the gardens/ factories. However, due to the warmth in the southern regions of Nilgiri in South India, tea plants can be harvested year-round.

All categories of tea come from the leaves of the tea plant. However, based on how the leaves are processed, tea is mainly categorised as Black Tea (Orthodox Tea/ CTC³ Tea), Green Tea, Oolong Tea, White Tea, Yellow Tea and Pu-erh⁴ (Post Fermented) Tea.

Figure 1.2 Different types of Tea



³ CTC tea actually refers to a method of processing black tea. Named for the process, "crush, tear, curl" (and sometimes called "cut, tear, curl") in which black tea leaves are run through a series of cylindrical rollers

⁴ Pu-erh is a variety of fermented tea traditionally produced in Yunnan Province, China. In the context of traditional Chinese tea production terminology, fermentation refers to microbial fermentation, and is typically applied after the tea leaves have been sufficiently dried and rolled.

Most of the varieties of tea grown in India have been named after the geographical regions in which they are produced such as Darjeeling Tea, Assam Tea, Nilgiri Tea and Kangra Tea. These teas are also statutorily protected by Geographical Indication⁵ (GI).

After plucking of green tea leaves from tea garden, leaves are processed in tea factory. Plucking refers to the picking of young or tender tea shoots from tea plants at specific intervals depending on the rate of growth which also differs due to weather, temperature, elevation etc. Plucking occurs when the tea bush pushes out new leaf shoots. During plucking, the pluckers take the first two leaves and one new bud. Selective plucking not only gives high and sustainable yields, but also ensures optimum utilisation of shoot growth as well as production of good quality made tea⁶. Therefore, plucking in India is mostly done manually by women tea labourers with their tender hands.

1.2 Tea Processing

Tea processing is the method in which fresh “green tea leaves” from tea plants are transformed into “made tea”. In its general form, tea processing involves different manners and degrees of oxidation of the leaves, stopping the oxidation, forming the tea and drying it. Categories of tea are distinguished by the processing they undergo.

The process of production of made tea from green tea leaves is depicted through the following flow chart:

Figure 1.3 Flow chart of Tea Production



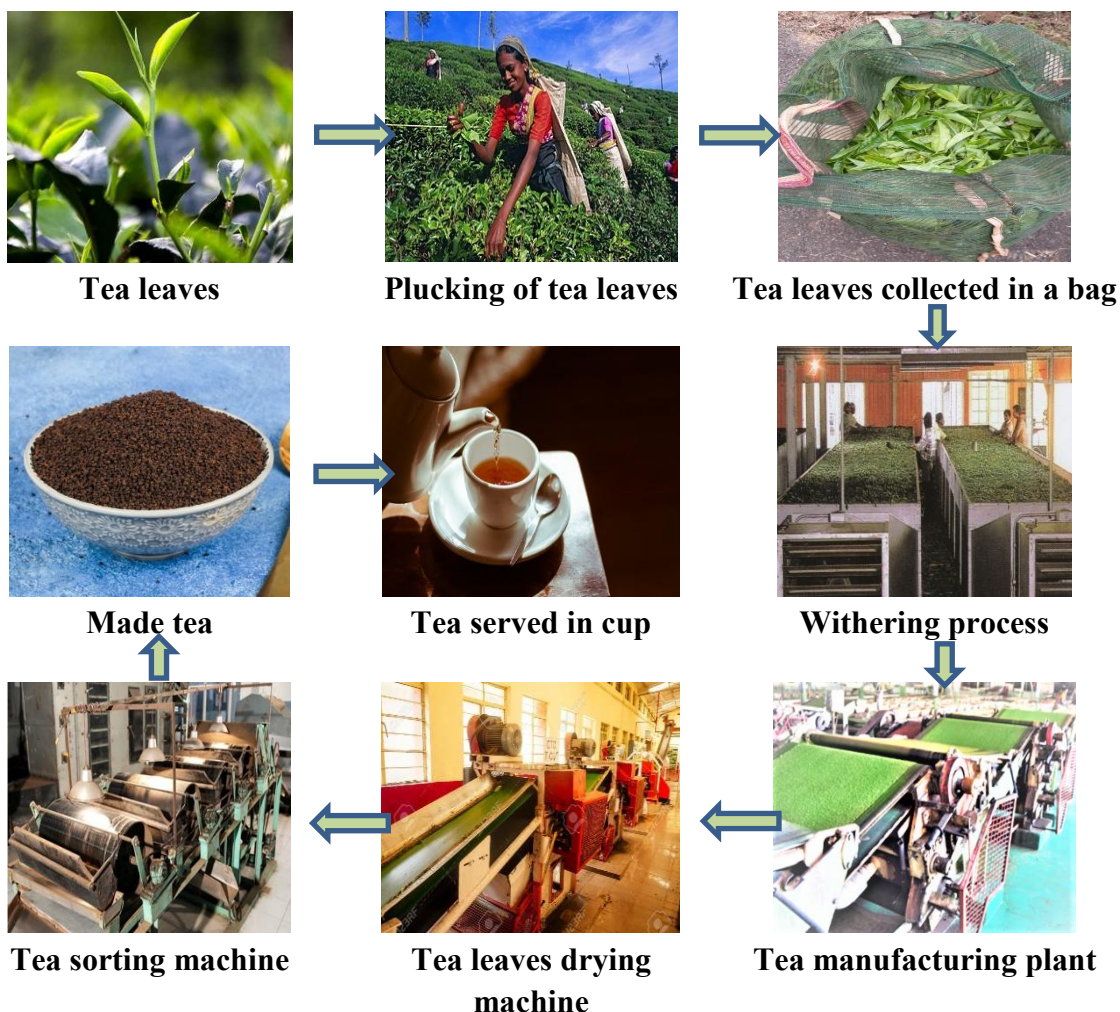
The innate flavour of the dried tea leaves is determined by the type of cultivar⁷ of the tea bush, the quality of the plucked tea leaves and the manner and quality of the production processing they undergo. After processing, tea may be blended with other tea or mixed with flavouring agents to alter the flavour of the made tea.

⁵ *A Geographical Indication (GI) is a sign used on products that have a specific geographical origin and process qualities or a reputation that are due to that origin. In order to function as a GI, a sign must identify a product as originating in a given place.*

⁶ *‘Made tea’ is the end product of tea processing and is ready for preparation of the beverage.*

⁷ *A cultivar is a cultivated variety of tea plant, bred by humans for certain characteristics.*

Figure 1.4 The process of making Tea



1.3 World tea scenario

Tea is grown in more than 36 countries across the world. The global tea production in 2020 was 6,269 Million Kilograms (M. Kgs) in comparison to global consumption which was around 5,879 M. Kgs during the same year. The major tea producing and exporting countries are China, India, Kenya and Sri Lanka and these countries account for 81 *per cent* and 72 *per cent* of world's tea production and exports respectively.

The average per capita consumption of tea varies widely from country to country. During 2018-20, the average per capita per year consumption of tea was the highest in Turkey (3.20 kg) followed by Libya (2.64 kg), Ireland (2.10 kg), Morocco (2.09 kg), Hong Kong (1.65 kg) and United Kingdom (1.61 kg). The per capita consumption of tea in India was around 830 grams per year during the above period. Despite the per capita per year consumption of tea being lower in India as compared to the above countries, due to its population size, India accounts for 19.5 *per cent* of the global tea consumption and almost 82 *per cent* of the total production of tea in India is consumed within the country. This distinct position is in sharp contrast to the other tea producing countries, particularly Kenya

and Sri Lanka which hardly have any strong domestic demand and hence they export most of their production.

1.4 Indian tea scenario

With the commencement of commercial planting in 1834, Indian tea industry is around 187 years old. It has significant importance in the national economy as it contributes to sizeable foreign exchange earnings and is also the second largest employment generator, providing employment to around 1.2 million people and supporting more than 3 million dependents of the tea garden workers.

In India, tea is cultivated in 15 States of which Assam, West Bengal, Tamil Nadu and Kerala are the major tea growing States. They account for 98 *per cent* of the total production. Other States where tea is traditionally grown are Tripura, Himachal Pradesh, Uttarakhand, Bihar and Karnataka. The non-traditional States that have entered the tea map of India include Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, and Sikkim. Tea produced in the regions of Darjeeling, Assam, Sikkim, Nilgiris and Kangra Valley are famous for their delicate flavour, strength and brightness. The production of tea in major tea producing States may be seen in the table 1.1:

Table 1.1 State wise total production of tea during the period 2016-17 to 2020-21

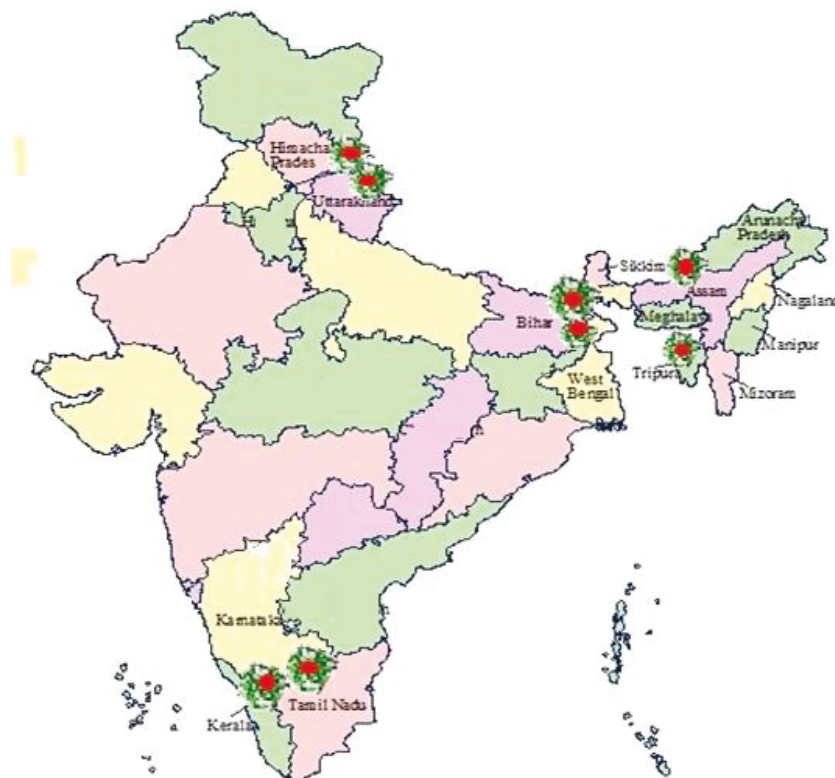
(Production in Million Kg)

Year	Assam		West Bengal		Tamil Nadu		Kerala		Others		Total
	Production	%	Production	%	Production	%	Production	%	Production	%	
2016-17	657.24	52.56	357.39	28.58	143.67	11.49	58.61	4.69	33.58	2.69	1,250.49
2017-18	676.31	51.04	387.86	29.27	164.40	12.41	63.88	4.82	32.60	2.46	1,325.05
2018-19	701.35	51.95	394.22	29.20	160.15	11.86	60.76	4.50	33.56	2.49	1,350.04
2019-20	695.38	51.10	415.89	30.56	156.00	11.46	59.26	4.35	34.28	2.52	1,360.81
2020-21	626.23	48.81	396.05	30.87	160.04	12.47	66.85	5.21	33.86	2.64	1,283.03

(Source – Information furnished by Tea Board India)

The tea growing areas in India may be seen in the map as shown in figure 1.5.

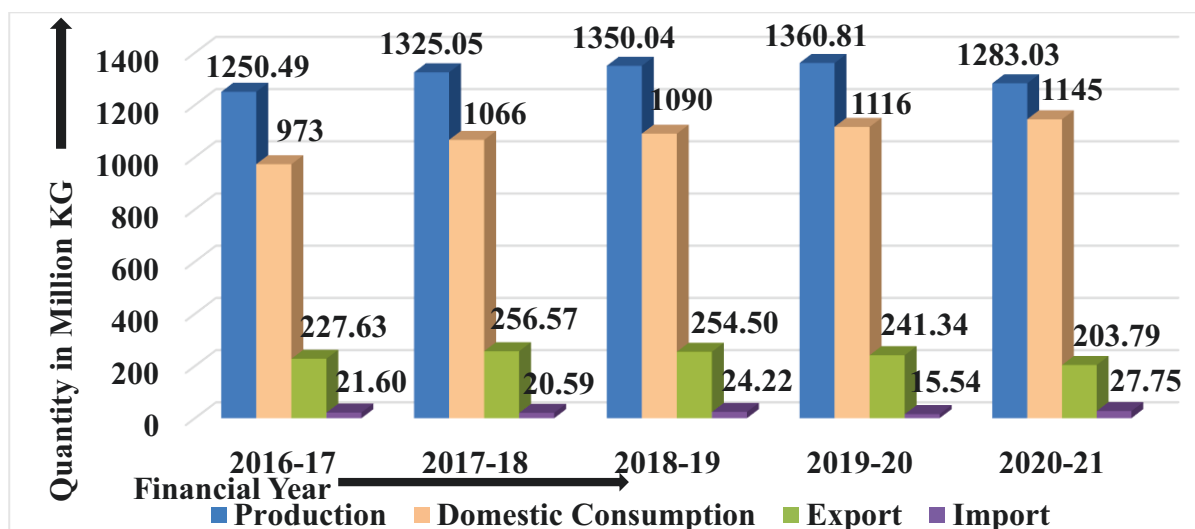
Figure 1.5 Tea Map of India



1.5 Tea Production in India

With diverse agro-climatic conditions, India produces a medley of tea suited to different tastes and preferences of the consumers. The characteristics of each region are distinct, which set them apart from one another in many ways. The year-wise production, export, import and domestic consumption of tea are depicted in the figure 1.6:

Figure 1.6: Production, domestic consumption, export and import of tea during 2016-17 to 2020-21



1.6 Organisations associated with Tea Industry in India

Tea Industry has significant contribution towards Indian economy to add to the national agriculture income and overall Gross Domestic Product of the country. The total turnover of Indian tea industry was around ₹11,000 crore in 2021⁸. Other than Central and State Governments, which formulate legislations on tea, there are various organisations which play an important role in development of Tea Industry in India in terms of production, sales, purchase, trade, auction, research of tea etc.

Apart from Tea Board India, other important organisations in the Tea Industry are Indian Tea Association, Consultative Committee of Tea Producers' Association, Tea Auctioneers Association, Tea Traders' Association, Tea Research Association (TRA) and United Planters' Association of Southern India - Tea Research Foundation (UPASI-TRF).

1.7 Tea Board India

Tea Board India was established on 1 April 1954 as per the provisions of Section 4 of the Tea Act, 1953. The Board is assigned with the overall development of tea industry in India and is functioning under the administrative control of the Ministry of Commerce and Industry (MoC&I). The Board comprises a Chairman and 31 members (**Annexure-I**), appointed by the Government of India (GoI), representing different sections of the tea industry. The Board is reconstituted every three years.

The Head Office of the Board is located at Kolkata. Apart from the Head Office, Tea Board has 34 offices which include two Zonal Offices (ZO) in Guwahati of Assam and Coonoor of Tamil Nadu, 17 Regional Offices, 12 Sub-Regional Offices, two Research units and an overseas office located at Moscow, Russia.

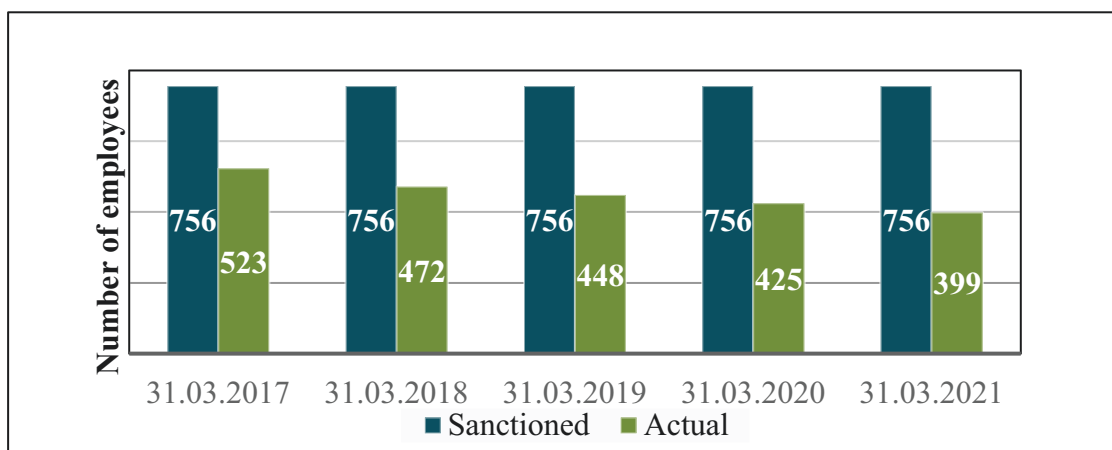
Tea Board is headed by a Chairman, assisted by a Deputy Chairman, two Executive Directors (ZO, Guwahati & ZO, Coonoor), Financial Advisor & Chief Accounts Officer, Director (Tea Development), Director (Research), Director (Market Promotion) and Controller of Licensing function under the Deputy Chairman⁹

1.8 Manpower of Tea Board India

The year-wise manpower position of Tea Board India during the period 31 March 2017 to 31 March 2021 may be seen in the following graphical presentation.

⁸ Source: As per website www.statista.com, the revenue of Indian tea industry for the year 2021 was USD15.14 billion or ₹11,280.81 crore (considering exchange rate of USD to INR as on 31 December 2021 at ₹74.51)

⁹ The Chairman of Tea Board was the Executive Head till October 2016 and thereafter, GoI notified (25 October 2016) that the Chairman would be the Non-Executive Head and the Deputy Chairman would be the Chief Executive Officer. At present, the Deputy Chairman is holding the charge of Chairman from May 2022.

Figure 1.7: Manpower position in Tea Board India

It is evident from the above that actual manpower reduced from 523 to 399 during the period from 31 March 2017 to 31 March 2021 against the sanctioned strength of 756, which is a reduction from 69 *per cent* occupancy to 53 *per cent* occupancy.

1.9 Sources of Funds of Tea Board India

Tea Board is funded through Grants-in-Aid by the Government of India. All funds available to Tea Board are routed through the Union Budget which are utilised by Tea Board as envisaged in Section 10 of the Tea Act. Tea Board also generates a meagre amount from Internal Extra Budgetary Resource through licenses fees, interest on loans & advances and miscellaneous receipts.

Tea Act, 1953 provides for the control of the Tea industry by the Government of India, including the control of the cultivation of tea in India and of the export of tea from India and for that purpose to establish a Tea Board and levy duty on tea produced in

The various developmental, promotional, research and welfare schemes of the Board during the period 2016-17 to 2020-21 were guided by the XII Five Year Plan (2012-13 to 2016-17) and Medium Term Framework (2017-18 to 2019-20 extended up to 2020-21). During the last five years ending March 2021, funds received by Tea Board and expenditure incurred there against were as under:

Table 1.2: Total funds received *vis-à-vis* total funds disbursed/ expenditure
(₹ in lakh)

Year	Total funds received	Total expenditure incurred
2016-17	15,041.00	15,031.30
2017-18	18,903.50	18,846.56
2018-19	16,020.00	15,958.66
2019-20	17,598.00	17,546.41
2020-21	20,919.00	20,866.74
Total	88,481.50	88,249.67

(Source: Tea Board India)

During 2016-17 to 2020-21, Tea Board received ₹88,481.50 lakh from GoI against which an expenditure of ₹88,249.67 lakh was incurred for various developmental, promotional, research and welfare schemes of the Board and other administrative purposes.

1.10 Functions of Tea Board India

Section 10 of the Tea Act, 1953 has defined the functions of Tea Board which briefly include:

- Regulating the production and extent of cultivation of tea;
- Registering and licensing of manufacturers, brokers, tea dealers and persons engaged in the business of blending tea;
- Improving quality of tea;
- Undertaking, assisting or encouraging scientific, technological and economic research and maintaining or assisting in the maintenance of demonstration farms and manufacturing stations;
- Assisting in the control of insects and other pests and diseases affecting tea;
- Regulating the sale and export of tea;
- Increasing the consumption in India and elsewhere of tea and carrying on propaganda for that purpose;
- Improving the marketing of tea in India and elsewhere;
- Collecting statistics from growers, manufacturers, dealers such other persons as may be prescribed on any matter relating to tea industry; the publication of statistics so collected or portions thereof or extracts therefrom;
- Securing better working conditions and the provisions and improvement of amenities and incentives for workers;

The above stated functions of Tea Board may be broadly grouped under (i) Regulatory, (ii) Developmental, (iii) Research and (iv) Market promotion activities, as narrated below:

(i) Regulatory Activities

The regulatory activities of Tea Board comprise of the following: (a) Registration of tea growers to regulate various activities such as cultivation of tea, manufacturing of tea, sale and export of tea, tea waste management *etc.*, and granting permission to the big growers and small growers for cultivation of tea, (b) Issue and renewal of various licenses such as garden registration, factory registration, warehouse registration, tea export licence *etc.*, for which fee is charged, and (c) Regulation of e-auction of tea including monitoring of the tea auction system, quality of exports and imports *etc.*, which are significant to tea trade.

(ii) Developmental Activities

The developmental activities of Tea Board include framing of subsidy schemes for providing financial support to various developmental activities such as enhancement of productivity, improvement of tea quality and reducing the cost of tea production. Developmental functions of Tea Board also include promoting co-operative efforts among

growers and manufacturers of tea and securing better working conditions and provision/improvement of amenities and incentives for workers.

(iii) Research Activities

Tea Board is providing funds for Research and Development activities and facilitate tea research in the country in order to increase tea production and improve quality on a continuous basis. The Research Directorate of Tea Board is mandated to co-ordinate and evaluate tea research in the country, to ensure that outcomes of tea research activities are utilised for the benefit of the industry. The research activities of Tea Board are being conducted mainly through three tea research institutes, namely, Tea Research Association (TRA) for North-East India, United Planters' Association of Southern India– Tea Research Foundation (UPASI-TRF) for South India and Darjeeling Tea Research and Development Centre (DTR&DC)/ Quality Control Laboratory (QCL) for Darjeeling tea industry.

(iv) Market Promotion Activities

Tea Board undertakes promotional activities with an objective of making India the leading supplier of quality tea globally and to increase consumption of tea in the domestic market. Promotional efforts are undertaken to increase awareness regarding different varieties of Indian tea, with an aim to increase market share of Indian tea in the global markets and also to increase domestic consumption.

Chapter II

Scope of Audit, Audit Objectives and Methodology



Chapter II

Scope of Audit, Audit Objectives and Methodology

2.1 Scope of Audit

The scope of this Performance Audit was to examine whether the activities undertaken by Tea Board during 2016-17 to 2020-21 were adequate and effective towards increasing production and productivity of Indian tea, backing up of research and developmental activities, market development and export promotion and discharging regulatory functions. The regulatory, developmental, research and market promotion activities undertaken by Tea Board and financial management aspects were reviewed during the course of the Performance Audit. The follow up actions/implementation of the recommendations of the earlier Performance Audit on 'Role of Tea Board in Tea Development in India' printed vide Report No.10 of 2011-12 as well as recommendations of the Public Accounts Committee on the said Report made in their 65th Report (15th Lok Sabha) and Action Taken Report (No. 100 of 15th Lok Sabha) were also reviewed during the audit.

2.2 Audit Objectives

The objectives of the Performance Audit were to ascertain whether:

- (i) Tea Board performed its Regulatory role effectively;
- (ii) developmental activities undertaken by Tea Board helped to enhance quality and quantity of tea-production as well as reducing cost of production of tea in India;
- (iii) research activities undertaken/financed by Tea Board were effective for development of quality and quantity of Indian tea;
- (iv) effective and adequate steps were undertaken for promotion of Indian Tea and to improve its position in the world as well as domestic market;
- (v) an effective financial management and internal control mechanism existed in Tea Board.

2.3 Audit Criteria

The criteria to assess the performance of Tea Board, were derived from the following sources:

- Tea Act, 1953 and Rules made thereunder, other relevant acts and orders.
- Tea (Marketing) Control Order, Tea Waste (Control) Order, Tea (Distribution & Export) Control Order, Tea Warehouse (Licensing) Order and Plant Protection Code.
- Rules and instructions issued by Ministry of Commerce and Industry from time to time.
- Recommendations of different independent agencies appointed by Tea Board and implementation thereof.
- Documents and records pertaining to the schemes, projects and other activities.
- Tea Statistics and Tea Digest published by Tea Board and statistics of Indian Tea Association, United Planters' Association of Southern India and Tea Research Association.

- Scheme guidelines as mentioned in XII Five Year Plan, as implemented during the period from 2012-13 to 2016-17.
- Scheme guidelines as mentioned in Medium Term Framework as implemented for the period 2017-18 to 2019-20 and extended up to 2020-21.
- International best practices and trends.

2.4 Audit Methodology

An Entry Conference was held with the Management of Tea Board in November 2021, in which audit objectives, scope and methodology were discussed. Field Audit involved scrutiny of records during November 2021 to April 2022 relating to regulatory activities, tea development, tea research, tea promotion and other functions of Tea Board. The Audit teams visited Head Office of Tea Board at Kolkata, two Zonal offices at Guwahati and Coonoor, Regional Offices (selected under sampling method), Darjeeling Tea Research & Development Centre at Kurseong and Quality Control Laboratory at Siliguri for scrutiny of records and collection of information. Based on the examination of records, preliminary observations were issued to the Management. The Audit Report was issued to the Management of Tea Board India and Ministry of Commerce and Industry and the responses of Management (June/July 2022) and the Ministry (October 2022) have been suitably incorporated in the Audit Report. The views expressed in the Exit Conferences, by the Management (July 2022) and the Ministry (January 2023) were also incorporated in the Performance Audit Report.

2.5 Audit Sampling

In view of the large number of records/files related to disbursement of subsidy at Zonal Offices and Regional Offices (with disbursing authority), Audit reviewed two *per cent* each of the subsidies disbursed under the Plantation Development Scheme and Human Resource Development Scheme and five *per cent* each of subsidies disbursed under the Quality Upgradation and Product Diversification Scheme, Scheduled Caste Sub Plan and Tribal Area Sub Plan. The details of the sample selection are given in **Annexure-II**.

2.6 Acknowledgement

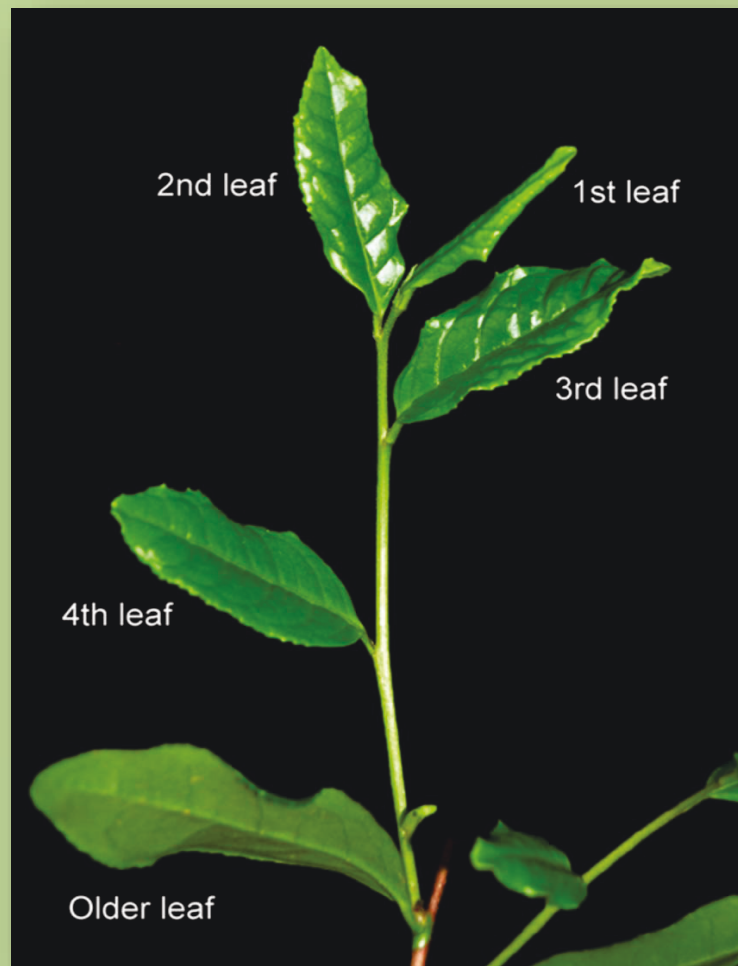
We place on record the appreciation for the cooperation extended by the Management and staff of Tea Board in smooth conduct of the Performance Audit.

2.7 Audit Findings

Audit findings are discussed in the succeeding chapters.

Chapter III

Regulatory Activities



Chapter III

Regulatory Activities

3.1 Regulatory Activities

One of the primary functions of Tea Board is to regulate the activities of various stakeholders in the cultivation of tea and its business, in accordance with the provisions of the Tea Act, 1953 and orders issued thereunder. Regulatory activities of the Tea Board include registration of tea gardens, issuance of permits for plantation and production of tea, licences to the factories, warehouses, auctioning of tea, imposing penalty on stakeholders for non-compliance of rules, regulations *etc.* Further, effectiveness of Regulatory functions also aids in the smooth discharge of other functions of the Board like Developmental Activities, Market Promotion Activities and Research Activities.

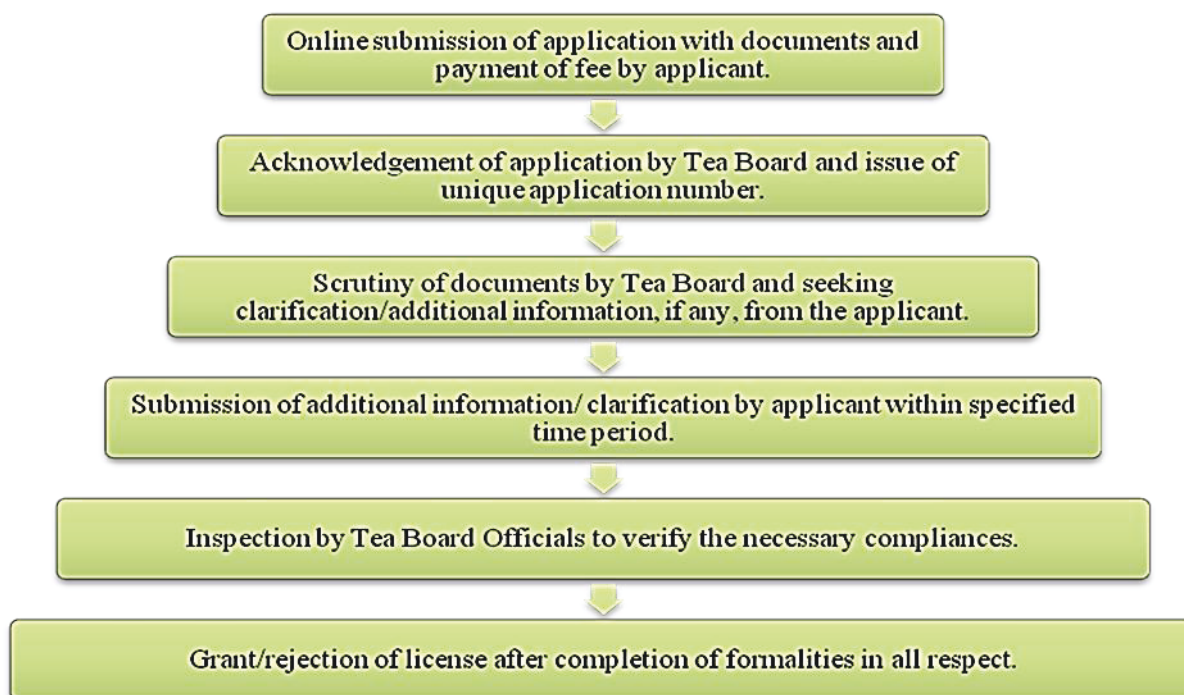
Under sub-section (3) and (5) of Section 30 of the Tea Act, 1953 Government notified the following orders (as amended from time to time) which govern the regulatory and licensing activities of Tea Board:

- The Tea (Marketing) Control Order, 2003
- The Tea (Distribution & Export) Control Order, 2005
- The Tea Waste (Control) Order, 1959
- The Tea Warehouse (Licensing) Order, 1989

The regulatory activities of Tea Board are carried out by the Licensing Department, headed by the Controller of Licensing. Licensing Department issues licenses to the tea producers, manufacturers, exporters, brokers, auction organisers and monitors the movement of tea waste, besides recording the ownership of all tea gardens in India and implementation of different Control Orders. Tea Board also has Development Officers and Factory Advisory Officers, who carry out inspections of tea gardens and factories to verify the requirements, before issuance of licences.

From April 2018 onwards, Tea Board introduced online licensing system for issuance and renewal of all kinds of licensing applications, to bring transparency in tracking and disposal of applications, by replacing the manual process of licensing.

Figure 3.1: Flow chart depicting procedure for issue of licenses/ certificates



Audit reviewed the regulatory functions of Tea Board and observations are discussed in the subsequent paragraphs:

3.2 Inadequate coverage for registration of small and big growers by Tea Board

Section 12 (1) of the Tea Act stipulated that no one should plant tea on any land, not planted with tea on the date of commencement of the Act, unless permission has been granted to him, in writing by or on behalf of Tea Board. For performing the above function, Licensing Branch of the Board has been given power for granting permission for registration of big growers and small tea growers for cultivation of tea. Audit observed that there were inadequacies in coverage for registration of small tea growers and big growers which are discussed in the subsequent paragraphs.

The growers who grow tea in an area upto 10.12 hectares of cultivated land are called **Small Tea Growers**.

The growers who grow tea in more than 10.12 hectares of cultivated land are called **Big Growers**.

3.2.1 Small Tea Growers

The contribution of small tea growers in country's total production of 'made tea' has been increasing over the years and has increased from 44 *per cent* in 2016-17 to 50.29 *per cent* in 2020-21. Considering the growing contribution of the small growers and for increased attention for overall development of small growers, review of the activities undertaken by the Board, revealed the following issues:

- i. Tea Board had started the process of identification of small tea growers by issuing them ID card with QR code, from the year 2017-18, so that they come under the purview of registration.

The State-wise data depicting the status of QR code-based cards issued to small tea growers up to 31 March 2021 is given in table 3.1:

Table 3.1: State-wise status of QR code-based cards issued to small tea growers

Sl. No.	State ¹⁰	No. of small tea growers identified	No. of QR code-based cards issued	% of QR code based cards issued
1	Assam	1,18,754	76,024	64
2	Meghalaya	777	240	31
3	Tripura	2,886	831	29
4	West Bengal	32,274	27,414	85
5	Bihar	2,534	1,647	65
6	Himachal Pradesh	1,166	454	39
7	Uttarakhand	1,448	332	23
8	Mizoram	644	-	-
9	Arunachal Pradesh	3,526	-	-
10	Nagaland	3,335	1,721	52
11	Manipur	484	-	-
12	Tamil Nadu	46,997	25,516	54
13	Kerala	7,921	3621	46
	Total	2,22,746	1,37,800	62

(Source – Information furnished by Tea Board India)

Audit scrutinised the State-wise data of the status of QR code-based cards issued to the small tea growers and observed that:

- QR code based identity cards had been issued only to 1,37,800 out of 2,22,746 identified small growers, which account for 62 *per cent* of the total identified small tea growers.
- QR code-based cards have not been issued to any of the small tea growers in the States of Mizoram, Arunachal Pradesh and Manipur.
- The percentage of small tea growers not registered in Meghalaya, Tripura and Uttarakhand was as high as 69 *per cent*, 71 *per cent* and 77 *per cent* respectively.

Thus, 84,946 small tea growers¹¹, constituting about 38 *per cent* of the total small tea growers were continuing tea cultivation, as on 31 March 2021, without the requisite permissions of Tea Board under the provisions of Tea Act, 1953. The reasons of non-issuance of QR code-based cards were non-availability of land details, cultivation of tea in

¹⁰ Of the 15 tea producing States in India, Sikkim and Karnataka did not have any small tea growers as per the information furnished by Tea Board India

¹¹ 2,22,746 – 1,37,800

forest land and incomplete application /non-receipt of application fees etc. Audit also analysed the trend of registration of small tea growers during the period 2016-17 to 2020-21 (**Annexure-III**) wherein it was observed that the number of identified small tea growers increased from 1,53,318 to 2,22,746 during the period 2016-17 to 2020-21, while the number of registered small tea growers increased from 1,07,631 to 1,37,800 during that period.

- ii. Tea Board started conducting Baseline Survey from 2011-12, primarily for collection of ownership, garden and human resource profile data of tea gardens located in India (organised sector) for formulation of need-based development schemes, preparation and publication of Tea Directory of tea gardens in India, updation of tea statistics with regard to area under tea production, age profile of gardens, human resource, etc. Field offices of Tea Board circulated a format to the tea gardens for furnishing required details and officers of Tea Board verified the data by field visits. The frequency of Baseline Survey was generally at an interval of three years or when necessitated for capturing the changes in the organised sector. The last Baseline Survey was completed in 2018 and the Baseline Survey of 2021 was in progress during the currency of Audit.

Audit noticed that the Baseline Survey covered only the big growers and did not cover the small tea growers. As such, Tea Board did not maintain the requisite database in respect of small tea growers.

The Management, in its reply (July 2022), stated that enumeration of small growers is a continuous process and it was difficult to bring all the small growers under its ambit as they were often not able to readily submit information and documents. Moreover, some growers were also not forthcoming to participate in the enumeration process or attend the enumeration camps. Under such circumstances, the Board had covered sizeable number of small growers and would cover the balance growers.

The Ministry stated (October 2022) that regarding planting permit for small tea growers, Sections 12 to 16 of the Tea Act, 1953 relating to control over extension of tea cultivation was suspended by Government of India for ease of doing business, vide notification dated 23 August 2021.

The reply of the Ministry/ Management may be viewed in the light of the fact that Tea Board did not have clear data regarding the actual number of small tea growers in operation. Further, Tea Board did not have any strategy as to how to bring the identified small tea growers under its fold by issuance of QR code-based cards. Thus, due to non-availability of the adequate data of the small tea growers, Tea Board neither adequately monitored nor was able to extend any benefit to those small tea growers, under the development schemes of Tea Board. Although, the Government suspended issuance of planting permits for small tea growers, fact remains that the same did not pertain to the period covered under audit. Also, for monitoring the quality and quantity of tea produced by small tea growers and extending benefit to the small tea growers for their development, Tea Board should identify all small tea growers. Moreover, Tea Board has the responsibility to collect and publish

statistics of tea growers as per Section 10 of the Tea Act, 1953, for which identification of small tea growers is required.

Recommendation No. 1: Tea Board should build a well-defined strategy for identification of all the small tea growers, maintain a database and bring them under its ambit for extending developmental assistance and regulatory control.

3.2.2 Big growers

The status of State-wise registered big growers based on available records as on 31 March 2021 is given under the table 3.2:

Table 3.2: State wise registration of Big growers

Sl. No.	State	No. of big growers identified	No. of big growers registered	No. of big growers unregistered
1	Assam	758	750	8
2	West Bengal	457	352	105
3	Tripura	52	49	3
4	Arunachal Pradesh	30	30	-
5	Sikkim	1	1	-
6	Meghalaya	2	2	-
7	Bihar	7	5	2
8	Himachal Pradesh	15	15	-
9	Mizoram	1	1	-
10	Uttarakhand	6	6	-
11	Manipur	1	1	-
12	Nagaland	1	1	-
13	Tamil Nadu	133	133	-
14	Kerala	93	92	1
15	Karnataka	16	16	-
	Total	1,573	1,454	119

(Source – Information furnished by Tea Board India)

It may be seen from the above table that 119 big growers were not registered with Tea Board as of March 2021, out of which 105 big growers were in West Bengal. The trend of registration of big growers during the period 2016-17 to 2020-21 is detailed in **Annexure-III**.

It is pertinent to mention that in view of preservation/ non-conversion of the forest land, agricultural land, tribal land *etc.*, Government of West Bengal imposed restriction on expansion of cultivation of tea in the State effective from 31 December 1998, which was further extended to 30 June 2001. Due to non-receipt of approval/ No Objection Certificate from the State Government, Tea Board could not register those growers. Thus, 105 big

growers in West Bengal were operating without any permission from Tea Board. Tea Board could neither exercise any regulatory control nor extend any scheme benefits to these unregistered big growers.

In reply, the Management stated (July 2022) that the records regarding unregistered big growers were not available with the Licensing Branch. While accepting the audit contention, the Ministry stated (October 2022) that necessary action had been initiated by Tea Board for better coordination between various offices of the Board.

The replies need to be viewed in the light of the fact that Audit collected details of unregistered growers from the field offices (ZO/ RO) of Tea Board itself. This shows that there was a lack of coordination between Head Office and field offices of the Tea Board.

3.2.3 Deficiencies in process of registration of small tea growers for tea plantation

As per Rule 30A (1) of Tea Rules 1954, Tea Board should inspect or cause to be inspected, any land in respect of which an application for permission to plant tea has been made, to satisfy itself as to the accuracy of any survey map and generally for the purpose of enabling it to dispose of the application.

Further, as per Rule 30A (2), for grant of permission to any person for plantation of tea, such persons need to submit supporting papers for ownership or holding of land as well as documents regarding the nature of the soil and climatic conditions in respect of land for which such permission is applied for.

Moreover, Rule 30A (6) stipulated that the owner (Tea Growers), to whom the permit was issued, was required to submit a return on 31 March of each year showing the area planted up to that date in pursuance of the permit, the reasons for non-utilisation of any area and the programme for planting tea for the next two years.

Scrutiny of 200 applications for grants of permission for plantation of tea to the small tea growers under ZO Guwahati and ZO Coonoor revealed that:

- In 31 cases, no supporting papers regarding ownership of land were furnished by the small tea growers.
- In 196 cases, no survey maps denoting the planted area were furnished by the small tea growers.
- Soil testing report was also required to be furnished so as to ascertain the suitability of land for tea plantation. However, the same was not furnished by any of the small tea growers along with the application, in respect of land, for which permission was sought.
- No details of the inspection carried out by the Tea Board officials, for verifying the details submitted by small tea growers, were found on record.
- None of the small tea growers furnished returns as mandated in Rule 30A (6) of Tea Rules, 1954. Tea Board also did not take any action to initiate collection of the same from small tea growers.

Thus, process of granting planting permission to the small tea growers was not in accordance with the provisions as contained in Tea Rules, 1954 as necessary documents were not furnished by the small tea growers while applying for permission for plantation of tea. Moreover, in absence of verified information of small tea growers, formulation of any scheme for development of the small tea growers would not be able to deliver the desired results.

While accepting the audit contention, the Management stated (July 2022) that it was difficult for the small tea growers to comply with the documentary requirements as they were much unorganised and remained at the bottom of the value chain. Their enumeration and generation of QR based cards was a continuous process and the enumeration database gave reasonable information for formulation of policies for the small tea growers. However, the audit contention was noted for future compliance. Moreover, obtaining permission from Tea Board for planting was repealed by Government vide Gazette notification dated 23 August 2021.

The Ministry, in reply, stated (October 2022) that Sections 12 to 16 of the Tea Act, 1953 relating to control over the extension of tea Cultivation, have been suspended by the Central Government vide Gazette Notification dated 23 August 2021 for ease of doing business.

The reply of the Ministry/ Management needs to be viewed in the light of the facts that, for adequate control and monitoring and for extending the benefit to the tea growers for their development, Tea Board should continue with the process of identification and enlistment of small tea growers.

During the last Performance Audit, on Tea Board vide Report no. 10 of 2011-12, it was recommended that Tea Board should evolve a mechanism to ensure registration of all small tea growers and ensure that all the stakeholders in tea business furnish requisite and complete information on time, which would be used by Tea Board for better regulation under the provisions of Tea Act. However, even after a lapse of considerable time, 38 *per cent* of the small tea growers were yet to be registered and were continuing tea cultivation without the requisite permissions of the Tea Board. Further, the small tea growers were not covered in the baseline survey resulting in non-collection of basic data of the small tea growers.

3.2.4 Loss of Revenue on account of non-collection of Planting Permit fees amounting to ₹41.36 lakh

Tea Board, in its 232nd meeting held on 19 June 2017, decided to charge fees for issuance of Planting Permits at the rate of ₹94,000 instead of free issuance of such permits with immediate effect. Scrutiny revealed that 44 planting permits were issued by Tea Board since the decision to charge permit fees. However, no permit fee was charged from the applicants, resulting in loss of revenue of ₹41.36 lakh.

The Management, while accepting the audit observation, stated (July 2022) that no fee was collected by the Board since inception as there was no provision for the same in Tea Act, 1953. Though, Board approved, in meeting held on 19 June 2017, to collect fees for issuance of Planting Permit and Tea Board was in process to submit formal proposal to the Ministry for approval, the Ministry directed to discontinue issuance of planting permit by Tea Board, for minimising regulatory compliances. Hence, no fee was collected towards issue of planting permit.

The Ministry stated (October 2022) that no proposal was received from Tea Board for levying of fee for planting permit.

The reply of the Management needs to be viewed in the light of the fact that decision to charge permit fees, falls under “other categories of Licenses” (not covered under control orders) for which no permission from the Ministry was required. As such, there was no such requirement of approval of the Ministry and the Board was empowered to levy planting permit fees. Further, the Management did not furnish any document indicating the Ministry’s directives for discontinuing issuance of planting permit.

3.3 Issue of Licenses

Licensing Branch of Tea Board is responsible for issuance of various licenses to the stakeholders for carrying out tea business along with other activities to ensure proper implementation of different directives of Government and Tea Board issued from time to time.

Audit examined records related to issuance of licences by Tea Board and observed the following:

3.3.1 Delay in issue of licenses to stakeholders

Tea Board India, under the Tea Act, 1953 read with Tea Rules, 1954, grants various licenses/ certificates to the stakeholders for different activities relating to setting up of manufacturing units, export of tea, maintenance of warehouses, conduct of auctions, sale of tea waste etc. The provisions and conditions related to the grant of such registration and licensing are governed by Tea (Marketing) Control Order, 2003, Tea Warehousing (License) Order, 1989, Tea Waste (Control) Order, 1959, Tea (Distribution & Export) Control Order, 2005 etc., under the broad overview of the Act and Rules. Accordingly, Tea Board fixed time limits for issue of various licenses/ certificates in May 2016.

Scrutiny of Pan-India data relating to licenses/ certificates issued to the stakeholders for different activities during 2018-19 to 2020-21 revealed the following:

Table 3.3: Issue of licenses/ certificates during the period 2018-19 to 2020-21

Sl. No.	Nature of licenses/ certificates	No. of licenses/ certificates issued	No. of days required for issue of licenses/ certificates	No. of licenses/ certificates issued exceeding timeframe after completion all the formalities	Delay (in days)		
					1 to 10	11 to 20	More than 20
1	Exporter License	1,378	10	164	142	19	3
2	Distributor License	96	10	11	11	0	0
3	Registration cum Membership Certificate	285	10	46	35	4	7
4	Buyer License	639	7	124	86	13	25
5	Broker License	67	10	21	13	4	4
6	Auction Organisers' License	22	10	10	8	2	0
7	Flavour Registration Certificate	113	10	23	19	4	0
8	Warehouse License	455	15	91	41	13	37
9	Registration Certificate for Manufacturing unit	88	15	21	13	1	7
10	Tea Waste License	2,068	14	192	123	31	38
Total		5,211		703	491	91	121

It is evident from the above table that out of 5,211 cases, 4,508 cases (87 *per cent*) licenses were issued within the prescribed time period, which shows effectiveness in the process of issuance of licenses/ certificate. However, there is scope for further improvement in remaining 13 *per cent*, having instances of delays during issue of licences. It was further seen that in 121 cases, licences were issued after a delay of more than 20 days. Audit has calculated the delay from the date on which all the formalities, including completion of inspections to date on which the licenses/ certificates were issued. Thus, such delay may be attributable to lack of efforts of licensing department to comply with the stipulated timeframe.

The Management, while accepting the audit observation, assured (July 2022) to look into the matter. The Ministry stated (October 2022) that Tea Board was in the process of making necessary provision to avoid delay in issue of license in future.

3.3.2 Delay in enhancement and collection of License fees resulting in loss of revenue of ₹41.83 lakh

Tea Board collects fees for issuance of licenses/registration under various control orders issued in exercise of the powers conferred by sub-sections (3) and (5) of section 30 of Tea Act, 1953 after getting approval from the Ministry of Commerce & Industry (MoC&I).

The Board, in its 232nd meeting held on 19 June 2017, approved the proposal for enhancement of license fees under Tea Board's various control orders and sent the same to the Ministry for approval. The Ministry issued notification on 20 August 2018 for revision of rates.

Scrutiny revealed that in case of issue of fresh/renewal of licenses of Tea Waste, the rates were revised by Tea Board, after a delay of nearly one year from the issuance of Gazette notification by the Ministry for revision of rates. Delay in implementation and collection of revised license fees resulted in loss of revenue of ₹41.83 lakh (**Annexure-IV**).

While accepting the audit observations, the Management stated (July 2022) that the differential license fee amounts due to delay in implementation had been recovered from the applicants. The Ministry stated (October 2022) that Tea Board recovered ₹38.03 lakh and was examining the matter to ensure recovery of the balance amount.

However, details of supporting documents for recovery so initiated has not been furnished to Audit. Further, despite approval of Board for enhancement of license fees, delay in implementation indicated lack of monitoring on part of Tea Board India.

3.3.3 Loss of revenue of ₹32.39 lakh to Government exchequer due to delayed application and collection of GST on license fees by Tea Board

Government of India introduced Goods and Services Tax (GST) Act, 2017 w.e.f. 1 July 2017. As per Section 7(1)(a) of the Act, GST is applicable on all forms of supply of goods or services. As per the above provision, issuance of license attracts GST. The rate of GST on licence fees was stipulated at 18 *per cent*.

However, Tea Board did not collect GST on various license fees w.e.f. 1 July 2017. Tea Board issued the circular for collection of GST on license fees only in June 2019. Audit observed that Tea Board delayed the levy/ collection of GST and during the period of delay, license fees amounting to ₹1.80 crore was collected without GST. This resulted in loss of revenue of ₹32.40 lakh¹² to the Government exchequer.

While accepting the fact, the Management stated (July 2022) that Tea Board was not collecting any service charge in pre-GST era and after introduction of GST. However, the issue was taken up with the consultant and based on his opinion, Board started (June 2019) collecting GST on the licence fee.

The Ministry stated (October 2022) that Tea Board had now started taking measures to get immediate notification on any change in statutory laws/ Acts/ Rules through its consultant.

Hence, fact remains that delay in implementation of GST on license fees led to loss of revenue to the Government exchequer.

¹² 18 *per cent* on ₹1.80 crore

3.4 Inspection of tea gardens/ factories

As a part of regulatory activities, Tea Board inspects tea gardens/ factories to ensure compliances of various Control Orders by them. Officials from the ROs are deputed to the gardens/ factories for conducting inspections. Audit examined the records related to inspections of tea gardens/ factories by Tea Board and observed the following:

3.4.1 Deficiencies in inspection of tea factories to monitor the compliances of various Control orders and Plant Protection Code guidelines

Section 34 of Tea Act, 1953 authorised Tea Board to enter into the tea estates to inspect the quality of tea. Further, Plant Protection Code (PPC) was developed by Tea Board to ensure judicious use of pesticides as per guidelines which was also required for assuring safety and building confidence among the buyers and importers of Indian Tea.

As a test check, Audit examined the data regarding inspection of the factories carried out by ROs under ZO, Guwahati during 2016-17 to 2020-21 which revealed the following:

Table 3.4: Year-wise inspection of the factories carried out during 2016-17 to 2020-21

Year	Total no of factories under ZO, Guwahati	No. of factories inspected	No. of factories not inspected	Percentage of factories not inspected (%)
2016-17	870	91	779	89.54
2017-18	870	186	684	78.62
2018-19	870	70	800	91.95
2019-20	870	132	738	84.83
2020-21	870	171	699	80.34

(Source – Information furnished by Tea Board India)

Audit noticed that no prior planning had been carried out by Tea Board for compliance of the above provisions/ guidelines. There was no control mechanism for monitoring information regarding number of inspections carried out to check judicious use of pesticide. During the period covered under the audit, percentage of factories not inspected ranged between 78.62 *per cent* and 91.95 *per cent* which showed poor monitoring on the part of Tea Board.

In absence of any advance planning or target setting for inspection of factories, compliance of various provisions of Tea Act and plant protection code guidelines to ensure quality of tea could not be monitored properly.

Figure 3.2: Tea Garden at Darjeeling, West Bengal



As per Food Safety and Standards Regulations, presence of pesticide residues, bio-chemical elements, metal contaminants, added colours etc., are to be tested to ascertain whether those are within prescribed limits of Food Safety and Standards Authority of India for human consumption.

The Management stated (July 2022) that Tea Board conducted regular visits and inspections, collected tea samples and took action of suspension or cancellation of registration depending on the extent of violation. Regarding compliance to Plant Protection Code, Quality Control Laboratory of Tea Board had been testing commercial tea samples to comply with Food Safety and Standards Authority of India parameters on

regular basis and compliance at factory levels were being done by field offices on regular basis.

While noting the audit observations for future compliance, the Ministry stated (October 2022) that Tea Board conducted random visits and inspections of various manufacturing units/ warehouses at regular intervals and collected tea samples to check their quality. It further expressed difficulties to inspect 100 *per cent* manufacturing units/ warehouses in a financial year.

The reply of the Ministry/ Management needs to be viewed in the light of the facts that there was considerable shortfall in inspections of tea factories and collection of samples to check plant protection code compliance by field offices consistently on a year-to-year basis. Further, Tea Board did not prepare any Annual Inspection Plan to carry out the inspections of factories. Also, irregular inspections defeated the very purpose of monitoring.

Recommendation No. 2: Tea Board should frame a comprehensive internal procedure/manual for monitoring various inspection activities as required under various Control Orders. Further, a system of real time monitoring of the inspection activities, carried out by field officers, may be introduced with the help of modern technology for ensuring timely inspection of tea factories/gardens.

3.4.2 Inadequate testing of tea samples to monitor the quality of tea as specified in the Food Safety and Standards Act

Paragraphs 28 & 29 of Tea (Marketing) Control Order, 2003 (as amended from time to time) regarding “Adherence to the Standard of Tea by manufacturers/buyers and Drawing of Sample”, *inter alia*, stated that:

- i. No manufacturer shall manufacture tea which does not conform to specification as laid down under the Food Safety and Standards Act (FSSA), 2006 or the rules or regulations made thereunder or any other rules for the time being in force.
- ii. No buyer shall deal in the buying and/or selling of tea which does not conform to specifications for tea as laid down under FSSA, 2006 or the rules or regulations made there under or any other rules for the time being in force.
- iii. The Registering authority or the Licensing authority may authorise an officer of the Board to take any sample of not more than 125 grams in weight per set in 3 sets, duly sealed and signed by the said officer and the representatives of the owner concerned and any other two witnesses, drawn from any stock held by the manufacturer/buyer to check whether the sample taken conforms to the specifications as laid down under the FSSA, 2006 or any other rules for the time being in force.

Further, Clause 12 of the Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011 states that “*Ensure testing of relevant chemical and/ or microbiological contaminants in food products in accordance with these regulations as frequently as required on the basis of historical data and risk assessment to ensure production and delivery of safe food through own or NABL¹³ accredited /FSSA notified labs at least once in six months*”.

In compliance of above Order/Regulations, ZO, Guwahati of Tea Board issued (April 2019) circular to all registered Tea Manufactures in North-Eastern Region wherein it was stipulated that tea manufacturing units, registered under Food Safety and Standards Act, should carry testing of their tea at any NABL/FSSAI¹⁴ certified laboratories. All Regional Offices (ROs)/ Sub-Regional Offices (SROs) under ZO, Guwahati were also directed to check the compliance of such testing of tea by manufacturing units. In May 2019, ZO, Guwahati further instructed its ROs/SROs to furnish monthly reports in the prescribed format regarding samples tested by manufacturing units under their jurisdiction.

¹³ *National Accreditation Board for Testing and Calibration Laboratories*

¹⁴ *Food Safety and Standards Authority of India*

Subsequently, in December 2020, ZO, Guwahati observed that most of the tea manufacturing units failed to comply with the statutory testing of sample as per FSSAI stipulations. Accordingly, ZO, Guwahati decided to depute its field officials to collect and send the samples to the authorised laboratory under Food Safety and Standards Regulations for testing. Directions in this regard were also issued to the field units. Similarly, ZO, Coonoor also issued (December 2020) circulars to all the manufacturing units to test their tea at NABL accredited laboratories once in six months.

Audit conducted a test check of compliance of the above statutory provisions and instructions issued by ZO, Guwahati and ZO, Coonoor during the period 2016-17 to 2020-21 and observed the following:

- Shortfall in sample collection ranged between 84 *per cent* and 97 *per cent* during the above period of 5 years. Thus, very few samples were collected which indicated poor monitoring of the quality of tea by Tea Board.
- Even after limited collection of samples, the failure rate of samples ranged from 14 *per cent* to 58 *per cent* (details in **Annexure-V**). As that tea is not fit for human consumption, the entire lot from which such samples were collected, were destroyed/ denatured. The above rate of failure highlights the importance of adequate testing of tea samples so that poor quality tea does not go to the market for human consumption.

Thus, inadequate testing of samples resulted in non-compliance of the stipulation of Tea (Marketing) Control Order, 2003. To ensure quality, testing of samples, drawn from factories by the Tea Board, stipulation of Tea (Marketing) Control Order must be strictly adhered to, and in case of consistent failure responsibility should be fixed.

In reply, the Management stated (July 2022) that regarding collection of samples from each manufacturing unit on quarterly basis, Licensing Branch had not received any such proposal from the field offices till date in respect of their inability for performing the above mentioned duties. However, the matter was being taken up with the field offices. Regarding compliance of Plant Protection Code, Quality Control Laboratory of Tea Board had been testing commercial tea samples to comply with FSSAI parameters and plant protection code compliance at factory levels were being done by field offices on regular basis.

The reply needs to be viewed in the light of the fact that there was huge a shortfall in sample collection, high failure rate of the samples and poor monitoring of the quality of tea by Tea Board.

The Ministry, while noting (October 2022) the audit observations for future compliance, stated that an annual plan for testing of tea samples is being prepared by Tea Board.

Recommendation No. 3: Tea Board should ensure that the tea produced and sold in the market should be in conformity with norms stipulated in Food Safety and Standards Act. Further, in view of manpower shortage, Tea Board may also explore the feasibility of engaging external agencies for inspection of factories and collection of tea samples.

3.4.3 Improper regulation on imported Nepal Tea and its blending with Darjeeling Tea

High elevation tea areas in Nepal mostly produce Orthodox tea and such tea bear some similarities with Darjeeling tea as both areas share the same topography, soil, environment, weather, climate, temperature and rainfall. The tea bushes of both the areas are of China clonal variety. During 2017-18 to 2020-21, Nepal exported nearly 96 *per cent* of its total export of tea to India. The main purposes of import of Nepal tea into India are re-exports upon value addition and for blending purposes.

Tea Board (November 2021) issued Circulars under the Tea Marketing Control Order, 2003 and Tea (Distribution and Export) Control Order, 2005 for protection of Darjeeling Geographical Identification (GI) tea of Indian origin directing that:

- (i) All importers have been directed to ensure that origin of imported tea is mentioned in all their sale invoices and not to pass off imported tea as tea of Indian origin.
- (ii) All distributors of tea have been directed not to blend cheap and inferior quality imported tea with Indian Origin teas for domestic consumption.
- (iii) Manufacturers of Darjeeling tea have been directed not to purchase green leaf from the outside GI area.
- (iv) The tea buyers have been directed not to blend imported tea with tea of Darjeeling/ Kangra/ Assam (Orthodox)/ Nilgiri (Orthodox).

There were complaints that Nepal tea was mixed with Darjeeling tea having GI tag for blending and reselling as Indian Tea which was creating problem in maintaining the quality of Darjeeling tea. The matter was also discussed in Board Meeting of Tea Board (January 2020).

In order to ensure compliance of the above directions, Tea Board carried out surprise checks on distributors/importers especially of Nepal tea. Further, from cross verification of the export details obtained from the Indian Customs Department with the data of its Licensing Branch, Tea Board found that 90 out of 127 importers of Nepal Tea were not licensed by the Board. Under Tea (Distribution & Export) Control Order, 2005, it is mandatory to have a license for export, import and the distribution of imported tea in India. Thus, it is evident that there is lack of control mechanism on part of Tea Board over import of Nepal tea and its blending with Darjeeling tea which may deteriorate the quality of Darjeeling tea. This issue of importing of Nepal tea without valid license by Tea Board was taken up by it with Customs Authority who started asking for mandatory clearance certificate prior to import of tea into India.

The Management stated (July 2022) that they would look into the matter. The Ministry stated (October 2022) that it requested (July 2022) FSSAI to allow the import of tea from Nepal from three Land Customs Stations only i.e., Jogbani, Panitanki and Raxaul and FSSAI had also been requested to take up the matter with Central Board of Indirect Taxes and Customs for mandatory referral of all consignments of tea from Nepal for import clearance of FSSAI along with port restriction at these Land Customs Stations. In addition, a joint training had been proposed by FSSAI along with Tea Board and Custom Officials notified as Authorised Officials at Land Customs Stations for strengthening of import clearance of tea from Nepal.

However, fact remains that the practice of mixing Nepal tea with Darjeeling tea is still continuing which would ultimately dilute the quality of world-famous Darjeeling tea.

Recommendation No. 4: In order to avoid the illegal blending of Nepal tea with Darjeeling tea and to protect the reputation of Darjeeling tea, necessary steps should be taken by the Tea Board.

3.4.4 Non-declaration of Tea Waste by Tea Factories as per stipulation of Control Orders

Tea waste is tea sweepings, tea fluff, tea fibre or tea stalks or any article purporting to be tea which does not conform to the specification for tea laid down under the Food Safety & Standards Act 2006. As per clause 3 A of Tea (Waste) Control Order 1959, there should be a minimum volume of ‘tea waste’ and ‘made tea’ in the ratio of 2:100 Kg. Thus, all Tea Factories should declare a minimum two *per cent* of their production as tea waste.

Figure 3.3: Tea Waste



Audit examined the Pan-India data of tea waste generated by the tea manufacturing units for the period from 2018-19 to 2020-21 and the details of tea waste generated by the tea manufacturing units are given in table 3.5:

Table 3.5: Number of factories generating tea waste during 2018-19 to 2020-21

Year	No. of Tea Manufacturing Units under Production	No. of factories generating Tea Waste			No. of factories generating tea waste less than two <i>per cent</i>
		Nil	Less than two <i>per cent</i>	two <i>per cent</i> and above	
(a)	(b)	(c)	(d)	(e)	(f)= (c) + (d)
2018-19	1,576	115	1,117	344	1,232
2019-20	1,609	133	1,020	456	1,153
2020-21	1,619	119	1,112	388	1,231

Source: Portal of Tea Board India

It is evident from the above that over the last three years 1,153 to 1,232 tea manufacturing units generated less than two *per cent* tea waste and failed to comply with the Tea (Waste) Control Order, 1959. Further, Tea Board did not take any action against the tea factories for non-compliance of the stipulation of Tea (Waste) Control Orders which indicated lack of monitoring from Tea Board. Thus, due to non-declaration of tea waste by tea factories; tea sweepings, tea fluff, tea fibre, tea stalks etc., which were generated during tea making process and did not conform to the specification for Tea as per the FSSA, 2006, got mixed with normal tea and sold to consumers.

In reply, the Management stated (July 2022) that the ratio of tea waste and made tea as 2:100 kgs as per clause 3 A of Tea (Waste) Control Order, 1959 of Tea Board was challenged in the Hon'ble Court of Madras by the stakeholders long back and the stay order was given by the Hon'ble Court. The matter is *sub-judice* and hence no action could be taken by Tea Board till disposal of the case.

The Ministry stated (October 2022) that Hon'ble High Court of Madras vide Order dated 22 March 2013 fixed 0.2 *per cent* as the percentage of generation of tea waste. A Writ Appeal against the same had been filed by Tea Board and the matter was *sub-judice*.

3.5 Inadequate number of meetings of Green Leaf Price Monitoring Committee

As per Paragraph 30A (1) of Tea Marketing Control (Amendment) Order, 2015, there should be a Green Leaf Price Monitoring Committee (GLPMC) in each tea growing district comprising of two representatives each from bought leaf factories, small tea growers and estate factories and one officer of the Board not below the rank of Assistant Director. Further, the Collector or Deputy Commissioner of such tea growing district should be the ex-officio Chairman and the officer of the Board should be the member secretary of the Board.

Further, Paragraph 30A (5) of the above Control Order stipulated that the committee should undertake the following functions:

- a) To monitor the average green leaf price payable to the small tea growers for each succeeding month based on the last month average auction price of bought leaf factories of such district by applying the price sharing formula.
- b) To oversee the compliance of payment of such average price to the small tea growers and bring to the notice of the Registering Authority about the errant bought leaf manufacturer.

Moreover, Paragraph 30A (6) of the above control order stipulated that the Member Secretary of the Committee should ensure to conduct at least one meeting of the Committee in a month.

Price of green leaves of the small tea growers is a major issue as the economic development of the small growers is dependent on green leaf price and there are instances that the small tea growers are not getting even a minimum benchmark price of green leaf. Under such

circumstances, conducting GLPMC meetings on regular basis is important to monitor the compliance of payment of minimum benchmark price by bought leaf factories to the small tea growers.

Audit examined the data related to GLPMC meetings held in Assam and West Bengal (major tea producing States) during 2016-17 to 2020-21 and observed the following:

- In 10 out of 18 tea growing districts of Assam, not a single GLPMC meeting was held during 2016-17 to 2020-21 and in the remaining eight districts, the number of meetings held in a year were less than four against the mandatory holding of one meeting in every month.
- Similarly, in five tea growing districts (viz., Alipurduar, Cooch Behar, Jalpaiguri, Darjeeling and Uttar Dinajpur) of West Bengal, the number of meetings held in a year was less than two during the period 2016-17 to 2020-21.

As the Officials from Tea Board were the Member Secretaries, it is the responsibility of Tea Board to conduct meetings of the Committee, which was not carried out properly.

While accepting the fact of shortfall in conducting meeting of Green Leaf Price Monitoring Committee during the reported period, the Management stated (July 2022) that adequate number of meetings were being held currently.

While noting the audit observations for compliance, the Ministry stated (October 2022) that Tea Board was taking up the matter with the district authorities for conducting regular meetings of GLPMC as per provisions of TMCO, 2003.

Recommendation No. 5: To protect the interests of small tea growers and to ensure payment of minimum benchmark price of green leaves, meetings of Green Leaf Price Monitoring Committee should be conducted as stipulated in the Tea Marketing Control Order.

3.6 Tea auction

Tea auction is a means of disposing the tea produced to a wide range of buyers in a competitive manner for fair discovery of price. Public tea auctions have played a key role for primary marketing of tea in India. Public tea auctions handle only loose tea in bulk packages. The stake holders involved in the auction system are auction organisers, producers of made tea (sellers), brokers, buyers and warehouses.

Tea Board is also responsible for monitoring of the auction system for ensuring the quality of exports and imports etc., which are significant to the tea trade.

3.6.1 Pan India e-auction system

Prior to 2009, tea auction was carried out manually across the centres of the country. However, manual auction had several limitations like physical presence of buyers, space

limitation in auction hall, shorter time for fair price discovery due to serial bidding, lack of fair price discovery due to lack of non-anonymity of buyers etc.

For addressing these issues, auctions were switched to electronic mode across seven Auction Centres since 2009 except for Darjeeling tea. Further, in order to bring uniformity in the auction process of all centres including for Darjeeling tea and to put an end-to-end integrated auction system in place, Tea Board introduced Pan India Auction System (Phase-I) from May 2016 and live auction under Pan India (Phase-I) was rolled out on 23 June 2016. The online post settlement module (Phase-II) under pan India mode was also rolled out in September 2016. However, due to certain technical glitches, the system was kept on hold and was further reintroduced from February 2018 in the Coonoor Centre followed by Siliguri and Coimbatore in February 2018 and March 2018 respectively.

There are seven registered Auction centres in the country as on 31 March 2021 viz., Kolkata, Siliguri, Guwahati, Coonoor, Kochi, Coimbatore and Teaserve¹⁵ where auctions are presently being conducted through electronic platform provided by Tea Board under pan India e-auction mechanism.

Figure 3.4 Tea Auction Centre of Tea Board



Apart from the existing auction system, Tea Board had also taken initiative for setting up of a separate electronic auction platform to cater to the need of Assam tea cluster considering its contribution (more than 50 *per cent*) towards the total tea production in the country. This auction platform is presently catering to the need of tea of Assam cluster with various value-added services like central warehousing, logistics to the buyer for delivery of tea etc. Tea Board selected M/s. Mjunction Services Limited as the operator of Jorhat auction through tender process. The Jorhat auction started operation with effect from 1 June 2020.

IIM, Bangalore was engaged by Tea Board to study the existing e-auction platform for requisite reforms which submitted its report in June 2019. One of the key recommendations was introduction of Japanese auction model. The implementation of these

¹⁵ *Teaserve, is an auction centre governed by Tamil Nadu Government, which adopted pan India module of Tea Board*

recommendations was still under process by Tea Board (March 2021) even after a lapse of nearly two years.

The Ministry stated (October 2022) that Tea Board had renamed the new auction model as “Bharat Auction”. After completion of several mock auctions, the Bharat Auction was implemented at all tea auction centres of South India from January 2022. In North India, a new cloud environment-based e-auction system was likely to be implemented from January 2023.

3.6.2 Failure to ensure acceptability of e-Auction system for sale of tea to various stakeholders

The purpose of e-auction system was to create an efficient marketplace for trading Indian tea and to reach out to a wide range of buyers for fair realisation of price of tea. So, it is imperative that the maximum quantity of tea produced in the country should be transacted through public auction system in the interest of all the stakeholders. It was further mandated as per paragraph 21 of Tea Marketing Control Order (TMCO), 2003 (as amended in 2015) that every registered tea manufacturer, should, on and from the date of commencement of the notification, sell not less than 50 *per cent* of the total tea manufactured in a calendar year through public tea auctions in India.

The quantity of total tea sold through public e-auction system during the period 2016-17 to 2020-21 is given in table 3.6:

Table 3.6: Tea sold through e-auction during the period 2016-17 to 2020-21

Year	Total Tea Production (Million Kgs.)	Tea sold through Auctions (Million Kgs.)	Percentage of tea sold through Auctions
2016-17	1,250.49	541.57	43.31
2017-18	1,325.05	579.17	43.71
2018-19	1,350.04	593.33	43.95
2019-20	1,360.81	589.17	43.30
2020-21	1,283.03	541.34	42.19

(Source – Information furnished by Tea Board India)

It is evident from the above table that in all the five years, tea sold through e-auction system was only 42 *per cent* to 44 *per cent* of the total tea produced in the country. Thus, Tea Board could not achieve the minimum threshold limit of 50 *per cent* in any of the five years.

It is pertinent to mention that the numbers of buyers who participated in e-auction but did not purchase from e-auctions had been increasing on a year-to-year basis. Year-wise total numbers of buyers who participated in e-auction and total number of buyers who actually did not purchase tea from e-auction during the period 2016-17 to 2020-21 are as under:

Table 3.7: Details of participants not purchasing from e-auction system

Year	Total nos. of participants	Total nos. of participants who did not purchase tea	Percentage of participants who did not purchase tea (<i>per cent</i>)
2016-17	2,679	1,640	61
2017-18	2,756	1,717	62
2018-19	2,798	1,765	63
2019-20	2,841	1,811	64
2020-21	3,297	2,246	68
Total	14,371	9,179	64

(Source – Information furnished by Tea Board India)

It is evident from the above table that number of buyers who participated in the e-auction but did not purchase tea ranged between 61 *per cent* and 68 *per cent*. Thus, majority of participants did not purchase tea from e-auctions. As such, the stipulation of Tea Marketing Control Order to sell not less than 50 *per cent* of the total tea manufactured in a calendar year through public tea auctions could not be achieved and the purpose of e-auction to realise fair price of tea got defeated. Audit observed that Tea Board mandated the sale of 50 *per cent* of produced tea through e-auction to tea manufacturers only, and did not mandate any benchmark for registered tea buyers for purchase of tea through e-auction despite having provisions in TMCO, 2003 for fixation of such benchmarks. Thus, the objective of introduction of e-auction system could not be fully achieved.

In reply, the Management stated (July 2022) that the Board received several representations from producers' associations representing sellers from the industry requesting to make it mandatory for the buyers to purchase 50 *per cent* tea from the auction out of total tea purchased in a year. But no such mandatory procurement of 50 *per cent* tea from the auction system could be facilitated by the Board till date due to huge resistance from the buyer community.

While endorsing the views of the Management, the Ministry stated (October 2022) that participation of more buyers in the auction system increased competition among buyers which ultimately increased average auction price per kg, which acted as a catalyst in fair price realisation for the producers/ sellers participating in auction irrespective of the number of buyers who had actually purchased.

The replies of the Management/ Ministry need to be viewed in the light of the fact that Tea Board did not mandate any benchmark for registered tea buyers for purchase of tea through e-auction despite having provisions in TMCO, 2003 for fixation of benchmarks for registered tea buyers for purchase of tea.

Recommendation No. 6: In view of non-fulfilment of mandated 50 per cent sale of produced tea through e-auction, Tea Board should consider fixation of a minimum benchmark quantity for purchase of tea by the registered tea buyers through e-auction.

3.6.3 Insufficient collection of revenue from e-auction system for meeting the running cost of e-auction system

In order to make the e-auction system of tea self-sustainable, Tea Board has been collecting transaction charges at the rate of two paise per kg from each stakeholder *i.e.*, sellers, buyers and brokers since 2018 and from the warehouse owners at the rate of 0.50 *per cent* of the total invoice value of the warehouse bills since December 2019.

An analysis of revenue and expenditure of the Licensing Department of Tea Board pertaining to National Programme for Tea Regulation¹⁶ revealed the following:

Table 3.8: Revenue and expenditure of Licensing Department

(₹ in crore)

Year	Revenue generation from transaction charges	Expenditure for running e-auction system	Deficit
(A)	(B)	(C)	(D= C – B)
2016-17	0.32	6.45	6.13
2017-18	0.05	4.39	4.34
2018-19	3.51	3.30	-0.21
2019-20	3.73	2.19	-1.54
2020-21	3.70	2.77	-0.93
Total	11.31	19.10	7.79

(Source – Information furnished by Tea Board India)

As evident from the above table, against the total expenditure of ₹19.10 crore during the period 2016-17 to 2020-21, revenue of ₹11.31 crore was only generated from e-auction system. Even though e-auction revenue from transaction charges was increasing, it was unable to recover total expenditure incurred for running the e-auction system. Considering the quantum of surplus generated in recent years, it would take a long time to recover the total expenditure. Thus, there was an urgent need to relook the fixation of transaction charges of e-auction system.

In reply, the Management stated (July 2022) that total revenue of ₹10.94 crore¹⁷ was collected by Tea Board from 2018-19 to 2020-21, after implementation of post auction settlement system and total expenditure of ₹8.26 crore was made during this period for running e-auction. Thus, the auction system had been made self-sustainable.

The reply is not acceptable as Tea Board could not fully recover the recurring cost incurred for the e-auction system during 2016-17 to 2020-21 from the revenue collected and the e-auction system was not self-sustainable.

¹⁶ *National Programme on Tea Regulation is a scheme of Tea Board, framed for effective implementation and monitoring of the regulatory provisions of the Tea Act and the control orders thereof through e-governance initiatives for automation of the licensing activities to ensure transparency.*

¹⁷ *Out of ₹11.31 crore revenue collected by Tea Board during 2016-17 to 2020-21, ₹10.94 crore is related to the period from 2018-19 to 2020-21.*

The Ministry stated (October 2022) that as suggested by Audit, Tea Board was examining the issue, for further increase in revenue generation.

Recommendation No. 7: Tea Board should review and revise the transaction charges at regular intervals to recover the recurring cost incurred in the e-auction system to attain self-sustainability.

3.7 Summary

In absence of any specific strategy, a major portion of small tea growers still continued to be outside the ambit of regulations of Tea Board. Inspection for monitoring the activities of various stakeholders was found to be inadequate and non-transparent. Further, internal procedure in Tea Board to collect tea samples from factories for testing in laboratories was inadequate to ensure that the quality of tea complied with the Food Safety and Standards Authority of India norms. Moreover, Tea Board failed to encourage the tea manufacturers to sell mandatory 50 *per cent* of tea production through e-auction. Thus, the regulatory function of Tea Board was inadequate and the Board failed to effectively exercise its role as a Regulator of Tea in India.

Chapter IV

Developmental Activities



Chapter IV

Developmental Activities

4.1 Developmental Activities of Tea Board

The developmental activities of Tea Board comprise extending subsidy to the stakeholders for carrying out various activities to improve production, productivity and quality of Tea in India. Developmental role of Tea Board as per Tea Act, 1953 is as under:

- Regulating the production;
- Improving the quality of tea;
- Securing better working conditions and providing/improving amenities and incentives for workers.

The Development Directorate, headed by the Director of Tea Development, is responsible for formulation and implementation of various developmental schemes and rendering assistance to the industry in the procurement, distribution and movement of essential inputs.

Tea Board has undertaken developmental activities through financial assistance in form of subsidy, under the following Developmental Schemes during 2016-17 to 2020-21:

1. Plantation Development Scheme (PDS)
2. Quality Upgradation & Product Diversification Scheme (QUPDS)
3. Human Resource Development (HRD)

In addition, Tea Board also implemented¹⁸ Scheduled Caste Sub Plan (SCSP) and Tribal Area Sub Plan (TASP) for benefitting the planters belonging to Scheduled Caste and Scheduled Tribe Communities.

4.2 Financial assistance of Tea Board for developmental activities

The details of disbursement of subsidy through the developmental schemes during the period 2016-17 to 2020-21 are given in table 4.1:

¹⁸ SCSP has been implemented from 2011-12 and TASP from 2018-19

Table 4.1: Details of disbursement of subsidy under development schemes
(₹ in crore)

Sl. No.	Name of the Scheme	Subsidy disbursement during the year				
		2016-17	2017-18	2018-19	2019-20	2020-21
1	Plantation Development Scheme (PDS)	47.29	45.00	29.64	36.17	75.50
2	Quality Upgradation & Product Diversification Scheme (QUPDS)	22.77	24.48	17.99	23.72	34.75
3	Human Resource Development (HRD)	5.01	5.22	2.45	4.31	1.11
4	Scheduled Caste Sub Plan (SCSP)	1.32	2.64	9.19	5.42	2.73
5	Tribal Area Sub Plan (TASP)	-	-	6.23	6.23	1.59
Total		76.39	77.34	65.50	75.85	115.68

From the table, it may be seen that there was considerable increase in subsidy disbursement under Plantation Development Scheme and Quality Upgradation & Product Diversification Scheme in 2020-21 as compared to 2016-17. However, noticeable decrease in disbursement of subsidy was observed under Human Resource Development, Scheduled Caste Sub Plan and Tribal Area Sub Plan in 2020-21 as compared to the previous year (2019-20).

4.3 Profile of production, import, exports and domestic consumption of Tea in India

The position of production, import, export of tea and its domestic consumption in India during last five years ending 2020-21 is given in the table below:

Table 4.2: Production, Import, Export and domestic consumption of tea in India
(In million kg)

Year	2016-17	2017-18	2018-19	2019-20	2020-21
Production	1,250.49	1,325.05	1,350.04	1,360.81	1,283.03
Import	21.60	20.59	24.22	15.54	27.75
Export	227.63	256.57	254.50	241.34	203.79
Total availability (Production + Import – Export)	1,044.46	1,089.07	1,119.76	1,135.01	1,106.99
Domestic consumption	973	1,066	1,090	1,116	1,145
Surplus (+)/ Deficit (-) of availability	71.46	23.07	29.76	19.01	-38.01
Cumulative overall surplus	71.46	94.53	124.29	143.30	105.29

(Source: Information furnished by Tea Board)

From the table above it may be seen that during 2016-17 to 2020-21, the overall production of tea increased by 2.60 *per cent* and the domestic consumption increased by 17.68 *per cent*. However, during the above period, export of tea decreased by 10.47 *per cent* and import of tea increased by 28.47 *per cent*. The purpose of import of tea in India was mainly for blending and re-export after value addition.

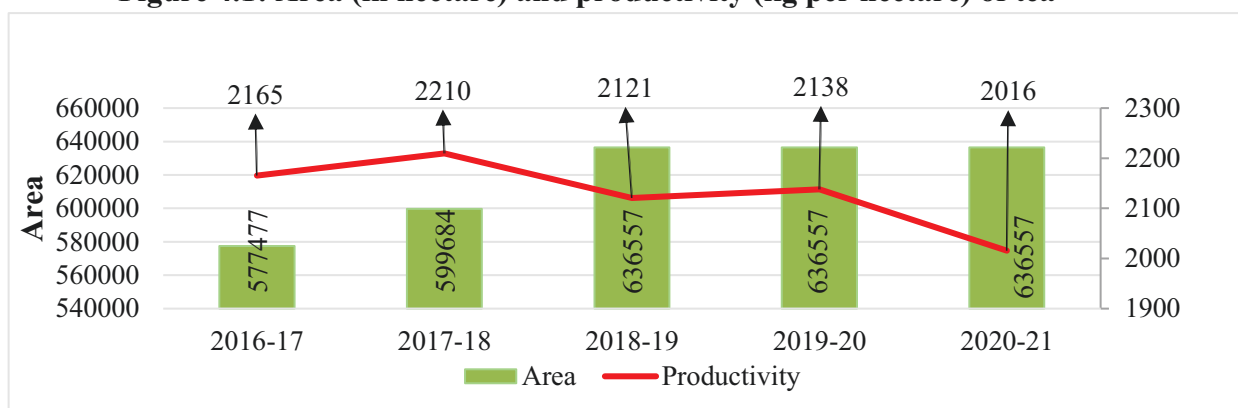
With the above background, Audit examined the activities undertaken by Tea Board towards enhancing productivity, improving quality, reducing cost of production and

extending support to tea growers with reference to individual cases under various developmental schemes.

4.3.1 Productivity of tea in India

Productivity is defined as yield of tea grown per hectare (Ha). The productivity of tea in India over the years may be seen from the figure 4.1:

Figure 4.1: Area (in hectare) and productivity (kg per hectare) of tea



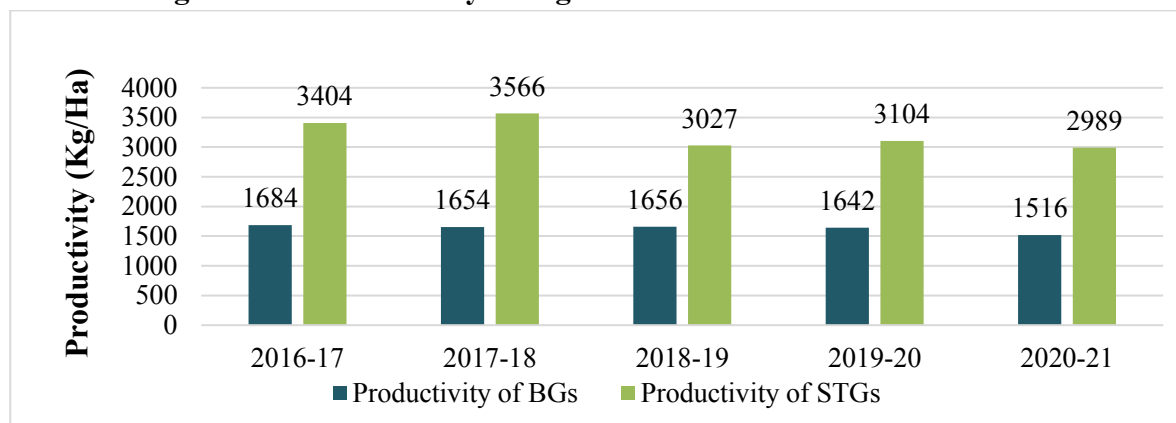
From the above graph it is evident that though the area under tea cultivation has gone up by 10 *per cent* from 2016-17 to 2020-21, overall productivity has decreased by 7 *per cent* from 2,165 kg/Ha in 2016-17 to 2,016 kg/Ha in 2020-21. The State-wise details of area under tea cultivation, production and productivity of tea are given in **Annexure-VI**.

Analysis of State-wise productivity of tea during 2016-17 to 2020-21 revealed that out of the four major tea growing States producing nearly 98 *per cent* of total tea in India, West Bengal had the highest productivity, followed by Assam, Tamil Nadu and Kerala. Productivity in Assam, which is producing nearly 50 *per cent* of total tea in India, gradually decreased from 2,330 kg/Ha in 2016-17 to 1,854 kg/Ha in 2020-21. However, productivity of West Bengal increased from 2,515 kg/Ha in 2016-17 to 2,674 kg/Ha in 2020-21. The productivity in Tamil Nadu ranged between 2,302 kg/Ha and 2,612 kg/Ha, while that of Kerala was relatively lower, ranging between 1,620 kg/Ha and 1,864 kg/Ha during the period 2016-17 to 2020-21.

4.3.2 Productivity of Big Growers and Small Tea Growers

As on 31 March 2021, out of the total area of 6,36,557 Ha under tea plantation, 4,20,671 Ha was held by big growers and remaining 2,15,886 Ha was held by small tea growers. Productivity of big growers and small tea growers during the period from 2016-17 to 2020-21 is depicted in figure 4.2.

Big Grower is one who holds tea-cultivation lands of more than 10.12 Ha and **Small Tea Grower** is one who holds tea cultivation lands upto 10.12 Ha.

Figure 4.2 - Productivity of Big Growers and Small Tea Growers

The above comparison shows that productivity of big growers was much lower than that of small tea growers. The marked difference in productivity between the big growers and small tea growers can be attributed to the ageing population of the tea bushes of the big growers. Further, a Status Report of Tea Board, on the organised sector of the Tea Industry in India, published in 2017, indicated that the primary reason for low productivity and poor quality of tea produced in the country was ageing of tea bushes/plantation.

Audit compared the productivity of tea in respect of all major tea-producing countries in the table below:

Table 4.3: Comparison of productivity of major tea producing countries

(Kg per hectare)

Name of the country	2016	2017	2018	2019	2020
China	829	847	874	913	943
India	2,195	2,240	2,103	2,184	1,976
Kenya	2,164	1,890	2,104	1,703	2,114
Sri Lanka	1,442	1,519	1,501	1,482	1,375
Japan	1,789	1,858	1,959	1,884	1,785
Mauritius	2,750	2,717	2,807	2,818	3,000

Source: International Tea Committee Annual Bulletin of Statistics, 2020

From the above table, it can be seen that productivity of tea in India is substantially higher than that of China, Sri Lanka and Japan. However, the same almost remained stagnant during 2016 to 2019 and ranged between 2,103 and 2,240 kg per hectare. Further, in 2020 productivity of tea in India had declined to 1,976 kg per hectare (declined by 9.98 per cent as compared to 2016).

The Management, while accepting the audit observation, stated (June 2022) that the marked difference in productivity between the big growers and small tea growers was attributed to ageing population of bushes of big growers. Significant bush population of big growers

crossed the threshold age of 50 years¹⁹, and this was a major reason for under-productivity. While the overall yield of the tea bushes increased, the ageing analysis clearly revealed that sizeable population of bushes having age greater than 50 years would offset the higher yield figures from the relatively younger bushes. It further stated that there was low level of investment by the big growers for replanting, given the significant capital cost associated with replanting. Single estate owners/ small groups did not carry out such developmental activities in a periodic manner except the corporate groups.

The Ministry stated (October 2022) that the audit observations had been noted.

4.3.3 Non-maintenance of Data Bank

Tea Board, being the regulator of tea industry in India, should have an updated and authenticated database of tea industry. In fact, database of tea industry including database of tea growers and tea plantations etc., is very important for formulation of policies and implementation of various subsidy schemes.

Audit observed that Tea Board did not maintain any comprehensive database regarding areas of extensions of tea plantation, replacement & replanting of tea, age of tea bushes, district-wise yield, labour productivity rate etc., on tea industry. Tea Board started conducting Baseline Survey from 2011-12. The survey was conducted at the interval of three years, wherein the profile of only big growers including age of tea bushes was captured.

The Baseline Survey covered only big growers and did not cover small tea growers. Therefore, Tea Board did not have a complete database regarding the area and location of the tea plantation of the small tea growers, number of workers including wards and dependents etc. The available data for small tea growers has been gathered by Tea Board from the campaigns, awareness meeting, workshops, seminars etc., conducted from time to time.

While accepting the audit observation, the Management stated (June 2022) that in baseline survey, all major data²⁰ related to the big growers were captured including age profile of the tea bushes. So far, the survey of small tea growers was concerned, Board had been carrying out the registration/ enumeration of the small tea growers and the details were captured in the process of enumeration including the age of plantation.

The Ministry stated (October 2022) that the audit observations had been noted.

¹⁹ As per the various scheme guidelines, productive age of tea bushes has been considered as 40 years. Tea Board/ Ministry did not provide any data in support of productive age of tea bushes as 50 years.

²⁰ Baseline survey involves collection of data from tea gardens/ estates related to profile of tea gardens and factories; age profile of tea bushes; developmental activities like replantation/ replacement planting, etc. undertaken in last three years and details of the plantation and other labours of tea gardens/ factories.

The fact remains that comprehensive, authentic and updated data of the small tea growers was not captured in baseline survey. Further, verification of records revealed that age profile of the tea bushes of the small tea growers was also not collected at the time of enumeration. Profiles of big growers were updated only at the interval of three years which defeated the very purpose of the survey.

In view of growth of small tea growers over the year, unless a centralised, authentic and updated database of all small tea growers is prepared at the earliest, there would be no control over tea industry and its activities in near future.

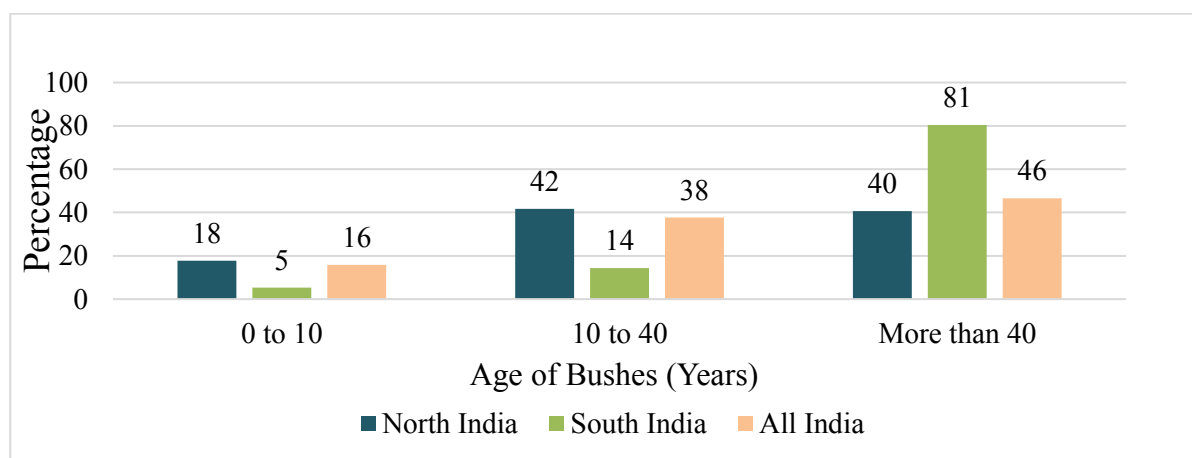
Recommendation No. 8: Comprehensive database of tea growers and tea plantation especially for small tea growers may be maintained and updated regularly by Tea Board for effective implementation of various developmental schemes.

4.3.4 Age of Tea Bush in India

A tea bush is commercially productive upto 40 years. In tea industry, most of the expenditure of plantation is proportionately dependant on the area of the garden. Hence, falling yield leads to increase in cost of production.

Age profile of tea bushes in India (as per Baseline Survey in 2018) is depicted in figure 4.3

Figure 4.3: Age profile of tea bushes in India owned by big growers



Thus, 46 *per cent* of total tea cultivation areas of big growers were economically unviable and commercially unproductive as the tea bushes were found to be more than 40 years old. In this regard, it is pertinent to mention that 42 *per cent* and 57 *per cent* of tea bushes were aged more than 40 years in 1997 and 2009 respectively. Hence, the status has not improved much even after more than two decades.

The Ministry stated (October 2022) that the audit observations had been noted.

Audit also reviewed the various schemes of Tea Board operated for development of tea in India during the period 2016-17 to 2020-21 and audit observations are discussed in the subsequent paragraphs.

4.4 Plantation Development Scheme

The objective of the Plantation Development Scheme (PDS) was to increase production, field productivity and quality of tea by encouraging various activities like replantation/ replacement planting, rejuvenation-pruning, creation of irrigation facilities *etc.*, for the overall development of tea growers and also to maintain sustainability of production by promoting organic tea cultivation.

4.4.1 Components of Plantation Development Scheme

Tea Board provided financial incentives in the form of subsidy for the following major activities to be undertaken by the big growers and small tea growers under the PDS:

- **Replantation and Replacement planting**
- **Irrigation**
- **Field Mechanisation**

A sum of ₹233.60 crore was disbursed by Tea Board as subsidy under PDS to the beneficiaries during 2016-17 to 2020-21. The rate of subsidy was 30 *per cent* during the XII Plan period (2012-17) and 25 *per cent* during the Medium Term Framework²¹ period. The subsidy would apply on the approved unit cost per hectare to be disbursed in two instalments for replanting and replacement planting by big growers and small tea growers.

Activity-wise audit findings are discussed in the succeeding paragraphs.

4.4.2 Replanting / Replacement Planting

Replantation is the process of uprooting the old tea bushes and planting new tea bushes in the same area, whereas Replacement Planting is the process of uprooting the old tea bushes from one area and planting new tea bushes in a different area. Tea Board released financial assistance of ₹167.24 crore for replanting/ replacement planting of 9,412.84 Ha during 2016-17 to 2020-21, out of which ₹163.02 crore was disbursed to 1,213 big growers covering area of 9,285.27 Ha and ₹4.22 crore was disbursed to 303 small tea growers covering area of 127.57 Ha (**Annexure-VII**).

The target *vis-a-vis* actual replanting/ replacement planting activities during 2016-17 to 2020-21 is depicted in table 4.4:

Table 4.4: Target *vis-a-vis* actual replanting/replacement planting activities by big growers during 2016-17 to 2020-21

Year	Target (in Ha)	Achievement (in Ha)	Percentage of achievement
2016-17	9,900.00	2,427.12	24.52
2017-18	2,010.00	1,666.09	82.89
2018-19	2,415.00	1,207.76	50.01
2019-20	2,620.00	775.63	29.60
2020-21	No target was fixed	3,336.24	--

²¹ 2017-18 to 2019-20 extended up to 2020-21

It is seen from the above that:

- Yearly achievement of the replantation/ replacement planting target, as set by Tea Board, ranged between 24.52 *per cent* and 50.01 *per cent* during 2016-17 to 2020-21, except 82.89 *per cent* in 2017-18, which was due to drastic reduction in target set from 2016-17.
- Due to non-achievement of the target set during 2016-17, Tea Board reduced the target between 74 *per cent* and 80 *per cent* during 2017-18 to 2019-20 in comparison to the target set in 2016-17. Despite reduction of target, the same could not be achieved.

Thus, low rate of replantation/ replacement planting has an adverse impact on the productivity of tea plantation in the country.

The Management, while accepting the audit observation, stated (June 2022) that during XII Plan and Medium Term Framework period, out of total approved outlay of ₹1,425 crore and ₹624.82 crore, Tea Board received only ₹632.45 crore and ₹525.23 crore respectively as Government grants. Further, the targets were set at the time of preparation of Expenditure Finance Committee (EFC) document, matching with the allocation of funds, while the same was not revised based on the actual receipt of funds from the Ministry. Moreover, the schemes were demand driven, i.e., the decision to uproot and replant rested on the owners of the tea estates. Low level of investment by big growers led to less replanting. Most of the single estate owners / small groups did not carry out such developmental activities in a periodic manner. The Ministry also accepted (October 2022) the shortfall in fulfilment of target activities under Plantation Development Scheme.

4.4.2.1 Disbursement of subsidies to beneficiaries for replanting/replacement planting activities in violation of the scheme guidelines

Terms and conditions of subsidy disbursement for replanting/replacement planting activities

- In case of applications for subsidy under replanting, after completion of uprooting, the uprooted area is to be rehabilitated with an approved rehabilitation crop for a period of not less than 18 months in case of gardens in plains and not less than 12 months in case of gardens in the hills. However, shorter rehabilitation period is to be considered if the soil health is found to be suitable and the same is backed up by soil analysis report from the Boards' approved soil testing laboratories. Longer period of rehabilitation is also to be allowed provided a request in writing is made by the applicant in this regard prior to commencement of replanting accompanied with a specific recommendation from Tea Research Association (for North India except Darjeeling)/ United Planters' Association of Southern India - Tea Research

Foundation (for South India)/ Darjeeling Tea Research and Development Centre for Darjeeling.

- Replanting in all cases is to be completed within 36 months from the date of completion of uprooting. Phased uprooting against replacement planting is also to be completed within 36 months from the date of completion of replacement planting.
- Applications submitted after commencement of field work of replanting/replacement planting are not to be considered and are to be summarily rejected.
- Prior to commencement of replanting/replacement planting, the soil is prepared to be physically and chemically suitable for planting and the applicants are, therefore, advised to get the soil analysed from any one of the approved Soil Testing Laboratories and the chemical soil analytical report is to be submitted to Tea Board at the time of post planting inspection, for verification.
- Provident fund dues of the applicant tea garden must not exceed ₹10,000 at the time of submission of application and at the time release of subsidy for replanting/replacement planting. Where the Provident Fund liability exceeds ₹10,000, the application is to be accepted provided it was backed by a Court decree or written consent from the P.F Authorities for allowing the payment of arrear P.F dues in instalments.

Scrutiny of files related to disbursement of subsidy under replanting/replacement planting activities revealed the following deficiencies:

(a) In ZO Guwahati, Audit observed that

- i. Subsidy of ₹29.16 lakh was disbursed in five cases (**Annexure-VIII**) pertaining to big growers, although replanting was not completed within the stipulated time of 36 months from the date of completion of uprooting as envisaged in the scheme guidelines.
- ii. In case of Khobong Tea Estate, subsidy was disbursed although, rehabilitation was done before the submission of the application. Further, replanting was done without Soil Analysis Report which was in violation of the scheme guidelines.

While accepting (June 2022) the audit observation, the Management noted the same for future compliance.

- iii. In the process of replanting, prior to replantation, rehabilitation has to be carried out, which require 18 months as per the laid down guidelines. However, in case of subsidy disbursed to Abhoyjan Tea Estate, no

rehabilitation was done before replanting of tea, which was violation of the scheme guidelines.

The Management stated (June 2022) that replanting in one section was commenced after more than 18 months and another section only after eight months from the date of completion of uprooting. As the soil analysis report was satisfactory, the case was considered for financial assistance.

The reply of the Management is not tenable as although replanting was done after 18 months, rehabilitation as stipulated in the scheme guidelines was not adhered to.

- iv. In case of Dekiajuli Tea Estate, subsidy was disbursed although rehabilitation period was only for 13 months instead of a minimum period of 18 months as per scheme guidelines.

The Management, in their reply (June 2022), stated that the scheme guidelines allowed for shorter rehabilitation period based on suitable soil analysis report and as per soil report, the parameters were suitable for planting tea.

The reply of the Management is not tenable as the soil report categorically stated that at least 18-24 months rehabilitation was required before replantation.

(b) As per scheme guidelines, Provident Fund (PF) dues of the applicant tea garden must not exceed ₹10,000 at the time of submission of application and at the time release of subsidy for replanting/replacement planting. However, Audit noticed that in 13 cases (**Annexure-IX**), Tea Board disbursed subsidy amounting to ₹4.17 crore, where PF dues of the applicant gardens were more than the stipulated amount of ₹10,000.

While noting the audit observation for future compliance, the Management stated (June 2022) that at the time of release of subsidy, none of the above mentioned estates were found to be defaulters under PF contribution.

However, the reply is not tenable, as in the test checked cases, there were outstanding dues in PF at the time of release of subsidy. Further, the fact remains that Tea Board did not ensure that PF dues were not more than ₹10,000, both at the time of application and at the time of release of subsidy and allowed subsidy amounting to ₹4.17 crore to the tea estates despite violation of scheme guidelines.

(c) Engo Tea Co. Ltd. under RO, Siliguri submitted application for replantation subsidy for 19.41 Ha area. However, Audit observed that Tea Board allowed 28.45 Ha area instead of 19.41 Ha area which resulted in excess payment of subsidy of ₹17.59 lakh²².

²² ₹194633 X (28.45 – 19.41) Ha

The Management, in reply (June 2022), stated that during post completion inspection, it was observed that 29.11 Ha area was uprooted, and 28.45 Ha area was replanted with tea. Therefore, the eligible subsidy amount was restricted on the actual replanted area i.e., 28.45 Ha. and hence there was no excess payment.

The reply of the Management is not acceptable as the area applied for replanting was only 19.41 ha and the subsidy should have been restricted to the applied area only.

(d) As per scheme guidelines, declaration by the applicant company/proof of payment of gratuity to the employee, who has retired or resigned in last six months, from the date of application should be submitted. Audit observed that Indong Tea Estate under RO, Siliguri submitted the declaration/proof of payment of gratuity only for the preceding month of the application instead of last six months of the date of application. The Pre-approved Inspection Report also mentioned (December 2015) that the estate had outstanding gratuity to the workers who retired, resigned or expired during last six months. Tea Board approved the application and disbursed subsidy amounting to ₹68.96 lakh to the tea estate in violation of the scheme guidelines.

While accepting the audit observation and noting the same for future compliance, the Management stated (June 2022) that overall objective of scheme to uproot the old area and replant with new tea plants was fulfilled and subsidy amount released to the applicant tea company helped to improve the plantation which would have a beneficial effect on workers.

(e) Scheme guidelines for assistance to Self-Help Groups, *inter-alia*, stipulated the following:

- Subsidy was to be provided at the rate of 40 *per cent* of the actual cost of plant and machinery with overall ceiling limit of ₹2 crore per factory.
- The procurement and installation of the machinery/ civil work in the factory/ blending unit was to be completed by the applicant within 12 months from the date of issuance of No Objection Certificate (NOC).
- The subsidy was to be disbursed in a single instalment after satisfactory setting up of the Tea factory.
- In special individual cases based on merit, the Chairman of Tea Board would have the discretion to consider parking of 25 *per cent* out of the total eligible subsidy amount in advance to the lending bank in favour of the account of the beneficiary Self-Help Group, for setting up the factory.

A Self-Help Group²³ of small tea growers under RO, Siliguri had applied (13 November 2017) for setting up of a new tea factory with the estimated cost of plant & machinery of

²³ **Rakhalhat Nayanmoni Khudra Cha Chasi Swanirvar Gosthi**

₹1.96 crore under the above scheme. Accordingly, Tea Board issued NOC to the applicant for setting up of the new factory in May 2018.

In this connection, Audit observed that:

- As per scheme guidelines, setting up of the factory should be completed within one year from the date of issuing of NOC. However, the factory could not be set up till September 2022, despite issue of NOC in May 2018.
- Though as per special discretion of the Chairman, a maximum amount of ₹0.20 crore²⁴ could be parked in the bank account of the beneficiary, Tea Board parked (30 March 2019) ₹1.55 crore which was a violation of the scheme guidelines.
- As the factory could not be set up within one year from the issuance of NOC, the beneficiary was not eligible for subsidy and accordingly, the entire amount should be brought back into the account of Tea Board, being the Government of India (GoI) fund.

While accepting the audit observation, the Management stated (June 2022) that it had been noted for future compliance.

However, the fact remains that Government funds of ₹1.55 crore are still lying-in bank account of beneficiary, which should have been recovered.

4.4.3 Creation of Irrigation Facilities

Irrigation is a process of supplying water artificially to the crops for their natural growth. If the natural rainfall is not sufficient to meet the demand of crop water requirement, irrigation becomes very essential to the crops. During the months of November to March, due to insufficient rainfall, a section of tea crop suffers from moisture stress problem. Therefore, irrigation becomes most essential during that dry period. For creation of irrigation facilities, Tea Board extended subsidy at the rate of 25 *per cent* of the actual cost not exceeding ₹80,000 per Ha during XII Plan period and ₹40,000 per Ha during Medium Term Framework with the ceiling on the area of 200 Ha per garden. In this regard, Audit observed the following:

4.4.3.1 Physical targets and achievements

Tea Board fixed targets for distribution of subsidy for creation of irrigation facilities by big growers/small tea growers for the respective plan periods (XII Plan & Medium Term Framework) at the time of obtaining approval of scheme guidelines by the Government of India. Audit examined the achievements of Tea Board against targets fixed for creation of irrigation facilities during the period 2016-17 to 2020-21, which are shown in table 4.5.

²⁴ ₹1.96 crore X 40 *per cent* X 25 *per cent*

Table 4.5: Target *vis-a-vis* Achievement for irrigation during the period 2016-17 to 2020-21 for big growers and small tea growers*(Area in Ha)*

Year	Total tea area	Targeted area	Achievements	Percentage of targeted area against total area	Percentage of achievements against targeted area
2016-17	5,77,477	1,500	8,040.28	0.26	536.02
2017-18	5,99,684	7,575	4,313.85	1.26	56.95
2018-19	6,36,557	8,600	2,363.12	1.35	27.48
2019-20	6,36,557	9,150	1,309.43	1.44	14.31
2020-21	6,36,557	NA	2,709	NA	NA

(Source – Information furnished by Tea Board India)

Audit observed the following:

- Tea Board did not have any mechanism or formula for fixing the targets to disburse subsidy, for creation of irrigation facilities. As per scheme guidelines, Tea Board was to release subsidy only after receiving the satisfactory post-installation report from the Board officials.
- In 2016-17, due to setting of low target area, achievement was 536 *per cent*. During 2017-18 to 2019-20, though the targets were revised upwards, the actual creation of irrigation facilities showed a declining trend from 4,313.85 Ha in 2017-18 to 1,309.43 Ha in 2019-20. In terms of targets, the achievement declined from 56.95 *per cent* in 2017-18 to a mere 14.31 *per cent* in 2019-20.
- Target fixed for creation of irrigation facilities was very low and ranged between 0.26 *per cent* and 1.44 *per cent* of the total tea plantation area in India during 2016-17 to 2019-20.
- During 2020-21, though Ministry released ₹75.50 crore under Plantation Development Scheme, Tea Board disbursed ₹1.89 crore only (2.5 *per cent*) under irrigation. Further, reasons for non-fixation of physical target for 2020-21 were not found recorded.

The Management, while accepting the audit contention of non-achievement of target, stated (June 2022) that due to non-receipt of funds as per approved outlay, target could not be achieved.

The Ministry stated (October 2022) that the audit observations had been noted.

4.4.3.2 Improper disbursement of subsidies to beneficiaries for Irrigation facilities

In accordance with the standard protocols for approval of Scheme modalities, Tea Board submitted (August 2013 and February 2014) Expenditure Finance Committee (EFC) Memorandum for XII Plan to the Ministry of Commerce & Industries (MoC&I). In the memorandum, it was mentioned that irregularity in monsoon, both in terms of lack of

adequate rainfall and prolonged dry period, was forcing crop loss for want of irrigation infrastructure in the tea gardens. Subsequently, MoC&I, vide letter dated 4 March 2015, informed that the proposal of Tea Board for continuation of 'Tea Development and Promotional Scheme' in the XII Plan period i.e., 2012-13 to 2016-17, as recommended by the EFC in its meeting (April 2014) has been approved by the Cabinet Committee on Economic Affairs (CCEA) in its meeting held on 10 December 2014. As per the terms and conditions of scheme guidelines, subsidy was to be provided at the rate of 25 *per cent* of the actual cost not exceeding ₹80,000 per Ha with a ceiling limit of 200 Ha per garden during the XII Plan period.

Audit observed that during 2016-17 to 2020-21, North Eastern Zonal Office disbursed subsidy to 118 tea estates (big growers), out of which 23 tea estates were covering the area of more than 200 Ha. Tea Board disbursed subsidy to these tea estates amounting to ₹2.05 crore in violation of the scheme guidelines.

The Management, in reply (June 2022), stated that the applications for irrigation equipment under various plan periods were processed and considered as per the "Effective date" and not as per "Scheduled date" of the plan periods as approved by the Ministry. As regards recovery from one tea estate amounting to ₹16.04 lakh, the case was found to be ineligible and hence action was taken for recovery.

The Ministry stated (October 2022) that Department of Expenditure, regarding continuation of ongoing schemes from XI to XII Plan, had inter-alia clarified (April 2012) that the budget provision for the financial year 2012-13 would be utilised for incurring expenditure in respect of the XI Plan schemes which were envisaged to be continued in the XII Plan Period and expenditure would only be incurred on the existing components of those schemes as per existing cost norms, pattern of expenditure etc., as approved for their implementation during the XI Plan. Accordingly, the applications for irrigation equipment were processed and considered as per above guidelines till the date of approval of the XII Plan.

The replies of the Management/ Ministry are not tenable in view of the fact that although Department of Expenditure permitted utilisation of fund from the budget provision of financial year 2012-13 for incurring expenditure in respect of XI Plan scheme as per existing cost norms, pattern of expenditure etc., the maximum ceiling limit for subsidy for creation of irrigation facilities should have been restricted as per approved ceiling limit of XII Plan for the entire plan period i.e., 1 April 2012 to 31 March 2017. Accordingly, in cases, where subsidies were disbursed as per cost norms of XI Plan during XII Plan period before approval of the XII Plan scheme, the maximum ceiling limit should have been restricted to the approved ceiling limit for XII Plan, which was 200 Ha per garden. Hence, disbursement of subsidy for more than 200 Ha during the XII Plan period towards irrigation facilities was inadmissible.

Recommendation No. 9: Strict adherence to conditions/ guidelines of Plantation Development Scheme should be exercised by the Tea Board during disbursement of subsidies to tea estates/ factories and ineligible subsidy disbursed may be recovered. Also, responsibility may be fixed for such ineligible disbursement.

4.4.4 Inadequate focus on the development of small tea growers and imbalanced disbursement of funds

Small Tea Growers have emerged as major players in the tea sector over the years. The following table indicates the contribution of small tea growers over the years 1999 to 2019:

Table 4.6: Contribution of small tea growers

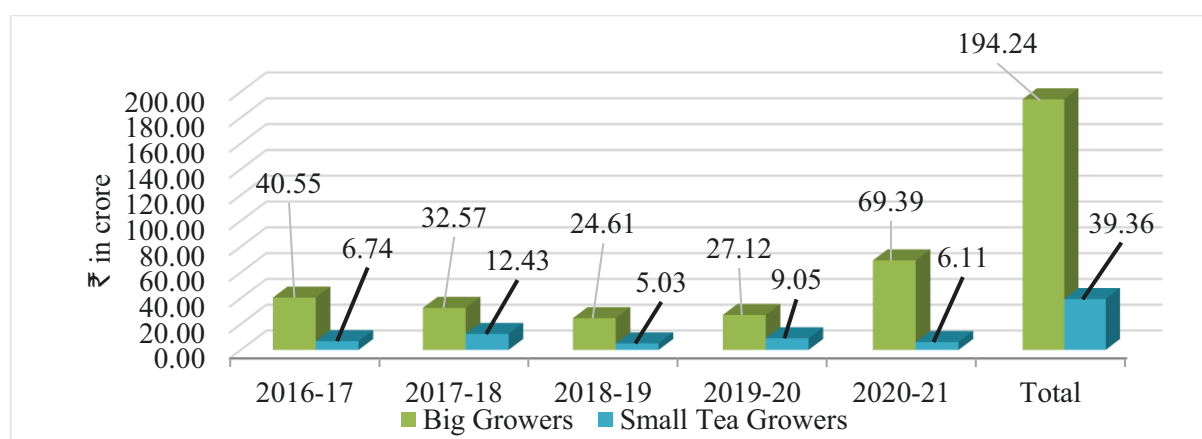
(Million kg)

Particulars	Year			Increase/ Decrease over last 10 years
	1999	2009	2019	
Total Production	826	979	1350	371
Small tea growers Production	154	257	654	397
Small tea growers share in total production (%)	18.64	26.25	48.44	22.19

(Source: Parliamentary Standing Committee Report & Tea Board)

The Plantation Development Scheme (PDS) for small tea growers was to encourage small tea growers in formation of Self Help Groups, improvement of productivity and quality of tea and ensuring remunerative prices to the growers. During 2016-17 to 2020-21, disbursement of funds to big growers and small tea growers under PDS are depicted in figure 4.4.

Figure 4.4 - Disbursement of Subsidy under PDS



Though small tea growers contributed nearly 50 per cent towards the overall production of tea in India, it was evident from the above that funds disbursed to small tea growers under PDS was only 17 per cent over the last five years ending 2020-21.

The Management, while accepting the audit observation, stated (June 2022) that the financial outgo under the schemes for small tea growers had been low as the unit cost of the activities undertaken by small tea growers were lower as compared to the big growers.

Moreover, the planted area of an individual small tea grower was much less than that of the estates in the organised sector, in addition to small growers having younger tea bushes.

The Ministry agreed (October 2022) with the views of the Management and further stated that Tea Board had been providing support for activities like replanting/replacement planting, rejuvenation pruning etc., of old tea bushes/senile tea bushes and replacing with improved clones so as to enhance productivity. These activities were needed for old plantations which were generally found in the estates of the big grower.

The replies of the Management/ Ministry need to be viewed in the light of the fact that though the contribution of small tea growers was around 50 *per cent*, Tea Board did not earmark year-wise subsidy to be distributed to small tea growers.

4.5 Quality Upgradation and Product Diversification Scheme

The Quality Upgradation and Product Diversification Scheme (QUPDS) was implemented from 2002 and continued during the XII Plan and Medium Term Framework period. The objective of the scheme is to enhance the quality of made tea by way of giving incentives for modernisation of tea manufacturing units, warehouses, units dealing with value addition of tea such as blending, packing, tea bagging, flavour tea, setting up of specialty tea units/ Orthodox or green tea manufacturing units to acquire quality certifications, organic tea production and production of Orthodox/ Green tea. During 2016-17 to 2020-21, Tea Board disbursed ₹123.71 crore to the beneficiaries under the scheme.

The target and achievement of the QUPDS during the years 2016-17 to 2020-21 is tabulated below:

Table 4.7: Target and achievement of the scheme during the years 2016-17 to 2020-21

Component	Activity	2016-17		2017-18		2018-19		2019-20		2020-21	
		Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement
QUPDS	Factory modernisation (no.)	0	21	2	6	2	0	2	0	NA	7
	Value addition (no. of beneficiary)	40	11	5	26	5	12	5	7	NA	0
	Setting up of new factories (specialty tea unit)	20	1	2	3	2	10	2	0	NA	0
	Quality Assurance & Organic tea Certification for factory (no.)	175	0	100	6	100	6	100	0	NA	1
	Warehousing (no.)	36	0	2	0	2	0	2	0	NA	0
	Incentive for production of Orthodox/ Green tea (million Kg)	120	59.21	60	57.4	60	50.49	90	75.33	NA	112.47

(Source – Information furnished by Tea Board India)

From the table above, it can be seen that achievement under various components of QUPDS was inconsistent in all the years. Further, Tea Board had no set procedure for fixing targets for disbursement of subsidy under QUPDS.

The approved scheme guidelines for disbursement of subsidy under QUPDS stipulate the following conditions:

- (i) In case of subsidy disbursement by Tea Board, for setting up of new factories for production of Green tea, Orthodox tea and speciality tea, 20 *per cent* of the tea produced in the factory was to be exported over an operational period of one year from the date of commercial production. In the event of failing to adhere to such condition, refund of the entire amount of subsidy was to be made along with interest at the rate of 12 *per cent* per annum from the date of disbursement of the subsidy. Tea Board had to obtain an undertaking in this regard from the concerned factory before disbursement of subsidy.
- (ii) The criteria of investment under the activity ‘Factory Modernisation’ are as under:
 - (a) The minimum investment on any single machinery item should not be less than ₹5 lakh, and
 - (b) The minimum investment to be made in a year should not be less than ₹25 lakh.
- (iii) Subsidy under “Factory Modernisation” was eligible for replacement of old and worn-out machineries of the tea factories only.
- (iv) The criteria of minimum investment for receipt of subsidy for the activity ‘Value addition’ under QUPDS was also ₹25 lakh.
- (v) For production of Orthodox/ Green tea, subsidy at a uniform rate of ₹3 per kg of actual production for both leaf and dust grades was allowed.

Audit noticed the following discrepancies in the implementation of QUPDS:

4.5.1 Deficiency in monitoring of activities after disbursement of subsidy to Tea Estate

On review of disbursement of subsidy under QUPDS, Audit observed that:

- Tea Board released (June 2017) subsidy of ₹87.63 lakh to M/s. Mahalaxmi Tea Estate Factory, Golaghat, Assam after setting up of a Green tea factory. However, the factory did not furnish valid documentary evidence in support of tea exported by it over an operational period of one year.
- As per scheme guidelines, Tea Board should have called back the amount of subsidy disbursed to the estate along with interest. But no action was initiated by Tea Board for recovery of the amount.

While accepting the Audit contention, the Management stated (June 2022) that factory submitted some documents in December 2021. A few other supporting documents had been

asked from the beneficiary which were pending. The Ministry stated (October 2022) that the audit observation had been noted.

However, the fact remains that despite non-submission of the evidential documents in support of export, subsidy disbursed to M/s. Mahalaxmi Tea Estate was not called back along with interest even after a lapse of more than three years.

4.5.2 Inadmissible release of subsidy to Tea Estates

(a) As per scheme guidelines under QUPDS, for factory modernisation (by replacement of the old, worn-out tea machineries), the minimum investment to be made in that particular financial year should not be less than ₹25 lakh. Examination of records revealed that in the following cases, the subsidy was released though the condition of minimum investment of not be less than ₹25 lakh in a particular financial year was not met:

- Subsidy of ₹1.85 lakh was released (September 2016) to M/s. Hattiali Tea Estate of Dibrugarh, Assam for purchase of “46-inch Single Action Rolling Table” valuing ₹7.41 lakh under factory modernisation.
- Subsidy of ₹1.35 lakh (September 2016) was released to Singlijan Tea Estate of Dibrugarh, Assam for purchase of “36-inch DAR Rolling Table” worth ₹5.41 lakh.
- Subsidy of ₹3.49 lakh was released (June 2017) to M/s. Lepetkatta Tea Estate of Dibrugarh, Assam for purchase of M256 Megaput Dryer, valuing ₹13.95 lakh.

(b) Methoni Tea Estate, Assam intimated (26 September 2011) RO, Jorhat for post-installation inspection of the “Colour Sorter machine” purchased under QUPDS. However, RO, Jorhat carried out phase-wise inspection on 28 March 2015 and 9 March 2016. Subsidy was released in September 2016, resulting in abnormal delay of around 3.5 years for inspection and five years for release of subsidy.

Further, the “Colour Sorter machine” was purchased valuing ₹40.05 lakh from an Indian Vendor. Tea Board released subsidy of ₹1.16 lakh (25 *per cent*) on account of Customs Duty (₹3.86 lakh) and other expenditure (₹0.80 lakh), which was not admissible as per scheme guidelines.

While accepting (June/ October 2022) the above audit observations, the Management/ Ministry noted the same for future compliance.

(c) Subsidy amounting to ₹91.07 lakh (as detailed **Annexure-X**) was disbursed under QUPDS during 2016-17 and 2017-18 to three factories namely Devashola Tea factory, Thengakkal Tea Estate Factory and Granby Estate Tea Factory under ZO Coonoor. Audit observed that these three tea factories failed to adhere to the provisions of Employees’ Provident Fund and Miscellaneous Provisions Act as their PF dues were more than ₹10,000 at the time of release of subsidy. Thus, subsidies disbursed were in violation of the scheme guidelines. It was also seen that Thengakkal Tea Estate Factory and Granby Estate Tea Factory had outstanding dues amounting to ₹1.26 crore and ₹39.54 lakh respectively pertaining to the period 1992-2009.

The Management, in its reply, stated (June 2022) that Granby and Thengakal were closed tea gardens which were later taken over by M/s Poabs Enterprises Pvt. Ltd. At the time of disbursement of subsidy, the new management had been regularly paying the PF dues as per the remittance challans which had been collected.

The Ministry endorsed (October 2022) the views of the Management.

The replies of the Management/ Ministry need to be viewed in the light of the fact that as per the laid down guidelines, provident fund dues of the applicant must not exceed ₹10,000 at the time of submission of application and at the time release of subsidy. However, in the highlighted cases, outstanding PF liabilities of the tea estates were more than ₹10,000. Thus, disbursement of subsidy was in violation of the scheme guidelines.

Recommendation No. 10: Tea Board should strictly comply with conditions for disbursement of subsidy under Quality Upgradation & Product Diversification Scheme to ensure fulfilment of the scheme objectives and ineligible subsidy disbursed may be recovered. Also, responsibility may be fixed for such ineligible disbursement.

4.5.3 Deficiencies noticed in Scheme Guidelines and subsidy disbursement under Orthodox and Green Tea Production Scheme

(a) Orthodox tea is produced primarily for export purpose, and it fetches more earnings in the global markets. In order to encourage tea producers to increase the production of Orthodox tea in the country, Tea Board framed a scheme for disbursement of subsidy for production of Orthodox tea.

Audit observed that there was no provision in the scheme guidelines to furnish the data regarding quantity of Orthodox tea, exported by the producers, so that the benefit derived from the subsidy could be measured. Moreover, there were no records with Tea Board from which it could verify the quantity of Orthodox tea exported by a producer for which the subsidy had been disbursed in earlier occasions.

The Management stated (June 2022) that there was no provision in the scheme guidelines to furnish record by the beneficiary in support of quantity of Orthodox tea exported for the said period.

The reply of the Management may be seen in light of the fact that in absence of any export data furnished by the producers, impact of the subsidy disbursed under the scheme was not ascertainable and the Management was not in a position to assess the extent of achievement of the objective of increasing the export of Orthodox tea.

The Ministry stated (October 2022) that the audit observation had been noted for future compliance while implementing scheme guidelines.

(b) As per scheme guidelines, subsidy was paid for total production of Orthodox tea by the manufacturers. During scrutiny of records, Audit noticed that out of the total

production, a considerable quantity of Orthodox tea was used for consumption of the factory workers and distributed as samples/gifts etc. Thus, subsidy was also paid for tea, used for the above purposes which defeated the very purpose of subsidy for production of Orthodox tea to promote/increase the export of Orthodox tea.

The Management, while accepting the facts, stated (June 2022) that distribution of Labour Tea from the garden was customary and had been followed since long. Sometimes, the manufacturers distributed the samples/gift tea as a marketing and promotion strategy adopted for domestic and international markets which helped in export also.

The reply of the Management needs to be viewed in the light of the fact that the objective of the scheme was to produce Orthodox tea for export and hence the subsidy should have been limited to the quantity exported. Further, distribution of Orthodox tea as labour tea did not fulfil the scheme objective, which aimed at production of Orthodox tea for export purpose to fetch foreign earnings.

The Ministry stated (October 2022) that the audit observation had been noted for future compliance while implementing scheme guidelines.

(c) As per general eligibility condition for disbursement of subsidy, PF dues of the applicant tea garden/factory must not exceed ₹10,000 at the time of submission of application and at the time of release of subsidy. In compliance of the above, the manufacturer has to furnish the copy of latest PF challan payment receipt in support of payment of the latest PF dues.

Audit observed that from the copy of latest PF challans, only payment of current PF dues could be ensured. However, it could not be verified whether all the previous dues had been cleared. Hence, furnishing of latest PF challans could not ensure that the PF dues of the applicant tea garden/factory had not exceeded ₹10,000. Hence, the conditions stipulated in the scheme guidelines regarding verification of PF challans was not adhered to before disbursement of subsidy.

While accepting the audit contention, the Management stated (June 2022) that Tea Board had recently started verification of no dues certificate from the PF Authority. However, in case of Assam, the PF authority declined to share the PF defaulter list.

The Ministry stated (October 2022) that the audit observation had been noted for future compliance while implementing scheme guidelines.

Recommendation No. 11: Strict adherence to Orthodox and Green Tea Production Scheme conditions/ guidelines should be exercised by the Tea Board during disbursement of subsidies to tea estates/ factories and ineligible subsidy disbursed may be recovered. Also, responsibility may be fixed for such ineligible disbursement.

4.5.4 Disbursement of subsidies in violation of the scheme guidelines under Orthodox and Green Tea Production Scheme

(a) As per Tea Waste (Control) Order, 1959, Tea manufacturers were to declare a minimum of two *per cent* of their production as tea waste. Scrutiny of subsidy disbursement files revealed that producers did not declare mandatory two *per cent* of the production as tea waste in the monthly returns. Even, in some cases, no tea waste was declared in the entire six months' production, for which subsidy was claimed. Despite that, Tea Board released the subsidy for the entire production without deducting the mandatory two *per cent* of the production as tea waste. Thus, Tea Board failed to adhere to the provisions of Tea Waste (Control) Order.

For instance, in case of Harmutty Tea Estate, Lakhimpur, Assam, during the period from January 2016 to December 2016, subsidy of ₹30.11 lakh was released for production of 10,03,731 kg²⁵ of Orthodox tea. Although, tea waste of 20,074 kg at the rate of two *per cent* of the production had to be generated, the tea estate generated only 8,000 kg (0.8 *per cent*) of tea waste during the said period. However, subsidy was released, without adhering to the provision of Tea Waste (Control) Order. This, not only resulted in disbursement of excess subsidy, but also amounted to disbursement of subsidy to the tea estates in violation of Tea Waste (Control) Orders.

While accepting (June/ October 2022) the audit observation, the Management/ Ministry had noted the same for future compliance.

(b) As per scheme guidelines, copies of monthly online return furnished (Form-E) by factories and copies of RG-1²⁶, both for the period for which the claim was made, were required to be produced by the manufacturers in support of quantity of Orthodox tea produced by them for getting subsidy under the scheme.

Audit observed that:

- i. Authenticity of the Orthodox tea production could not be verified from the above two documents furnished by tea manufacturers for release of subsidy.
- ii. RG-1 disclosed the combined figure of total production of various types of tea in a factory in a particular month. As such, the quantity of Orthodox tea produced by a factory cannot be ascertained separately from RG-1.
- iii. Monthly online return (Form - E) furnished by tea factories on the website of Tea Board may not be constituted as authentic documents to verify the production as there was no check on the part of Tea Board or any other authority to verify the figures of CTC tea/ Orthodox tea produced during that month.

²⁵ January 2016 to June 2016 – 3,35,857 kg and July 2016 to December 2016 – 6,67,874 kg

²⁶ RG-1 Register is a stock book for excise manufacturing unit, which contains details of manufacture, clearance and duty paid with value, date wise.

- iv. There were instances, where monthly total production figures furnished in Form 'E' did not tally with the monthly total production figures of all varieties of tea as mentioned in RG-1.

As such, some other records of the factory like dryer mouth register²⁷/ daily stock register/packing register *etc.*, were required to be checked to verify the Orthodox tea production. However, such documents were neither produced by the tea manufacturer at the time of subsidy claim nor the Tea Board officials verified and mentioned in their reports about verification of the production figures with reference to those documents.

The Management stated (June 2022) that as per requirement, the Inspecting Officials inspected documents other than RG-1, namely dryer mouth register/ daily stock register, packing register, Tea waste register *etc.* to verify the claim made by the applicant at the time of inspection.

The reply of the Management is not tenable as no copies of such documents were found on record to establish this fact. Moreover, scheme guidelines should be revised to submit such documents from which authenticity of production could be verified.

The Ministry stated (October 2022) that the audit observation had been noted.

(c) In case of Sejuli Tea Estate (Assam), it was observed that subsidy of ₹13.21 lakh was released in March 2017 for production of 4,40,398 kg of Orthodox tea at the rate of ₹3 per kg during the period July-December 2016. In the month of December 2016, a total quantity of 74,275 kg of green leaves was brought into the factory from which 17,398 kg of Orthodox tea was produced. However, an additional 23,585 kg of Orthodox tea was added to the production in that month as per RG-1 Register. But no proportionate green leaf was brought to the factory (as per monthly return) for production of the above quantity of tea. Hence, production of 23,585 kg of tea was disclosed without proportionate receipt of green leaves for which no justification was asked from the tea estate and subsidy had been released.

The Management stated (June 2022) that excess of tea in most of the tea gardens was by and large generated due to error in weighing done manually by the unskilled labourers. With tea being hygroscopic²⁸ in nature, there was weight gain on storage. The issue of excess tea was a well-known fact to the industry and found acceptable.

The reply of the Management is not acceptable in view of the fact that adequate verification of documents should be made prior to release of subsidy to ensure that subsidy was disbursed for the purpose for which the funds were allocated by GoI.

²⁷ *The production of tea gets completed with the process of drying and the final tea which comes out from the dryer mouth is known as 'Dryer Mouth Tea'. Tea factories maintain a register to record the production of different types of tea coming out through the Dryer Mouth, known as the Dryer Mouth Register.*

²⁸ *A substance which tends to absorb moisture from air*

The Ministry stated (October 2022) that the audit observation had been noted.

(d) As per scheme guidelines applicant should enclose copy of latest PF deposit challan at the time of application. On scrutiny of the subsidy cases pertaining to incentives for production of Orthodox Tea, disbursed from Coonoor Zonal Office, it was observed that in 12 cases (**Annexure-XI**), latest PF challans had not been furnished by factories and the same were also not insisted upon by Tea Board at the time of release of subsidy amounting to ₹1.43 crore. Thus, the subsidy paid was not in conformity with the scheme guidelines.

The Management while accepting and noting the audit observation, stated (June 2022) that adherence to the guidelines of obtaining the latest PF Challan at the time of disbursement of subsidy would be strictly complied with in the future. The Ministry stated (October 2022) that the audit observation had been noted.

(e) As per scheme guidelines, provident fund dues of the applicant tea garden must not exceed ₹10,000 at the time of submission of application as well as at the time of release of subsidy for Orthodox/ Green tea production. However, Audit noticed that in 46 cases (**Annexure-XII**), Tea Board disbursed subsidy amounting to ₹7.79 crore where PF dues of the applicant gardens had been more than the stipulated amount of ₹10,000.

The Management stated (June 2022) that subsidy was sanctioned on receipt of satisfactory field inspection report along with the latest PF Challan. The managements of the respective tea factories remitted PF at the time of disbursement of subsidy and copies of the challans were collected at the time of disbursement of subsidy.

The reply of the Management is not acceptable in view of the fact that although applicant had submitted the challans, the PF dues were more than ₹10,000.

The Ministry stated (October 2022) that the audit observation had been noted.

4.6 Human Resource Development Scheme

Supporting welfare measures for securing better working conditions and improvement of amenities and incentives for workers and their dependents are among the objectives and functions of the Tea Board, as mandated in the Tea Act 1953. The labour welfare activities are funded through the Human Resource Development (HRD) Scheme of the Board as approved under the XII Plan and Medium Term Framework. The HRD Scheme aimed at achieving improvements in the life and living conditions of the Tea Plantation workers and their dependants on the three broad areas, viz., (a) improving the health and hygiene of workers; (b) education of wards of workers; and (c) imparting training to improve skills for workers and their dependents *etc.*

Act governing the Tea Industry and organisational structure of the tea industry

The working conditions of tea garden workers in the country are governed by the Plantation Labour Act (PLA), 1951. The Act requires the employers to provide the workers with housing, medical facilities, sickness and maternity benefits and other forms of social security measures. There are provisions for educational facilities for children, drinking water, conservancy, canteens, crèches and recreational facilities for the benefit of tea plantation workers and their families in and around the workplaces in the tea estates. As per Baseline survey, around 11.66 lakh permanent and temporary workers are engaged in estates tea gardens, thereby being the largest employment provider to rural population.

4.6.1 Allocation of funds under HRD Scheme

Tea Board submitted proposal to Department of Commerce (DoC) for appraisal by the Expenditure Finance Committee (EFC) for approval of “Tea Development and Promotion Scheme”. Based on the proposal of Tea Board/DoC, EFC recommended for approval of “Tea Development and Promotion Scheme” and accordingly, DoC approved the same. Year-wise details of total funds budgeted by Board in EFC for Subsidy Scheme, funds budgeted by Board in EFC for HRD Scheme, funds recommended by EFC, approved by Ministry and funds allocated/actual expenditure by Board under HRD Scheme are shown in table 4.8.

Table 4.8: Financial information of HRD Scheme*(₹ in crore)*

Year	Total fund budgeted by Board in EFC for all the Subsidy Schemes	Funds budgeted by Board in EFC for HRD Scheme	Funds recommended by EFC and approved by Ministry	Funds allocated/ actual expenditure by Board for HRD Scheme
2016-17	378.10	44.25	44.25	5.01
2017-18	150.67	6.53	2.84	5.22
2018-19	169.44	6.65	4.99	2.45
2019-20	185.59	6.82	5.12	4.31
2020-21	NA	NA	NA	1.11
Total	883.80	64.25	57.20	18.10

(Source – Information furnished by Tea Board India)

It may be seen from above that against approved outlay of ₹57.20 crore, the actual expenditure under HRD Scheme during 2016-17 to 2019-20 was ₹16.99 crore which was only 30 *per cent* of the approved outlay. During 2020-21, out of total funds of ₹115.68 crore received from Government, only ₹1.11 crore (0.96 *per cent*) was allocated to HRD Scheme. Further, Audit observed that during 2016-17, while Tea Board budgeted more than 11 *per cent* for HRD Scheme out of the total fund budgeted for all the subsidy schemes, during the period from 2017-18 to 2019-20, the same was reduced between three to four

per cent without recorded reasons. The limited expenditure and inability to meet the financial targets envisaged under the scheme resulted in low performance of the scheme. The achievement of physical targets set during the period 2016-17 to 2020-21 is discussed in the subsequent paragraph.

While accepting (October 2022) the audit observation, the Ministry had noted the same for future compliance.

4.6.2 Physical targets and achievements

A review of the physical targets *vis-à-vis* achievements of the HRD Scheme (**Annexure-XIII**) revealed that:

- a. As per the approved EFC memorandum of XII Plan, Tea Board was to provide safe drinking water in houses of tea garden workers, coaching and hostel fees for wards of workers, awareness campaigns for highlighting various welfare measures available for tea garden workers/ dependants, etc., under HRD scheme. However, during 2016-17, no funds were disbursed by the Board in the aforesaid sub-components of HRD Scheme. Moreover, during Medium Term Framework (2017-18 to 2020-21), the aforesaid sub-components were not included in the EFC proposal without any recorded reason.
- b. Tea Board did not achieve its own target for providing grant to the wards of the workers under the head “educational stipends” and “Nehru award” except in 2016-17.
- c. The shortfall against grant for book and school uniform ranged between 75 and 94 *per cent* during 2016-17 to 2019-20.
- d. Targets indicated for providing financial assistance towards short term vocational training/health & hygiene course were marginally achieved during 2017-18 to 2019-20 but there was a huge shortfall of 97 *per cent* in 2016-17.
- e. The reasons for chronic shortfall in HRD scheme in different years were not placed before the Labour Welfare Committee/Board for appraisal and for taking remedial measures.

While accepting the audit observation, the Management/ Ministry stated (June/ October 2022) that the audit observation had been noted for future compliance.

4.6.3 Non-adherence of recommendations of Parliamentary Standing Committee

(i) The Parliamentary Standing Committee on Commerce (2012), in its 102nd Report laid in the Parliament in August 2012 on “Performance of Plantation Sector - Tea and Coffee Industry”, expressed concerns over the issue of medical facilities being extended to the plantation labour. The Committee was of the view that extension of services of referral

hospitals needed to be institutionalised. The Committee recommended that the Government should take appropriate action so that the recommendations of O. P. Arya Committee²⁹ may be implemented.

In the Action Taken Report (August 2013), on the recommendations of the Parliamentary Standing Committee, Department of Commerce (DoC) stated that Tea Board had been instructed to undertake follow up actions in this regard.

Audit examined the records and observed that Tea Board did not take any initiative for implementation of recommendations of O.P. Arya Committee.

While accepting the audit observation, the Management stated (June 2022) that the same had been noted for future compliance.

The Ministry noted the audit observation and stated (October 2022) that the working conditions of tea garden workers were governed by the Plantation Labour Act, 1951 which required the employers to provide the workers with housing, medical facilities, sickness and maternity benefits and other forms of social security measures. Tea Board had been extending welfare measures under the HRD component that were supplementary in nature to the provisions of Plantation Labour Act. During XII Plan, several activities like drinking, water, training and awareness programme were undertaken. During the scheme for Medium Term Framework, certain activities which were available under other Government schemes were discontinued to avoid overlapping.

The reply of the Ministry is not acceptable as the working conditions of tea garden workers were governed by the Plantation Labour Act in general. However, Department of Commerce, through Action Taken Report on the recommendations of the Parliamentary Standing Committee, specifically instructed Tea Board to undertake follow up action on extension of medical facilities to plantation labours against which no initiative was taken by Tea Board so far for extending of medical facilities to plantation labours which led to non-compliance of instructions issued by Department of Commerce.

(ii) The Parliamentary Standing Committee on Commerce, in its 102nd Report on “Performance of Plantation Sector - Tea and Coffee Industry” (August 2012), also observed that the condition of the school buildings was not up to the mark. The Committee recommended that the maintenance work should be carried out by Tea Board under the Scheme of HRD run by it.

²⁹ *O. P. Arya Committee was constituted (March 2007) by MoC&I to streamline, rationalise and harmonise the applicable laws with the objective of giving fillip to faster development of the tea industry. The committee in its report recommended (September 2007) that “Tea industry may explore the possibility of setting up of group/referral hospitals in and around the tea plantation preferably under public private partnership. Government of India/Tea Board may consider one-time financial assistance for such ventures”.*

In the Action Taken Report (August 2013) on the recommendations of the Parliamentary Standing Committee, Department of Commerce (DoC) stated that DoC was considering the Tea Board's proposal for school building maintenance work under the Scheme of HRD.

Review of records revealed that Tea Board dropped the HRD component of capital grants for construction of school/college/hostel building during XII Plan as well as Medium Term Framework which is in violation of the Parliamentary Standing Committee's recommendations.

While accepting the audit observation, the Management/ Ministry stated (June/ October 2022) that the observation was noted for future compliance.

4.6.4 Inadequate monitoring by Labour Welfare Committee

Labour Welfare Committee was constituted under Section 8 of the Tea Act, 1953 read with Rule 12 of Tea Rules, 1954. Powers and Duties of the Committee are as follows:

- (i) formulate overall programme of labour welfare in terms of clause (1) of subsection (2) of section 10 of the Act, ensuring that the funds available are utilised for urgent needs not covered by the statutory obligation of tea garden owners;
- (ii) examine and recommend labour welfare schemes of the Executive Committee and / or the Board in this connection, specially to consider whether the scheme would create enthusiasm and incentive among workers;
- (iii) frame guiding principles for the grant of financial assistance like educational stipends, grants to hospitals and schools, grants for encouraging sports and scouting;
- (iv) frame guiding principles for any other welfare activity of the Board; and
- (v) ensure that funds sanctioned for particular labour welfare schemes are properly utilised.

Further, Tea Board had been assigned with the responsibility to assist towards implementation of the various labour welfare activities by the Labour Welfare Committee of the Board.

In this connection, Audit observed that only four meetings³⁰ were held by Labour Welfare Committee during 2016-17 to 2020-21. Moreover, Board members also instructed Tea Board that meetings of the Labour Welfare Committee should be conducted regularly. Thus, infrequent meetings of Labour Welfare Committee had an adverse impact on the monitoring and implementation of the labour welfare schemes.

³⁰ 30 May 2016, 24 August 2016, 14 November 2016 and 24 March 2018

While accepting the audit observation, the Management/ Ministry stated (June/ October 2022) that the observation was noted for future compliance.

Recommendation No. 12: *For performance of the functions, as envisaged in the Tea Act and monitoring of the labour welfare activities, Tea Board may fix the periodicity of holding meetings of Labour Welfare Committee and should take steps for implementation of the recommendations of the Parliamentary Standing Committee.*

4.7 Scheduled Caste Sub Plan (SCSP) Scheme

Tea Board implemented Scheduled Caste Sub Plan (SCSP) Scheme as per the guidelines of GoI for the benefit of Scheduled Caste (SC) community amongst the small tea growers and tea garden workers across the country. The SCSP was introduced from 2011-12. Under this scheme, beneficiaries belonging to SC community were eligible for financial assistance for all the approved scheme components which broadly included Plantation Development, Quality Upgradation and Product Diversification, HRD and Market Promotion.

As per details furnished (April 2020) by Tea Board to the MoC&I, out of 2,10,225 small tea growers, 29,332 (14 per cent) belonged to SC community.

As per guidelines of Planning Commission (November 2010)/NITI Aayog (November 2017), at least 4.5 per cent of total budgetary allocation should be earmarked for SCSP Scheme upto 2016-17. The same was increased to 8.3 per cent from 2017-18 onwards. The details of total budgetary allocation, allocation for SCSP scheme, funds received, and actual expenditure incurred under SCSP Scheme are depicted below:

Table 4.9: Allocation of funds under SCSP Scheme

(₹ in crore)

Year	Total budgetary allocation (RE)	Budgetary allocation for SCSP Scheme		Funds should be earmarked for SCSP Scheme (4.5%/ 8.3%)	Funds actually received from Ministry	Actual disbursement to SC small tea growers	Percentage of actual disbursement on total budgetary allocation
		Amount	in %				
2016-17	152.15	3.00	1.97	6.85	3.00	1.32	0.87
2017-18	190.60	8.50	4.46	15.82	2.74	2.64	1.39
2018-19	160.20	9.19	5.74	13.30	9.19	9.19	5.74
2019-20	197.64	5.42	2.74	16.40	5.42	5.42	2.74
2020-21	175.00	2.71	1.55	14.53	2.71	2.73	1.56
Total	875.59	28.82	3.29	66.90	23.06	21.30	2.43

It may be seen from the above table that:

- Over the last five years, Tea Board allocated only ₹28.82 crore against the mandatory allocation of ₹66.90 crore violating guidelines of Planning Commission/NITI Aayog.
- Actual disbursement of funds to the SC small tea growers was only ₹21.30 crore which was 2.43 *per cent* of the total budgetary allocation.
- The disbursement of funds, during 2016-17 was 0.87 *per cent* against mandatory allocation of 4.5 *per cent*. During 2017-18 to 2019-20, disbursement of funds ranged between 1.39 *per cent* and 5.74 *per cent* against mandatory allocation of 8.3 *per cent*.
- Despite low budgetary allocation, during 2016-17, an amount of ₹1.74 crore was refunded to the GoI due to non-utilisation.

SC small tea growers (STGs) in major tea growing States			
State	No. of STGs	No. of SC STGs	SC STGs (in %)
Assam	1,01,085	8,522	8.43
West Bengal	37,365	15,594	41.73
Tamil Nadu	45,765	3,955	8.64
Total	1,84,215	28,071	15.24

Thus, decrease in budgetary allocation coupled with inability of the Tea Board to utilise the funds received from GoI adversely affected the implementation of SCSP Scheme among SC beneficiaries.

Audit observed that Tea Board released subsidy to 7087 small tea growers over the last 5 years ending 31 March 2021 who belonged to SC community. Further, till date, no target was fixed under SCSP Scheme. Thus, due to non-fixation of target and disbursement of lower percentage than the stipulated percentage of funds, growers belonging to SC community could not get the intended benefit under the scheme.

While noting the audit observation for future compliance, the Management stated (June 2022) that the targeted beneficiaries belonging to the SC community were limited and most of the target beneficiaries had already been covered under different scheme components. Assistance to SC growers was restricted since there was no scope of repeating scheme benefits. Socio economic conditions of the small tea growers belonging to SC community were not conducive for undertaking the activity in advance without upfront financial support etc.

While noting the audit observation for future compliance, the Ministry endorsed (October 2022) the views of the Management and also stated that the assistance was back ended³¹.

However, the fact remains that out of 29,332 small tea growers belonging to SC community, only 7,087 growers benefitted over the last five years ending 31 March 2021. Although the financial assistance was back ended, the budgetary allocation of funds was less than the mandatory allocation as stipulated in Planning Commission/ NITI Aayog's

³¹ on reimbursement basis

guidelines. The Management/ Ministry had not provided any data/ record in support of their contention.

4.7.1 Inadequate monitoring of payment of subsidies under SCSP Scheme

The terms and conditions for distribution of subsidy under SCSP scheme were as under:

Terms and conditions of SCSP Scheme
• For carrying out pre-approval inspections in time, the applicants were to submit their application to the nearest Field Office of Tea Board, complete in all respects, at least 30 days before the commencement of any field activity. Applications submitted after commencement of field work or procurement of eligible items was not to be considered and was to be summarily rejected. • Field operations were to be commenced by the applicants only after receiving the Pre-Activity Acknowledgement Receipt. However, the applicant might commence field activities or procure items after 30 days from the date of submission of application, if the pre-approval inspection and or the issuance of pre activity acknowledgement receipt was delayed by the concerned Office of the Tea Board due to reasons beyond their control. • In case of any overwriting without authentication by authorised signatory and/or tampering of application/related attached documents, the application was to be summarily rejected • Individual small tea growers were also eligible for assistance as applicable for Self Help Groups. However, preference was to be given to Self Help Groups and Farmers Producer Organisations to bring about better synergy. • A post-procurement inspection was also to be done.

Under field mechanisation component, applicant was to submit application for subsidy along with quotation and other relevant documents to the field office of the Tea Board for issuing Pre-Activity Acknowledgement Receipt (PAAR). After getting the PAAR, applicant would procure the eligible items as mentioned in the PAAR and intimate respective field office of Tea Board for arranging post-operative inspection along with necessary purchase orders, bill/ invoices, delivery challans, money receipts *etc.* After getting the intimation from the applicant, field offices were to carry out the post procurement inspection. On receipt of satisfactory post procurement inspection report, Tea Board is to issue the sanction-letter to the applicant. The subsidy is to be disbursed thereafter directly to the eligible beneficiary's bank account through e-governance portal of Tea Board after the beneficiaries had fulfilled all the criteria and produced documents required for such fund transfer.

Audit reviewed the cases of disbursement of subsidy under SCSP Scheme in selected ROs. Serious discrepancies as highlighted below were noticed in Golaghat RO under ZO, Guwahati:

- (i) In 2018-19, only two suppliers namely Shree Jagannath Agency and Nandinee Store supplied the items to 183 applicants (106 cases by Shree Jagannath Agency and 77 cases by Nandinee Store). Both the suppliers were found to be relatives of an official of Tea Board who had issued the PAAR and also conducted the post procurement inspections.

- (ii) Shree Jagannath Agency and Nandinee Store got GST Registration Number from GST authority on 7 December 2018 and 12 December 2018 respectively. Audit observed that in 163 cases (87 cases of Shree Jagannath Agency and 76 cases of Nandinee Store), applicants had submitted their applications along with quotations from the suppliers with GST registration number prior to the dates of issue of GST registration numbers to the above suppliers.
- (iii) As per scheme guidelines, applicants were to submit the applications to the nearest field office of Tea Board, complete in all respects, at least 30 days before the commencement of any field activity. However, it was noticed that in 21 cases, applications were submitted by the applicants where quotation date was after application date. Further, in 10 cases, the invoice dates were prior to the quotation dates.
- (iv) As per scheme guidelines, in case of any overwriting without authentication by authorised signatory and/or tampering of application/related attached documents, the application was to be summarily rejected. However, it was noticed that in case of 10 applications, overwriting without authentication were not rejected by Tea Board.
- (v) As per scheme guidelines, on receipt of satisfactory post procurement inspection report, Tea Board was to release subsidy to the applicant. Though the Development Officer conducted post procurement inspections, in 13 cases, no item was procured by the applicants. Further, in 66 cases, only few items were procured by the applicants. Hence, release of subsidy without verification of procurement of eligible items reflected gross violation of the scheme guidelines. Audit noted that Tea Board initiated recovery process for 13 cases, but no amount was recovered till September 2022.
- (vi) As per scheme guidelines, the eligible subsidy was to be disbursed directly to the eligible beneficiary's bank account through e-governance portal of the Tea Board after the beneficiaries had fulfilled all the documentation requirements for such funds transfer. Audit noticed that in six cases after releasing the subsidy by Tea Board to the beneficiary's bank account, the same amount was transferred to the Development Officer relative's account from the beneficiary's bank account.

Thus, disbursement of subsidies without proper inspection/verification of documents by RO Golaghat /ZO Guwahati, indicated serious system lapses and resulted in ineligible payment of subsidies under SCSP scheme.

While accepting the audit observation and noting the same for future compliance, the Management stated (June 2022) that there was no provision of empanelling suppliers with Tea Board for supplying machinery for Field Mechanisation under the SCSP and to verify the GST number. Most of the SC small tea growers were not able to comply with documentation. Notices were issued to errant applicants for recovery of the subsidy etc.

While accepting the audit observation, the Ministry stated (October 2022) that an inquiry had been proposed to be conducted by Tea Board on the audit observations pertaining to Golaghat district.

4.8 Tribal Area Sub Plan Scheme

Tea Board implemented (from 2018-19 onwards) Tribal Area Sub Plan (TASP) Scheme, as per the guidelines of the Ministry, for the benefit of Scheduled Tribe (ST) community amongst the small tea growers and tea garden workers across the country. Under this scheme, beneficiaries belonging to ST community are eligible for financial assistance for all the approved scheme components which broadly include Plantation Development, Quality Upgradation and Product Diversification, HRD and Market Promotion.

As per details furnished (April 2020) by Tea Board to the MoC&I, in India out of 2,10,225 small tea growers, 29,702 (14 *per cent*) small tea growers belonged to ST community.

Although the TASP Scheme was introduced by the Government during Fifth Five Year Plan (1974 -78) and revised guidelines were issued by the Planning Commission in 2006, Tea Board implemented the same from 2018-19 *i.e.*, after a lapse of more than 12 years from issuance of revised guidelines. Thus, delay in implementation of the scheme led to delay in extending the benefit to the ST small tea growers and tea garden workers.

As per NITI Aayog guidelines (November 2017), at least 4.3 *per cent* of total budgetary allocation should be earmark for TASP Scheme. The details of total budgetary allocation, allocation for TASP scheme, funds received, and actual expenditure incurred under TASP Scheme are depicted below:

Table 4.10: Allocation of Funds under TASP scheme

(₹ in crore)

Year	Total budgetary allocation (RE)	Budgetary allocation for TASP Scheme		Funds should have been earmarked for TASP Scheme (4.3%)	Funds actually received from Ministry	Actual disbursement to SC small tea growers
		Amount	in %			
2018-19	160.20	6.23	3.89	6.89	6.24	6.23
2019-20	197.64	6.23	3.15	8.50	6.24	6.23
2020-21	175.00	1.56	0.89	7.53	1.56	1.59
Total	532.84	14.02	2.63	22.92	14.04	14.05

It is evident from the above that Tea Board did not allocate required percentage of funds under TASP Scheme during 2018-19 to 2020-21. Further, over the last three years, Tea Board allocated only ₹14.02 crore against the mandatory allocation of ₹22.92 crore violating NITI Aayog's guidelines. Thus, due to decrease in budgetary allocation by Tea Board, ST beneficiaries were deprived of benefits from TASP Scheme.

Audit observed that Tea Board released subsidy to only 3,740 small tea growers over the last 3 years ending 31 March 2021, who belonged to ST community. Further, till date no target was fixed under TASP Scheme for disbursement of subsidy. Thus, due to non-fixation of target and disbursement of low percentage of fund, growers belonging to ST community could not get the intended benefit under the scheme.

ST small tea growers (STGs) in major tea growing States			
State	No. of STGs	No. of ST STGs	ST STGs (in %)
Assam	1,01,085	18,953	18.75
West Bengal	37,365	866	2.32
Tamil Nadu	45,765	1,583	3.46
Total	1,84,215	21,402	11.62

While noting the audit observation for future compliance, the Management stated (June 2022) that the targeted beneficiaries belonging to the ST community were limited and assistance to growers was restricted since there was no scope of repeating scheme benefits. Socio economic conditions of the small tea growers belonging to ST community were not conducive for undertaking the activity in advance without upfront financial support etc.

While noting the audit observation for future compliance, the Ministry stated (October 2022) that the targeted beneficiaries belonging to the ST community were limited and most of the targeted beneficiaries had already been covered under different scheme components. Assistance to ST growers was restricted since there was no scope of repeating scheme benefits and the assistance was back ended³².

However, the fact remains that out of 29,702 small tea growers belonging to ST community, only 3,740 growers benefitted over the last 3 years ending 31 March 2021. Moreover, although the financial assistance was back ended, but the budgetary allocation of funds was less than the mandatory allocation as stipulated in Planning Commission/ NITI Aayog's guidelines. The Management/ Ministry has not provided any data/ record in support of their contention

4.8.1 Inadequate monitoring of Tribal Area Sub Plan Scheme and irregularities in payments of subsidy

The terms and conditions for distribution of subsidy under TASP scheme were as under:

Terms and conditions of TASP Scheme
- For carrying out pre-approval inspections in time, the applicants will submit their application to the nearest Field Office of Tea Board, complete in all respects, at least 30 days before the commencement of any field activity. Applications submitted after commencement of field work or procurement of eligible items will not be considered and will be summarily rejected. - Field operations shall be commenced by the applicants only after receiving the Pre-Activity Acknowledgement Receipt. However, the applicant may commence field

³² on reimbursement basis.

activities or procure items after 30 days from the date of submission of application, if the pre-approval inspection and or the issuance of pre activity acknowledgement receipt is delayed by the concerned Office of the Tea Board due to reasons beyond their control.

- In case of any overwriting without authentication by authorised signatory and/or tampering of application/related attached documents, the application will be summarily rejected
- Individual small tea growers would also be eligible for assistance as applicable for Self Help Groups. However, preference will be given to Self Help Groups and Farmers Producer Organisations to bring about better synergy.
- A post-procurement inspection was also to be done.

Under field mechanisation component, applicant had to submit the application for subsidy along with quotation and other relevant documents to the field office of the Tea Board for issuing Pre Activity Acknowledgement Receipt (PAAR). After getting the PAAR, applicant may procure the eligible items as mentioned in the PAAR and intimate Board the field office for arranging post-operative inspection along with necessary purchase order, bill/ invoices, delivery challan, money receipts etc. After getting the intimation from the applicant, field offices should carry out the post procurement inspection. On receipt of satisfactory post procurement inspection report, Tea Board issued the sanction letter to the applicant. The eligible subsidy will be disbursed directly to the eligible beneficiary's bank account through e-governance portal of the Tea Board after the beneficiaries have fulfilled all the documentations required for such fund transfer.

Audit reviewed the cases of disbursement of subsidy under TASP Scheme in selected ROs. However, various discrepancies as highlighted below were noticed in Golaghat RO under ZO, Guwahati:

- (i) In 183 cases, eligible items were supplied by the five suppliers namely M/s. Premodhar Dutta, Nandinee Enterprises, Nandinee Store, New Assam Agency and Shree Jagannath Agency. Records revealed that all the suppliers were relatives/friends of the official of Tea Board who issued PAAR and also conducted the post procurement inspection. During physical inspection³³ of the shops of the suppliers, audit found that except Shree Jagannath Agency, no other suppliers were present in the address mentioned in the quotations.
- (ii) Out of 183 cases, in 127, 10 and three cases, eligible items were supplied by the M/s Premodhar Dutta, New Assam Agency and Nandinee Enterprises respectively. Verification of GST Registration Certificate from GST Portal by Audit revealed that above mentioned suppliers were registered for supply of goods/services related to construction business. Hence, bills furnished by the beneficiaries from those suppliers who were not at all in the business of supply of field mechanisation product for tea industry.

³³ *Audit inspected the premises in April 2022*

- (iii) Nandinee Store got GST Registration Number from GST authority on 12 December 2018. However, Audit noticed that in 17 cases applicants had submitted the application alongwith quotations from the suppliers with GST Registration Number prior to the dates of issue of GST Registration numbers to the above suppliers.
- (iv) In three cases, Nandinee Enterprises supplied the eligible items. Audit noticed that in all three cases, GST number mentioned in the invoices were different from the quotations. However, subsidy was disbursed without verification of the invoices properly, thus, raising doubts on the genuineness of the bills/ invoices.
- (v) As per scheme guidelines, applicants were to submit the application to the nearest field office of Tea Board, complete in all respects, at least 30 days before the commencement of any field activity. However, it was noticed that in two cases, applications were submitted by the applicants where quotation date was after the date of application.
- (vi) In case of any overwriting without authentication and/or tampering of application and attached documents, the application was to be summarily rejected. However, it was noticed that 23 applications having overwriting without authentication were not rejected.
- (vii) Development Officer categorically mentioned that each small tea grower was far away from another small tea grower. However, it was noticed that in a single day (05 December 2018), out of 183 cases, Development Officer conducted 101 post procurement inspections, which seems to be unrealistic. Hence, conduct of post procurement inspection physically by the Development Officer, based on which subsidy was released, was doubtful.
- (viii) As per Tour Programme of Development Officer, he attended meeting for Farmers Producer Organisation formation on 22 November 2018 and imparted training to the small tea growers on 8 December 2018 and 19 December 2018. However, scrutiny of subsidy files revealed that in the above mentioned dates, he had conducted 27 post procurement inspections which were contradictory.

Thus, deficient scrutiny of subsidy applications resulted in ineligible payment of subsidy in 183 cases under TASP Scheme during 2018-19 to 2020-21.

The Management, while accepting the audit observation, stated (June 2022) that there was no provision of empanelling suppliers with Tea Board for supplying machinery for Field Mechanisation under the TASP and to verify the GST number. Most of the ST small tea growers were not able to comply with documentation. Collective inspections were carried out to expedite the disbursement of subsidy within a targeted/short time frame *etc.*

While accepting the Audit observation, Ministry stated (October 2022) that an inquiry had been proposed to be conducted by Tea Board on the audit observations pertaining to Golaghat district.

Recommendation No. 13: Tea Board should earmark stipulated budgetary allocation for Scheduled Caste Sub Plan and Tribal Area Sub Plan. The Board may also initiate steps to investigate the cases of ineligible subsidy payments as these indicate corruption/ fraud and accordingly, responsibility may be fixed and appropriate action may be taken.

4.9 Cost of Production of Tea

One of the major constraints of the Indian Tea Industry is that the cost of sales of tea is above the realisation of auction price. India has the “highest cost of production” among the major tea producing countries in the world. Cost of production is linked with productivity of tea plantation. The unproductive old tea bushes are one of the major reasons for lower productivity, resulting in higher cost of production.

The cost of production of tea can be segregated into following components:

- i. Cost of green leaf,
- ii. Cost of conversion of green leaf to made tea.

Cost of green leaf includes materials, wages and other costs related to the cultivation of tea. Cost of conversion of green leaf to made tea involves the following:

- a. Processing cost – It includes power and fuel, repair and maintenance of machinery, depreciation of machinery, packing materials, factory wages etc.
- b. Welfare cost – It includes housing, medical, sanitation, ration, firewood etc., provided to the workers
- c. Other cost – It includes lease rent, rates, travelling expenses, tea cess, green leaf cess, electricity, water tax, license and selling and distribution expenses and head office expenses.

Cost of production is linked to the productivity factors of different resources like land, plant, labour, machinery and materials used for the cultivation and production process. For proper planning to reduce the cost of production, it is essential to collect data/ information regarding various cost components of production and analysis of the same.

4.9.1 Non-collection of cost data by Tea Board

Indian tea sector has been facing several challenges in reducing the cost of production and stiff competition from low-cost tea producing countries. Stakeholders of the sector are concerned about relative increase in cost of production and its components. Accordingly, the Administrative Ministry, appointed M/s Indian Institute of Plantation Management (IIPM), Bengaluru to conduct a study on “Cost of Production of Tea”.

IIPM, in its report, recommended (March 2018) to make mandatory for the tea producing companies, furnishing audited data of cost of production of Green Leaves and Made Tea

which should facilitate in future for decision making for financial incentives/subsidies etc., on cost of production.

However, Audit observed that Tea Board did not make mandatory for tea producing companies to furnish audited data of cost of production of green leaves and made tea. The data would have helped in analysis and framing strategies to control the cost of production.

While noting the audit observation, the Ministry stated (October 2022) that the Tea Board had currently initiated the process of conducting study on cost of production of green leaf as well as made tea.

4.9.2 Inadequate initiatives of Tea Board towards improving productivity of Labour by undertaking training and labour welfare activities.

During the course of previous Performance Audit (Performance Audit Report No. 10 of 2011-12 on “Role of Tea Board in Tea Development in India”), it was pointed out by Audit that Tea Board did not take any action on the recommendations of Medium Term Export Strategy (January 2002) which specified the steps to be undertaken by the Tea Board to bring about reduction of cost of production through reduction in cost of labour, overheads, field inputs and infrastructure.

In reply, Tea Board stated (September 2008) that since India had the highest cost of production amongst tea-producing countries, it was important to bring down the cost. The component of the labour-related costs formed about 50 *per cent* of total cost of production of tea. As these costs were mandated statutorily under the Plantation Labour Act, improvement in the productivity of labour was most essential area to be addressed for overall reduction in cost of production of tea.

However, during Audit, it was noticed that since 2008 till date (May 2022), Tea Board did not take initiatives to improve the productivity of labour by providing incentives and training to tea plantation workers.

Audit also examined the role of Tea Board in reducing the labour costs by undertaking training and welfare activities aimed at improving productivity through Human Resource Development (HRD) Scheme. However, no dedicated scheme was framed towards achieving the objective of reducing the cost of production by providing sufficient training to the unskilled tea plantation workers.

Even for small tea growers, who were contributing more than 50 *per cent* of total tea production and needed more hand holding in comparison to the big growers, no dedicated objective for skill augmentation under Plantation Development Scheme was observed by Audit.

In reply, the Management stated (June 2022) that for improving the skill of workers, Tea Board had taken initiative to provide training and skill recognition of tea garden

workers under the PMKVY-RPL³⁴ through National Skill Development Council (NSDC) and field offices of the Board were engaged in carrying out continuous training and workshops for the small growers to bridge the gap in technical knowledge and good agricultural practices.

The Ministry endorsed (October 2022) the views of the Management.

The replies of the Management/ Ministry need be viewed in the light of the fact that till date only 4,719 workers (0.40 *per cent* of total workers) were trained under PMKVY-RPL leaving 99.60 *per cent* of the workers untrained. Further, Tea Board has not initiated adequate training programs/ workshops for improving the skills of plantation workers.

4.10 Mechanisation in India for reduction of cost of Production

In India, mechanisation in the various fields of production of green tea leaf such as ploughing, land levelling, spraying pesticides, plucking of tea leaf, pruning etc., can not only reduce the cost of production of green tea leaf but also mitigate the crisis which arises due to shortage of labour force during the rush season of cultivation.

The green tea leaves are processed through various devises to produce made tea and thus cost incurred for processing of tea includes machinery installation cost, power and fuel cost, repair and maintenance cost, depreciation, factory workers' wages etc.

As per the modalities of XII Plan and Medium Term Framework, to increase the production and productivity and at the same time to improve the quality of the tea, various schemes such as Plantation Development Schemes (PDS) and Quality Upgradation and Product Diversification Scheme (QUPDS) were undertaken by Tea Board. Subsidies were disbursed in various sub-components for encouraging replantation, replacement plantation, irrigation, mechanisation *etc.*

In this regard, Audit observed that during the period 2016-17 to 2020-21, only a meagre amount was disbursed for enhancement of field mechanisation in India as seen from table below:

Table 4.11: Funds disbursement for field mechanisation during 2016-17 to 2020-21

Year	Big Growers			Small Growers			Total Disbursement (₹ in lakh)
	Total No. of Big Growers	No. of Beneficiaries in Field Mechanisation	Amount Disbursed (₹ in lakh)	Total No. of Small Growers	No. of Beneficiaries in Field Mechanisation	Amount Disbursed (₹ in lakh)	
2016-17	1,472	38	67.24	1,80,448	6	9.56	76.80
2017-18	1,585	57	49.99	1,89,530	569	80.26	130.25
2018-19	1,569	16	34.23	2,10,225	3374	521.44	555.67
2019-20	1,569	23	40.35	2,10,225	200	71.39	111.74
2020-21	1,569	22	72.37	2,10,225	126	67.33	139.70
TOTAL	-		264.18			749.98	1,014.16

(Source – Information furnished by Tea Board India)

³⁴ Pradhan Mantri Kaushal Vikas Yojana-Recognition of Prior Learning

It may be seen from the above that during 2016-17 to 2020-21, ₹2.64 crore was disbursed to big growers and ₹7.50 crore disbursed to small tea growers for field mechanisation. Thus, over the five years, merely ₹10.14 crore (2.47 *per cent*) was disbursed to the growers for field mechanisation out of ₹410.76 crore of total subsidy disbursed to the growers. Thus, support of Tea Board towards field mechanisation, being an important area towards reduction of cost of production, appeared to be inadequate.

While accepting the audit observations, the Management stated (June 2022) that due to large number of garden workers migrating to other jobs, mechanisation became necessary for sustaining productivity in the plantations and combating the shortage of workers. Mechanisation was gradually being adopted by the tea industry since the industry was still labour intensive. The Board extended financial assistance to both the big and small growers within the available financial resources.

The Ministry stated (October 2022) that the audit observations had been noted.

However, the fact remains that cost of production is still on higher side and Tea Board did not take adequate initiatives to improve labour productivity.

4.11 Other Points of Interest

4.11.1 Non-functioning of Small Grower Development Directorate

Small tea growers face multiple challenges *viz.*, marketing of green leaves, lack of training in tea culture and practices, finance, natural disasters like climate changes, poor infrastructural facilities *etc.*, which are discussed below:

- Small tea growers sell their green leaves either directly to nearby big gardens/ bought leaf factories or through middlemen/ green leaf sellers who sell them to the factories or big gardens at a higher rate than at what rate they have purchased. Thus, small tea growers receive non-remunerative price for green leaves.
- Quality of tea primarily depends on the plucking cycle and plucking standards. Due to lack of good agricultural practices, experience and training, many small tea growers fail to maintain a proper plucking cycle and plucking standards. Thus, the quality of made tea gets compromised.
- Small tea growers use undesirable fertilisers, insecticides, pesticides, herbicides *etc.*, due to lack of training in tea culture and practices and remain unmonitored by any authority. It may lead to tea production with compromised quality.
- Tea cultivation requires long-term loan due to its long gestation period. Hence, money needed to grow tea is substantially large compared to other crops due to long gap between investment and the beginning of cash flow. However, in tea industry facilities like Kisan Credit Card *etc.*, are not available.

Considering the growing contribution of the small tea grower sector and to put increased attention for overall development of small tea growers, a separate Small Grower Development Directorate (SGDD) was set up (April 2013) by Tea Board. 71 sub-regional offices in all the important areas, where small growers are concentrated, were opened. Opening of field offices in all the important areas where small tea grower concentration helped in reaching out to the growers' doorsteps and maintain closer interface with the small tea growers for providing handholding and support for tea cultivation. The SGDD had been functioning with the following objectives:

- Enumeration and issue of smart cards to each and every small tea grower in the country.
- Empowerment or capacity building through imparting training programmes on good agricultural practices in the field and good manufacturing practices in the factories to ensure quality tea production and higher remunerative prices to have a secured livelihood of growers and workers employed in field and factories.
- To promote collective farming among growers and to build up their bargaining capacity in marketing their produce. Prime emphasis was given to the formation of Societies and SHGs³⁵.
- Registration of small holdings and 'Bought Leaf Factories'³⁶.
- Implementation of quality norms, minimum green leaf price and price sharing formula.
- Implementation of Tea Marketing Control Order (TMCO) and Tea Waste Control Order (TWCO).
- Implementation of the schemes under the Plan schemes for the small tea sector.
- To emerge as a resource centre for undertaking marketing and feasibility studies.
- To provide input to governmental policy making regarding the issues related to small tea growers.

The Parliamentary Standing Committee on Commerce viewed (August 2012) that most of the small tea growers were new in the business and the size of their holdings being very small, they suffered from lack of technical knowledge and credit support, poor price realisation etc., due to which, a set of leaf-agents had emerged in the system making high margin in green leaf prices without adding any value. In this context, Committee recommended (August 2012) that the Government should take firm action to eliminate the role of the middleman impeding the growers to realise the actual price available in the tea market. They were of the view that the Government should consider for setting up of an

³⁵ *Self Help Groups.*

³⁶ *Bought leaf factory means a tea factory which sources not less than 51 per cent of its tea leaf requirement from other tea growers during any calendar year for the purpose of manufacture of tea.*

‘Exclusive Market Federation’ by providing marketing support and protection for the small tea growers.

Committee was also of view that the Government should take necessary action for imparting training to these growers on the modern farm practices so as to enable them to increase their production and climb up the ladder of success. There was urgent need for introduction of an institutional framework for advisory and extension services.

In the Action Taken Report (August 2013) on the recommendations of the Parliamentary Standing Committee, the Ministry stated that for addressing the developmental needs of the small growers, the Board had already taken necessary steps for establishing a separate Development Directorate with adequate manpower. The Ministry also stated that the setting up of market federation for providing market support and protection for the small growers would be dealt with by the newly created Small Grower Development Directorate (SGDD).

Audit observed that out of 71 sub-regional offices, at present only 12 sub-regional offices are in operation and SGDD were not functioning since June 2019. Accordingly, small tea growers are not getting handholding support from Tea Board for their intensified development, as recommended by Parliamentary Standing Committee on Commerce.

The Management, in reply, stated (June 2022) that for ease of functionality, avoiding duplication of work and reducing administrative costs, the Small Tea Growers’ Development Directorate had been merged with the Regional Office Dibrugarh. The number of Sub Regional Offices had been rationalised to cater to the needs of the small tea growers. The mandate of the Directorate was being implemented under the supervision of Deputy Chairman, Director of Tea Development, Executive Directors at Guwahati and Coonoor and Deputy Director Siliguri and In-charge Palampur. All the functions of the Directorate were being implemented through the said structure including regulatory activities. The Management also stated that for marketing the tea manufactured by the small tea growers, mainly specialty teas, the growers were facilitated to participate in trade fairs and other mega events.

The Ministry endorsed (October 2022) the views of the Management.

The replies of the Management/ Ministry need to be viewed in the light of the fact that sub-regional offices were located in close proximity of tea growing areas. Due to reduction in the sub-regional offices, monitoring of Tea Board on quality of green leaf of small tea growers and green leaf prices paid to small tea growers by tea factories became less effective. The Management/ Ministry was silent on elimination of the role of the middleman impeding the growers to realise the actual price available in the tea market.

4.11.2 Inadequate action by Tea Board on revival of closed tea garden

Chapter IIIA of the Tea Act deals with the management or control of the tea undertakings or tea units by the Central Government in certain circumstances. The primary objective is to safeguard the interest of the workers when the sick and uneconomic tea gardens are closed down resulting in problems of unemployment and economic hardship to the workers.

Audit noticed that as of 31 March 2021, 15 big gardens of North and South India remained closed affecting livelihood of 12,039 permanent and 4,480 temporary workers. The general reasons for sickness/closure were attributed to poor garden management practices, falling quality and price realisations, labour unrest, lack of development perspective, high debt-oriented funding strategy, ownership disputes etc.

In this connection, Audit observed that:

- The land of tea gardens was given on lease to the growers and the ownership held with the State Government. Further, there was no provision in Tea Act for ensuring wage payment to workers. Act was also silent on recovery of outstanding provident fund, gratuity and unpaid wages of the closed tea estates.
- Even though section 16 (E) vested powers with Central Government through Tea Board to take over tea undertakings or tea units without investigation under certain circumstances, Section 16(D) provided only caretaker status to the authorised person/new entrepreneurs for a maximum period of 11 years.
- In absence of ownership rights over the property, the new entrepreneurs were not able to mobilise funds from the banks. Most of the gardens needed large infusion of capital for revival, which was possible if the entrepreneurs were given a long tenure of management.
- Government of India issued Gazette Notification dated 28 January 2016 to take over seven tea gardens by Tea Board. However, the same was challenged by tea gardens owners before the court of law and as per interim order of the court, ownership was further handed over to the owners of the garden. Out of the seven gardens, six gardens are in operation while one is still closed.

While accepting the audit observation, the Management stated (July 2022) that the provision under Tea Act, 1953 provided caretaker status to the authorised person/ new entrepreneurs since the ownership of the garden continued to be vested with the original owner. There was lack of clarity regarding the owing of liability of the closed garden and no value addition by the new owner to the condition of the stressed garden in terms of long term and short term investment and planning. The land of the tea gardens belonged to State Government and the Board also was not empowered to enforce the recovery of workers' dues like provident fund, gratuity *etc.*

The Ministry stated (October 2022) that the audit observation had been noted.

4.12 Summary

Audit observed several inadequacies on the part of Tea Board such as non-maintenance of year-wise database for age of tea bushes, shortfall in fulfilment of targeted activities under Plantation Development Scheme apart from disbursement of subsidies to beneficiaries under various components/ activities of Plantation Development Scheme in violation of the scheme guidelines. There were also instances of inadequate focus and financial support to the Small Tea Growers for their development. Further, various deficiencies were noticed in implementation and monitoring of Quality Upgradation and Product Diversification Scheme and Human Resource Development schemes. Audit noticed inadequate initiative of Tea Board towards improving productivity of labour by undertaking training and labour welfare activities. Improper monitoring on payment of subsidies under Scheduled Caste Sub Plan and Tribal Area Sub Plan were also observed.

Chapter V

Research Activities



Chapter V

Research Activities

Research and Development (R&D) is an integral part of any farming system for its overall improvement and tea is not an exception. Since the inception of tea industry in India, tea research has played a very important role in the development of improved and superior “tea cultivars³⁷”, cultivation practices, improved soil and irrigation mechanisms, standardisation of manufacturing process, machines and many different technologies used by the industry for the solutions of day-to-day problems faced by the tea industry.

5.1 Support for research activities by Tea Board

As per the provisions of Tea Act, 1953, Tea Board has been extending research support to the Indian tea industry. Tea Board mainly supports the following tea research institutions (TRIs):

- (i) Darjeeling Tea Research and Development Centre (DTR&DC), Kurseong, West Bengal and Quality Control Laboratory (QCL), Siliguri, West Bengal.
- (ii) Tea Research Association (TRA), Toklai, Jorhat, Assam
- (iii) United Planters’ Association of Southern India – Tea Research Foundation (UPASI-TRF), Valparai, Tamil Nadu

DTR&DC and QCL are functioning directly under Tea Board while TRA and UPASI-TRF are private research institutions, supported financially by Tea Board on reimbursement basis.

Figure 5.1 - Tea Research Association, Toklai, Assam



³⁷ A cultivar is a cultivated variety of tea plant, bred by humans for certain characteristics.

Tea Research in India covers a whole gamut of basic and applied research aspects such as plant improvement (breeding and biotechnology), plant production (agronomy and soil science), plant protection and tea quality.

The Research Directorate of Tea Board, situated at Siliguri, West Bengal has been entrusted with the responsibility to coordinate, monitor and evaluate tea research in the country. This Directorate has been facilitating tea research by addressing the need-based requirements of the tea industry by formulating specific research projects from time to time. The policy and approach of this directorate are:

- To prioritise the thrust areas of tea research in the country;
- To ensure that the research outcomes are disseminated to the stakeholders;
- Regular monitoring and evaluation of research; and
- To coordinate with the national and international regulatory bodies for different regulatory aspects of tea.

5.2 Grants-in-aid for research and development activities

Tea Board provides funds for R&D activities and facilitates tea research in the country to increase tea production and improve quality on a continuous basis by bringing new hybrid varieties of tea.

The need-based research projects are formulated in line with the requirement of tea industry and financial assistance is provided to various institutes including TRIs from time to time. Funds received from the Government of India (GoI) and funds disbursed to various institutes including TRIs during the last five years i.e., 2016-17 to 2020-21 are as follows:

Table 5.1: Details of funds received from GoI and disbursed to TRIs during last five years

(₹ in lakh)

Year	Opening balance	Receipts			Payments					Total	Closing balance
		Grants from GoI	Other receipts	Total	TRA	UPASI-TRF	DTR&DC	QCL	Other expenditure		
2016-17	13.74	900.00	26.93	926.93	555.92	105.00	69.30	110.50	98.13	938.85	1.82
2017-18	1.82	2,564.32	56.90	2,621.22	1,694.48	414.75	72.87	113.63	322.09	2,617.82	5.22
2018-19	5.22	936.78	159.74	1,096.52	551.85	192.67	99.46	64.81	154.13	1,062.92	38.82
2019-20	38.82	1,862.18	122.88	1,985.06	1,499.00	144.79	50.34	84.70	227.85	2,006.68	17.20
2020-21	17.20	1,720.00	207.33	1,927.33	1,378.76	125.26	57.73	103.05	256.26	1,921.06	23.47
Total		7,983.28	573.78	8,557.06	5,680.01	982.47	349.70	476.69	1,058.46	8,547.33	

(Source: Information furnished by Tea Board)

It may be seen from the above table that:

- Out of total grant of ₹79.83 crore received from GoI, Tea Board disbursed ₹66.62 crore (83.46 per cent) to TRA and UPASI-TRF during last five years ending March 2021 and only ₹3.50 crore (4.38 per cent) was disbursed to DTR&DC. Hence, the

funds extended for conducting research work by DTR&DC for Darjeeling tea industry were insignificant as compared to funds extended to private TRIs.

- ii. Out of ₹66.62 crore extended to TRA and UPASI-TRF, ₹61.99 crore (93.05 *per cent*) was extended as Grants-in-aid in some specific heads *viz.*, Salary, PF, Gratuity, Medical, Training, Printing and Stationery, Travelling and Vehicle etc., and only ₹4.63 crore (6.95 *per cent*) was extended as research grant. Thus, instead of spending the funds on research activities, substantial amount was being spent for Administrative purpose.
- iii. Further, Research Directorate under Tea Board was to conduct audit of accounts of TRA and UPASI-TRF annually to verify proper utilisation of funds provided to these institutions. However, Tea Board did not conduct any audit of these organisations during 2016-17 to 2020-21.
- iv. During the period 2016-17 to 2020-21, TRA obtained only one patent in February 2021 for Iron Filing Extractor machine and three other patents filed by them were awaiting final approval. In case of DTR&DC and UPASI-TRF, no patent was filed. It was also observed that during 2016-17 to 2020-21, DTR&DC published 16 research papers in different journals, while 128 and 133 research papers were published by TRA and UPASI-TRF respectively during 2016 to 2021. However, records relating to the targets for publication of research papers and filing of patents by scientists of TRA and UPASI-TRF were not available with Tea Board.
- v. Although 80 *per cent* of the total expenditure of the two private TRIs (TRA and UPASI-TRF) was funded from the grants-in-aid by GoI, these are out of the purview of Government Audit.

Recommendation No. 14: As substantial amount of grants is disbursed to private tea research institutions by Tea Board India, a mechanism should be devised for bringing the private tea research institutions under the scope of Audit.

5.3 Audit Findings on R&D Scheme of Tea Board

Audit examined records related to R&D activities undertaken by Tea Board during the period 2016-17 to 2020-21 and observed the following:

5.3.1 Poor Performance of Research Projects of XI and XII Plan Periods

During XI Plan period, a total of 20 research projects were sanctioned by Tea Board, out of which 17 research projects were awarded to the three TRIs (TRA-11, UPASI-TRF-4 and DTR&DC-2) and three other projects were given each to Indian Institute of Technology (IIT), Kharagpur, Centre for Development of Advance Computing, Kolkata and Calcutta University. These projects were mainly aimed at basic and applied aspects of research for long term benefit of the tea industry.

Examination of records revealed that Research Projects of XI Plan period failed to deliver the desired and targeted results. As per evaluation of the research projects of the XI Plan by Tea Research Liaison Committee³⁸ (TRLC) (November 2012), based on 50 marks for different parameters, only seven projects earned more than 25 marks, nine projects got less than 25 marks, three projects were non-performing and only one project was completed. The report submitted by TRLC indicated general failure in achieving research objectives during XI Plan period. Most of the schemes/projects undertaken by TRA failed to deliver the desired outcome and were far from being in their scheduled timeframe of completion. Some of the projects under UPASI-TRF and DTR&DC failed even to start. These indicated failure of Tea Board in monitoring of research projects.

Similarly, during XII Plan period, three research projects were awarded to TRA, UPASI-TRF, DTR&DC and Institute of Himalayan Bioresource Technology and one project was awarded to Viswa Bharati. The projects were aimed at development of new clones through integration of conventional and non-conventional methods of breeding, development of machines for tea harvesting and mechanisation, enhancing quality of tea and capacity of existing tea processing machines and development of bio-pesticide against fungal diseases of tea.

Audit observed that the performance of the projects was reviewed by TRLC in November 2020, wherein mixed reactions were received from the TRLC members on the progress and the deliverables of the research projects. The attendees of the meeting also raised concerns on the following issues:

- (i) No improvement in quality of tea despite modification of machine viz., rolling table,
- (ii) Absence of clarity on recommendation for pruning cycle for new clone development,
- (iii) Non-uniformity of parameters among the institutes on quality evaluation of accessions,
- (iv) Non-commercialisation of prototype leaf sorter (regarding development of machines),
- (v) Absence of cost economics of various mechanical implements for effective use by the industry and non-incorporation of cost of operation in the mechanisation project,
- (vi) Inadequate development of indigenous machines,
- (vii) Absence of studies on spraying instruments and mechanisation of other field works, and
- (viii) Absence of clear deliverables as per objectives in each project.

Thus, research projects of the XII Plan also failed to transfer any deliverable for use of the tea industry.

³⁸ *Tea Research Liaison Committee is a committee constituted by Tea Board for review of research projects funded by Tea Board and consists of members from Tea Board and Tea Research Institutes.*

While accepting the audit contention, the Management stated (June 2022) that during XI and XII Plan periods, a large number of research projects were undertaken. While some of the projects were not progressing well, other research projects had satisfactory results. The Expert Scientists of TRLC had been guiding and suggesting remedial measures to overcome the shortcomings of the projects from time to time. Action taken reports as received from Tea Research Institutes (TRIs) were circulated to the members of TRLC to discuss/ deliberate in the meeting for compliance of the advice/ suggestions etc.

The Ministry stated (October 2022) that the audit observations had been noted.

However, the fact remains that although in some cases research projects were completed, but such research activities did not result in transfer of any deliverables for the benefit of the tea industry.

Recommendation No. 15: Tea Board should review the performance of the research activities conducted by private research organisations on a regular basis to ensure the accountability of the money spent. Further, Tea Board, being the nodal agency for disbursement of funds in the field of tea research, should assess the performance of the scientists at regular intervals based on pre-defined targets and initiate action against the non-performing scientists.

5.3.2 Inadequate support to Darjeeling Tea Research and Development Centre for research activities on Darjeeling tea

Darjeeling Tea Research and Development Centre (DTR&DC) was established in 1977 at Kurseong, West Bengal to carry out R&D activities for the growth and improvement of the Darjeeling tea industry. It functions directly under the Research Directorate of Tea Board. The centre is recognised by Department of Scientific & Industrial Research, under the Ministry of Science and Technology, Govt. of India. A plan was sanctioned during XI Plan by the Government of India for upgrading the infrastructure of this Centre into a unique 'Centre of Excellence' - first of its kind for tea research in the country. The centre had also been engaged in many collaborative projects with institutes of national and international repute. It has an experimental farm of about 21.6 hectare, wherein various experimental field trials are conducted.

The centre has a laboratory building accommodating four divisions, a library, a miniature manufacturing unit and an agro-meteorological observatory. However, the entire infrastructure was not found in a proper shape due to inadequate attention and poor maintenance by Tea Board (Research Directorate).

Figure 5.2: Darjeeling Tea Research and Development Centre, Kurseong



Since inception, DTR&DC has been working in different areas of tea research to cater to the needs of the Darjeeling tea industry. The scope of DTR&DC's work mainly covers Farm Management (Botany and Agronomy), Soil Science, Biochemistry and Plant Protection. Some advisory services in the form of soil testing and occasional visits to the tea gardens to address the day-to-day problems of the Darjeeling tea plantations were also included among the activities of the DTR&DC.

Audit reviewed the status of manpower and financial assistance provided to DTR&DC during 2016-17 to 2020-21 and observed the following:

- (i) During the period 2016-17 to 2020-21, expenditure of only ₹3.50 crore was incurred for DTR&DC, which is merely 4.38 *per cent* of the funds received by Tea Board from GoI for R&D activities (₹79.83 crore).
- (ii) Against the sanctioned post of 14 scientific staff, only five staff were posted during 2016-17 to 2019-20 and the same were reduced to three in 2020-21. From May 2022, no scientific staff was posted in DTR&DC.
- (iii) In absence of adequate scientific manpower, during the period from 2016-17 to 2020-21, a total of five projects/ experiments were undertaken at DTR&DC out of which only one project was completed. Further, only 16 research papers were published by DTR&DC during the above period whereas during the same period TRA and UPASI-TRF had published 128 and 133 research papers respectively. Moreover, although three externally funded projects were undertaken by DTR&DC, only one project could be completed till date.

Thus, absence of adequate funds and scientific manpower incapacitated DTR&DC to conduct research for the benefit of the Darjeeling tea industry fruitfully.

While accepting the audit contention, the Management stated (June 2022) that initiatives were taken for development of infrastructure (both laboratory and residential building) from time to time and recruitment of contractual scientific manpower was also undertaken. However, the contractual scientists had left due to locational disadvantage of DTR&DC, Kurseong and better opportunities elsewhere. Good opportunity and better work facilities with promotional avenues might be created for future research endeavour in DTR&DC, Kurseong. Attempts/ initiatives were also being undertaken to strengthen the present establishment of DTR&DC for innovative R&D activities in future for better service to the Darjeeling tea industry.

The Ministry noted (October 2022) the audit observations and stated that initiatives were being taken for development of infrastructure of DTR&DC. A mini experimental tea factory was becoming operational and research officers were being recruited on contractual basis.

Recommendation No. 16: Tea Board should provide adequate funds and scientific manpower support to Darjeeling Tea Research and Development Centre to ensure its revival and smooth functioning for the benefit of Darjeeling tea industry.

5.3.3 Irregularities noticed in establishment of Quality Control Laboratory

Tea Board established Quality Control Laboratory (QCL) and Training Centre at Siliguri, West Bengal in 2016 to undertake research work related to testing of bio-pesticides, bio-fertilisers, pesticide residues etc., and assessment of quality related biochemical parameters for development of superior tea cultivars to be used by the Darjeeling tea industry under Assistance to States for Development of Export Infrastructure and Allied Activities (ASIDE) Scheme. Tea Board received ₹7.31 crore under ASIDE Scheme for construction of the QCL during 2009-10 to 2012-13.

In this regard, Audit observed that:

- (i) As per approval of the Ministry under ASIDE scheme, QCL was to be established at DTR&DC, Kurseong for its close proximity to the Darjeeling tea gardens, for extending benefit to the Darjeeling tea industry. However, Tea Board proposed (February 2010) to set up the QCL at Siliguri instead of Kurseong and requested the MoC&I to consider the same. Despite non-receipt of any approval from the Ministry, Tea Board shifted the location of construction of QCL to Siliguri (outside the ambit of Darjeeling tea plantation area) against approved location of DTR&DC, Kurseong, thereby defeating the purpose of setting up of QCL.
- (ii) As per the original proposal, out of ₹4.31 crore earmarked for procurement of instruments, ₹1.90 crore were to be spent for upgradation of existing miniature manufacturing unit of DTR&DC at Kurseong. However, the Miniature unit was not upgraded till the date of audit (February 2022).

- (iii) Details of utilisation of total funds received under ASIDE Scheme were not furnished to Audit. As such, Audit could not verify, whether the funds were utilised for the purpose for which these were sanctioned.

Thus, non-establishment of QCL in DTR&DC, Kurseong defeated the purpose of benefiting the Darjeeling tea industry. Although Tea Board expended a substantial amount of funds for functioning of the QCL during 2016-17 to 2020-21, the overall purpose of quality testing of Indian tea in general and Darjeeling tea in particular was yet to be completely achieved.

The Management stated (June 2022) that QCL was initially planned to be established in DTRDC, Kurseong. However, due to lack of adequate basic requirements and quality service of maintenance of equipment and recruitment of good scientific personnel etc., it was shifted to Siliguri and the Ministry was informed accordingly. The Management further stated (July 2022) that although there was a proposal for upgradation of existing miniature manufacturing unit of DTR&DC amounting to ₹1.90 crore, the Ministry had sanctioned only ₹7.31 crore (₹3.00 crore for building and ₹4.31 crore for procurement of instruments) under ASIDE scheme. Hence the proposed upgradation of the existing miniature unit could not be taken up for want of funds. Tea Board had already started working on the upgradation of the existing miniature unit.

The Ministry endorsed (October 2022) the views of the Management and stated that QCL was shifted to Siliguri under intimation to Department of Commerce.

The replies of the Management/ Ministry need to be viewed in the light of the fact that Tea Board itself proposed for establishment of QCL in Kurseong. However, the same was shifted to Siliguri citing lack of adequate basic requirements, quality services, maintenance of equipment etc., in Kurseong. Thus, it is evident that no analysis was carried out by Tea Board prior to sending the proposal to the Ministry. Further, ₹4.31 crore disbursed by the Ministry for procurement of instruments included ₹1.90 crore for upgradation of the miniature unit. However, despite receipt of requisite funds, upgradation of miniature unit was not carried out.

5.3.4 Non-adherence to the recommendations of the Parliamentary Standing Committee on concerns over climate change

With the passage of time, climate changes are expected to have implications on tea, resulting in some traditional tea growing areas becoming unsuitable for tea growth. Increased temperatures and decreasing rainfall patterns would likely influence both the quantity and quality of tea production, posing a threat especially to vulnerable small tea farmers. The tea farmers might experience more frequent floods, droughts and pest infestations leading to reduction in productivity. The economical and sociological conditions might also get severely hampered.

The Parliamentary Standing Committee on Commerce in its 102nd Report (laid in Parliament in August 2012) on “Performance of Plantation Sector - Tea and Coffee Industry” raised concerns over the challenges to the tea industry on account of climate change. The Committee felt that there was an urgent need to develop a strategy aimed at improvement and sustenance of tea productivity as well as its quality and direct the research activities to find solutions to problems like prolonged drought arising due to climate change. The Committee recommended that the Department of Commerce (DoC) should take steps in this direction and collaborate with International Tea Research Institutes and Indian Council of Agricultural Research on the matter.

In the Action Taken Report (August 2013) on the recommendations of the above Parliamentary Standing Committee, DoC *inter alia* stated that Tea Board had initiated the following actions:

- (i) New conceptual research proposals had been received for formulating a co-ordinated research program for the industry during the XII Plan period.
- (ii) Development of superior cultivar to overcome drought related problem along with improvement of yield and quality had been given top priority in the XII Plan research program.

However, examination of records revealed that Tea Board did not take up any research activity/ project on climate change during XII Plan (*i.e.*, 2012-13 to 2016-17) period as intimated by the DoC in the Action Taken Report. Moreover, during Medium Term Framework (*i.e.*, 2017-18 to 2020-21) also, no research proposal on climate change was taken up. Thus, Tea Board did not comply with the recommendations of the Parliamentary Standing Committee. Audit observed that in absence of adequate scientific manpower in Tea Board’s own research institute *i.e.* DTR&DC, it was difficult to conduct any research activity to address the problems arising due to climate change. Moreover, majority of the funds were disbursed to private tea research institutes *i.e.* TRA and UPASI-TRF which were mainly utilised for administrative purposes, leaving a limited scope to conduct any specific research.

While accepting the audit contention, the Management stated (June 2022) that research activities on climate change could not be taken up due to receipt of only 50 *per cent* of the approved budget for R&D activities under XII Plan. However, Tea Board submitted a proposal to the Ministry of Environment, Forest & Climate Change (MoEF&CC) to conduct study on ‘Building Climate Resilience in Tea Value Chain for Small Tea Growers’ in five States of Assam, West Bengal, Tamil Nadu, Kerala and Himachal Pradesh (between April 2020 and March 2024). The proposal was under consideration of MoEF&CC. The Ministry stated (October 2022) that the audit observations had been noted.

Thus, the fact remains that Tea Board did not take up any research activity/project on climate change during XII Plan and Medium Term Framework, as recommended by the Parliamentary Committee in 2012.

Recommendation No. 17: Tea Board should take adequate measures to comply with the recommendations of the Parliamentary Standing Committee to address the challenges to the tea industry on account of climate change.

5.4 Summary

Audit observed deficiencies in Research and Development activities of Tea Board viz., unsatisfactory performance of Research Projects and inadequate/ non availability scientific staff. Further, there is inadequate support to Darjeeling Tea Research and Development Centre (DTR&DC), Kurseong and absence of regular maintenance of infrastructure, irregularities in establishment and running of Quality Control Laboratory. It was also noticed that Tea Board failed to adhere the recommendations of the Parliamentary Standing Committee on concerns over climate change. All 14 sanctioned posts of scientific staff in DTR&DC are vacant since May 2022. Moreover, out of ₹66.62 crore extended to Tea Research Association (TRA) and United Planters' Association of Southern India – Tea Research Foundation (UPASI-TRF), 93 *per cent* was incurred mainly for administrative costs and merely 7 *per cent* was for research purpose. Further, although the Research Directorate of Tea Board extended substantial financial assistance to TRA and UPASI-TRF during 2016-17 to 2020-21, audit of these Tea Research Institutes was not conducted by Tea Board.

Chapter VI

Market Promotion Activities



Chapter VI

Market Promotion Activities

One of the primary functions of Tea Board is to undertake promotional activities with an objective of making India the leading supplier of quality tea globally. Tea Board undertakes promotional efforts to increase awareness about the wide varieties and categories of Indian tea with an aim to enhance market share of Indian tea in the targeted international as well as domestic markets.

The Promotion Directorate of Tea Board is responsible for carrying out promotional activities to boost the brand equity and demand for Indian tea in the international markets and consumption of tea in the domestic market.

6.1 International market scenario

The production and export share of major tea producing and exporting countries of the world are given below:

Table 6.1: Production and Export share of major tea producing and exporting countries

(in per cent)

Name of the country	2016		2017		2018		2019		2020	
	Production Share	Export Share	Production Share	Export Share	Production Share	Export Share	Production Share	Export Share	Production Share	Export Share
China	43	18	45	20	45	20	45	20	48	19
India	23	12	23	14	23	14	23	13	20	11
Kenya	9	27	8	23	8	25	7	26	9	28
Sri Lanka	5	16	5	16	5	15	5	15	4	14
Others	20	27	19	27	19	26	20	26	19	28

(Source: Annual Reports of Tea Board)

From the above table, it can be seen that share of production of India remained stagnant from 2016 to 2019 and thereafter declined to 20 *per cent* in 2020, whereas share of China has increased from 43 *per cent* in 2016 to 48 *per cent* in 2020. Further, export share of India has remained stagnant from 2016 to 2019 and declined to 11 *per cent* in 2020.

6.2 Domestic market scenario

The production, import and export of tea in India and consumption of tea in domestic market during the last five years ending 2020-21 is given in the table 6.2:

Table 6.2: Production, import and export of tea in India and consumption in domestic market

(in million kg)

Year	2016-17	2017-18	2018-19	2019-20	2020-21
Production	1,250.49	1,325.05	1,350.04	1,360.81	1,283.03
Import	21.60	20.59	24.22	15.54	27.75

Year	2016-17	2017-18	2018-19	2019-20	2020-21
Export	227.63	256.57	254.50	241.34	203.79
Total availability (Production + Import – Export)	1,044.46	1,089.07	1,119.76	1,135.01	1,106.99
Domestic consumption	973	1,066	1,090	1,116	1,145
Surplus (+)/ Deficit (-) of availability	71.46	23.07	29.76	19.01	-38.01
Cumulative overall surplus	71.46	94.53	124.29	143.30	105.29

(Source: Information provided by Tea Board)

The above table depicts that production of tea in India increased from 1,250.49 million kg to 1,360.81 million kg during 2016-17 to 2019-20 and but decreased to 1,283.03 million kg in 2020-21, while the import of tea in India increased from 21.60 million kg to 27.75 million kg during 2016-17 to 2020-21. The export of tea from India increased from 227.63 million kg to 254.50 million kg from 2016-17 to 2018-19 and then gradually decreased to 203.79 million kg in 2020-21. The domestic consumption also increased from 973 million kg to 1,145 million kg during the same period.

6.3 Schemes for export, marketing and promotion

Tea Board implemented several schemes under market promotion activities which aimed to increase per capita tea consumption in India and increase the export of tea, provide incentive to the exporters, support the tea associations for market promotions etc. The major schemes implemented by Tea Board during 2016-17 to 2020-21 are as under:

- Domestic promotion,
- Overseas promotion,
- Trade related activities,
- Incentives to exporters/association.

During 2016-17 to 2020-21, the funds received, and payments made by Tea Board under Market Promotion Scheme are as under:

Table 6.3 - Year-wise receipt and payment of funds under Market Promotion Scheme

(₹ in lakh)

Year	Opening Balance	Grants from GoI	Other receipts	Payments	Closing Balance
2016-17	76.53	1,257.25	136.66	1,439.94	30.50
2017-18	30.50	912.63	376.29	1,299.50	19.92
2018-19	19.92	1,370.00	270.08	1,656.29	3.71
2019-20	3.71	809.00	488.71	1,301.03	0.39
2020-21	0.39	666.21	98.70	764.78	0.52
Total		5,015.09	1,370.44	6,461.54	

Audit reviewed the schemes related to Market Promotion Activities during 2016-17 to 2020-21.

6.4 Domestic Promotion

The main activities to be undertaken under the above sub-component of the market promotion as per scheme guidelines are as under:

- (i) Generic campaign in print and electronic media based on wellness benefits and lifestyle aspects with a special focus on rural markets.
- (ii) Promotion of single-origin³⁹ tea jointly with Tea Associations in India through road shows, generic as well as speciality tea campaign, protection and promotion of various intellectual properties of the Board.
- (iii) Viral advertising through established social networks like Twitter, Facebook for propagating the diversity and richness of Indian tea during domestic promotion.
- (iv) Establishment of Tea Boutiques in state capitals in India at locations having large footfalls such as shopping malls, Airport lounges, Prominent Railway stations, Hotel-Restaurant-Cafeteria proximities etc., to showcase diversified portfolio of single-origin teas at one place and excite the customers about the qualitative nuances and the correct brewing method in an aesthetic ambience.

During review, Audit noticed the following deficiencies:

6.4.1 Non-establishment of adequate domestic tea boutiques

As per scheme guidelines, Tea Board was to extend financial support for establishment of tea boutiques in India by any Indian company registered with Tea Board to showcase the diversified portfolio of Indian tea at one place in a magnificent and aesthetic ambience. The extent of financial assistance was as under:

Table 6.4: Nature of financial assistance by Tea Board towards establishment/running of domestic tea boutiques

Type of acquisition for a stand-alone boutique	Nature of financial assistance			Remarks
	End of Year 1	End of Year 2	End of Year 3	
Ownership	25% of (Capex + Working Capital)	50 % of Working Capital	25% of Working Capital	With an upper ceiling of ₹20 lakh in first year and ₹12 lakh in second and third year.
Rental	50% of rental	40% of rental	30% of rental	With an upper ceiling of ₹12 lakh in first, second and third year.

³⁹ Single origin tea is tea that comes from a single region and harvest, with no added flavors or blends.

The year-wise target set by Tea Board in the Expenditure Finance Committee (EFC) Memorandum for Medium Term Framework for setting up of domestic tea boutiques and achievement there against was as under:

Table 6.5: Year-wise target set by Tea Board for setting up of domestic tea boutiques *vis-à-vis* achievement

Target / achievement for setting up of domestic tea boutiques	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Target (in No.)	-	2	4	6	-	12
Achievement (in No.)	-	-	3	2	1	6

* No target was set for the years 2016-17 and 2020-21.

Scrutiny of records in this regard revealed the following:

- (i) Although Tea Board framed the scheme for establishment of tea boutiques with an objective of increasing awareness as well as consumption of Indian tea in the domestic market and accordingly set targets for establishment of domestic tea boutiques, the specific activities to be taken by Tea Board for achieving the targets were neither defined in the EFC memorandums nor in the scheme guidelines. Further, Audit did not notice any initiative of Tea Board towards fulfilment of the set targets.
- (ii) Against the target to set up 12 domestic tea boutiques during 2017-18 to 2019-20, only six domestic tea boutiques (New Delhi, Darjeeling, Goa and Guwahati) were set up during the period 2018-19 to 2020-21 and Tea Board provided financial assistance of ₹77.42 lakh.

Thus, due to absence of any initiative on the part of Tea Board to encourage the entrepreneurs to establish domestic tea boutiques, the target was not achieved, and the objective of the scheme could not be achieved.

The Management stated (July 2022) that applications in this regard could not be processed due to inadequate submission of documents by applicants.

However, the fact remains that Tea Board failed to adequately encourage the entrepreneurs to come forward for setting up domestic tea boutiques and to fulfil the main objective of the scheme of showcasing wide varieties of Indian tea at one place.

The Ministry stated (October 2022) that the observations of Audit had been noted.

6.4.2 Inconsistent promotional activities through social media campaigns

In today's technology driven world, social media plays a vital role in connecting people and dissemination of information among a wide spectrum of audience. It acts as a platform to reach the masses within very short period of time.

Scheme guidelines advocated for virtual advertising through established social networks like Twitter, Facebook for propagating the diversity and richness of Indian tea as a major activity to be undertaken for domestic promotion.

With the increasing impact of social media platforms, these platforms may also be used to increase awareness among the youth on the health benefits of sustained consumption of tea and to attract and create a young and steady market for Indian tea.

In this connection, it was observed that:

- The year-wise expenditure incurred by Tea Board for promotion through social media platforms was ₹0.25 lakh, ₹106.83 lakh, ₹2.61 lakh, ₹4.38 lakh and ₹11.32 lakh respectively during the period 2016-17 to 2020-21. Out of the above, in 2016-17, a social media campaign was organised by MoC&I for various commodity Boards, in which Tea Board's share of expenditure was ₹106.83 lakh and the same was paid in 2017-18.
- Tea Board's initiative for promotion of tea through social media platforms was grossly inconsistent and no major initiative for publicity through social media was taken.
- Tea Board is yet to effectively update its Facebook and Twitter accounts, which are considered as one of the prime social platforms to reach the masses, specially the younger generations.

The Management stated (June 2022) that a campaign was done for social media in 2016-17 as per the directives of MoC&I. However, the payment regarding the campaign amounting to about ₹1.06 crore was made later as adequate funds were not available earlier. For the next few years, social media posts were done in-house by the officers without engaging any outside agency.

The reply of the Management needs to be viewed in light of the fact that there was no consistency in year-wise quantum of funds utilised for promotion through social media during the reporting period.

The Ministry stated (October 2022) that in view of budgetary constraints, it was decided by Tea Board to conduct the social media campaigns through in-house resources. However, the recommendations of Audit had been noted for future compliance.

6.5 Trade Related Activities

The objective of the above sub-component was to facilitate export of quality tea in world class packaging through creation of infrastructure like Integrated Tea Park consisting of common facilities such as processing, blending, packaging, warehousing and testing laboratories. This was aimed at enhancing the quality of tea being exported from the

country - thereby enhancing the unit price realisation of tea and establishment of Indian brands in the world market.

Audit examined records related to activities under the sub-component and observed the following:

6.5.1 Non- implementation of XII Plan as well as Medium Term Framework modalities regarding construction of Integrated Tea Park

Tea Board took initiative to develop a “Integrated Tea Park” in North India particularly within the ambit of Special Economic Zone area with good port connectivity to provide the necessary infrastructure for the consolidation of various activities like processing, storage, blending, packaging, distribution etc., carried out by the stakeholders of tea trade through the formation of an industrial cluster. Accordingly, Tea Board requested Government of Odisha (GoO) in May 2016 and again in January 2017 for providing land in and around Dhamra port area for construction of the tea park.

In 2018, GoO identified a total area of 13.960 acres, 4 Km away from Dhamra Port. Subsequently, Department of Commerce (DoC), MoC&I directed (May 2018) Tea Board to take necessary action for preparation of a Detailed Project Report (DPR) for establishment of the tea park within the budgetary provision of Market Promotion scheme. It was also directed to submit the DPR to the GoO for consideration after approval of DoC.

Accordingly, Tea Board floated tender in July 2018 and October 2018 for engagement of a consulting firm to prepare DPR for setting up a Tea Park. However, both the tenders were cancelled due to participation of single bidder.

Subsequently, instead of Orissa, Tea Board decided to set up a Tea Park at Kolkata on the land provided by Kolkata Port Trust and floated (April 2020) a tender for preparation of DPR for setting of a Tea Park cum warehouse and blending unit, which had three bidders.

However, this tender was also cancelled (March 2021) due to absence of proper budget allocation for the preparation of DPR.

In this connection, Audit observed the following:

- (i) Despite provision in the XII Plan & Medium Term Framework to set up Tea Park and directives from MoC&I to prepare DPR for establishment of an integrated tea park, Tea Board did not prepare DPR, resulting in non-fulfilment of the target as per scheme guidelines and violation of directives of MoC&I.
- (ii) Without assessing the availability of funds, Tea Board’s initiative to float tender for preparation of DPR lacked justification.
- (iii) The purpose of setting up of tea parks was to enhance the quality of tea being exported from the country for enhancing the unit price realisation of tea and

establishment of Indian brands in the world market. However, due to inability of Tea Board to execute the same, the scheme objectives could not be fulfilled.

While accepting the audit contention, the Management/ Ministry stated (June/ October 2022) that provision for funds would be looked into before initiating the tender for a DPR in future.

However, Tea Board need to revisit the decision for construction of Integrated Tea Park and its viability considering the volume of export and imports expected to be handled by the Tea Park.

6.6 Incentives to exporters/ association

One of the major sub-components of the Market Promotion Scheme was financial assistance/ incentive to tea exporters towards meeting additional transport & handling charges for tea exported through Inland Container Depot at Amingaon in Assam. The scheme continuing from XII Plan was extended during the Medium Term Framework and was further extended by another year upto 2020-21.

Examination of records related to disbursement of financial assistance/ incentive to tea exporters revealed the following:

6.6.1 Release of subsidy without assessment of impact on overall export of Indian tea

Scheme for assisting tea exporters towards meeting additional transport and handling charges incurred for tea exported through Inland Container Depot (ICD), Amingaon was implemented for compensating exporters who were shipping tea from ICD, Amingaon in Assam as additional charges were levied by the shipping companies towards transportation and terminal handling charges arising out of the empty haulage of the containers during the return journey from the port of shipment to Amingaon, which affected export competitiveness.

All the tea exporters registered with Tea Board and holding valid exporters' licenses were eligible for assistance, provided that the tea for which incentive was claimed was actually shipped through ICD, Amingaon and the claims were to be restricted to tea of Indian origin, which was shipped through ICD, Amingaon only. The sub-component extended to the whole of North-East India and financial assistance by way of incentive was to be provided at ₹2 per kg of tea.

Figure 6.1: Export of tea through ICD, Amingaon in Assam

Quantity of tea exported through Kolkata Port and ICD, Amingaon by exporter tea estates/ companies during the years 2016-17 to 2020-21 are given in the table below:

Table 6.8: Tea exported through Kolkata Port and ICD Amingaon
(in million kg)

Year	2016-17	2017-18	2018-19	2019-20	2020-21
Total tea exported through Kolkata port (including ICD, Amingaon)	132.64	155.13	147.10	135.71	109.30
Tea exported through ICD Amingaon	19.06	22.03	17.24	10.46	8.71
Percentage of tea exported through ICD Amingaon as compared to total export through Kolkata port	14.37	14.20	11.72	7.71	7.97

From the above table, Audit observed that:

- (i) The export of tea through ICD, Amingaon as compared to total export through Kolkata port (including ICD, Amingaon) was reduced from 14.37 *per cent* in 2016-17 to 7.97 *per cent* in 2020-21.
- (ii) There was no defined benchmark in XII Plan or Medium Term Framework in terms of quantity of export for exporters to make them eligible for grant of subsidy. Moreover, there was no clause to determine the eligibility for subsidy based on incremental export volumes of previous years or to monitor the performance of exporters in terms of export quantity after disbursement of subsidy for a particular year. Absence of these stipulations resulted in incapacity of Tea Board Management to assess the overall impact of the scheme in actual improvement of the export scenario of Indian tea through ICD Amingaon.

While accepting the audit contention, the Management stated (June 2022) that the producers-cum-exporters having tea gardens in the North-East only availed of the scheme benefits as for the merchant- cum-exporters who accounted for around 70 *per cent* of aggregate export from India and who sourced their tea mostly from auctions, scheme benefits were irrelevant. Due to high rise in various charges being affected by CONCOR

(Terminal Handling Charges, Freight Charges and other charges) *vis-a-vis* container movement from ICD, Amingaon during 2019-21, the volume of tea being handled by the unit had reduced during 2016-17 to 2020-21.

The Ministry endorsed (October 2022) the views of the Management.

Recommendation No. 18: Tea Board should allocate consistent funds for domestic promotion including setting up of domestic tea boutiques at strategic locations and Integrated Tea Park to boost tea promotion. Further, expenditure for promotional activities should be incurred in a planned manner. Tea Board should take up consistent efforts for publicity of Indian tea through social media with increasing influence of social media platforms.

6.7 Summary

Audit noticed deficiencies in release of subsidies to exporters without assessment of impact on export volume and insufficient activities for promotions through social media campaigns by Tea Board. Further, there is absence of any initiative on the part of Tea Board to encourage the entrepreneurs to establish domestic tea boutiques and as such, the target for setting up of tea boutiques was not achieved.

Chapter VII

Financial Management and Internal Control



Chapter VII

Financial Management and Internal Control

Tea Board performs four major functions i.e., Regulatory, Developmental, Market Promotion and Research and Development, for development of Indian Tea Industry. For execution of the aforementioned activities, Tea Board largely depends on the funds released by MoC&I under the respective heads. Further, MoC&I sanction funds to meet the expenditure which is administrative in nature. All funds made available to the Tea Board are routed through the Union Budget. Such funds are utilised by Tea Board for various activities as enshrined in Section 10 of the Tea Act, 1953 subject to the delegation of financial powers.

Tea Board generates internal revenue as Internal Extra Budgetary Resource (IEBR) from collection of fees on licenses, interest on loan and advances and miscellaneous receipts such as sale of made tea, sale of green leaves, sale of application forms and other publications etc.

Audit reviewed the records related to financial management and internal controls including internal audit of Tea Board and observed the following:

7.1 Inadequate generation of internal resources

Rule 229 (iv) of General Financial Rules, 2017 advocates for the maximum generation of internal resources and eventual attainment of self-sufficiency.

Internal Extra Budgetary Resource generated by Tea Board as compared to the total grants received by Tea Board during 2016-17 to 2020-21 is as follows:

Table 7.1: IEBR generated *vis-à-vis* grants received

(₹ in lakh)

Year	Grant received by Tea Board for administrative activities	Generation of IEBR	Total revenue received for administrative activities	Percentage of IEBR on total revenue (in %)
2016-17	5,274.00	591.25	5,865.25	10.08
2017-18	6,670.64	624.73	7,295.37	8.56
2018-19	6,805.50	940.05	7,745.55	12.14
2019-20	7,355.00	727.11	8,082.11	9.00
2020-21	6,550.00	706.11	7,256.11	9.73
Total	32,655.14	3,589.25	36,244.39	9.90

It is evident from the above table that Tea Board was able to generate only 9.90 per cent of its total revenue from internal resources during 2016-17 to 2020-21, which showed that the

Board is mostly dependent on Government grants to carry out its day-to-day activities. Thus, in the present scenario, it is difficult for Tea Board to meet the objective of self-sufficiency for meeting its administrative expenditure.

The Management accepted (June 2022) the audit observation and stated that Quality Control Laboratory and National Programme for Tea Regulation had become self-sufficient.

The Ministry stated (October 2022) that revenue generation in Tea Board was limited to a few activities like licensing/ registration fee, certification, auction and testing charges at QCL. The Ministry have also stated that Tea Board had been planning to generate more Internal Extra Budgetary Resource by monetising the assets through rent or Public Private Partnership mode.

Recommendation No. 19: Tea Board should identify more areas to generate revenue to attain self-sufficiency as envisaged in General Financial Rules, 2017.

7.2 Lack of internal controls in financial management

Internal controls are the mechanisms, rules and procedures framed by an organisation to ensure the integrity of financial and accounting information, promote accountability and prevent frauds.

Scrutiny of records in this connection revealed deficiencies in internal control procedures in recovery of advances as follows:

- An amount of ₹18.62 lakh was disclosed under the head “Suspense” and an amount of ₹9.93 lakh was kept under ‘Miscellaneous Advance’ as on 31 March 2021, which was pending for recovery for five years. Tea Board did not have any details from whom such advances were recoverable. In such situation, the possibility of recovery/adjustment of the outstanding advances was remote.
- Under the Market Promotion Scheme, advances amounting to ₹4.50 lakh were pending for recovery for more than five years (since 2016-17).

While accepting the audit observation, the Management stated (June 2022) that the suspense advances which were lying from 2015-16 onwards were being reduced. Various cost cutting methods such as regulating Board’s medical expenditure, monetisation of Valparai land, in-house conduct of internal audit *etc.*, had been taken up to improve the internal control and financial management.

The Ministry stated (October 2022) that the audit observations had been noted for compliance.

7.3 Inadequacy in Internal Audit mechanism

Tea Board has an Internal Audit Wing under the control of the Finance wing. Internal audit verifies disbursement of subsidies and pending liability cases relating to various subsidy schemes *i.e.*, Plantation Development Scheme & Quality Upgradation and Product Diversification Scheme, Human Resource Development schemes, etc. It further verifies different administrative activities like physical verification of stock & stores, bills & advances, Cash & Bank book, Bank Reconciliation Statement, hiring of car and other miscellaneous records.

Audit noticed the following shortcomings in Internal Audit system of Tea Board:

- (i) 12 out of 17 Regional Offices (ROs) were not audited by the internal audit wing in the last five years *i.e.*, 2016-17 to 2020-21. Further, ROs at Jorhat and Silchar were audited only once in the last five years. Further, all the 12 Sub-Regional Offices were never audited by the internal audit wing during 2016-17 to 2020-21. **(Annexure-XIV).**
- (ii) There was no internal audit manual for Tea Board. Tea Board neither prepared any audit plan nor fixed any periodicity for conducting internal audit of offices of Tea Board in a timely manner.
- (iii) There was no sanctioned strength for internal audit wing and no permanent staff posted till October 2020. One permanent staff was deputed in November 2020 in internal audit wing and work of the internal audit wing was managed by nominating staff from other sections of Tea Board.

Hence, Tea Board lacked a planned approach to regularly audit all its offices.

The Management accepted (June 2022) the audit observation and assured to prepare an internal audit manual/ internal audit plan in future. The Ministry stated (October 2022) that the audit observations had been noted for compliance.

7.4 Follow up of Action Taken by Tea Board India

A Performance Audit Report on “Role of Tea Board in Tea development in India” covering the activities of Tea Board for the period 2002-03 to 2008-09 was included in the Report of the Comptroller and Auditor General of India (No.10 of 2011-12). The Report made several recommendations showing concern over decline of tea productivity and tea export, lapses in Tea Board’s regulatory role, monitoring and R&D activities, cost reduction, long

time sustainability and internal control etc. During the current audit, action taken by Tea Board India on the recommendations made by Audit in this Report were examined and it was observed that corrective actions on the recommendations of Audit were yet to be taken by Tea Board India even after the lapse of considerable period of more than 10 years. The status of compliances to the recommendations is detailed in **Annexure-XV**.

The Report No. 10 of 2011-12 was discussed by the Public Accounts Committee (PAC). The observations/ recommendations made by PAC were brought out (February 2013) in their 65th Report (15th Lok Sabha). The PAC further brought out (February 2014) its 100th Report (15th Lok Sabha) on action taken by the Government on the observations/ recommendations of PAC as contained in the 65th Report.

PAC, in their Report (65 of 15th Lok Sabha), noted that various aspects of the working of the Tea Board had been examined by earlier PACs and rampant deficiencies in its performance pointed out time and again. The Committee observed that despite their earlier recommendations/ observations to overcome such lacunae, the Government had not been able to put in place the much-needed corrective mechanism. The PAC also observed that this was symptomatic of the systemic failure plaguing the Tea Board and undoubtedly revealed the extent of complacency that has seeped into its functioning while also exposing its unpreparedness to rise to the growing challenges of a fiercely competitive global trade in tea as reflected by the relegation of the country's ranking to the second position with China overtaking India which hitherto was the reigning top tea producer in the World for nearly a century.

During current audit, action taken by Tea Board and the Ministry on the observations/ recommendations of PAC were examined by Audit. It was observed that the issues such as non-enumeration of all small tea growers, ageing of tea bushes, declining productivity, inadequate replantation/replacement planting and funding, inadequate action by Tea Board on revival of closed tea gardens, inadequate funding for market promotion activities *etc.*, observed by PACs from 1969-70 onwards, were still awaiting effective redressal by the Tea Board/Ministry. The status of recommendations/observations of PAC as observed in the current audit is detailed in **Annexure-XVI**.

7.5 Summary

Audit noticed deficiencies in financial management and internal controls. Tea Board failed to generate adequate income from internal resources and was mainly dependent on Government grants. Audit noticed inadequacy in conduct of internal audit and absence of

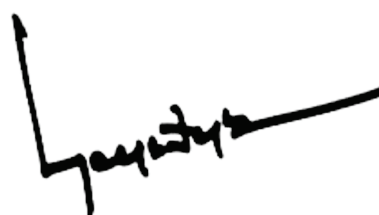
internal audit manual in Tea Board. Audit also examined the actions taken by Tea Board on the recommendations made by Audit, in the earlier Performance Audit Report (Report no. 10 of 2011-12). Further, the said Report was discussed by the Public Accounts Committee and their recommendations were reviewed by Audit. Audit observed that adequate corrective actions on the recommendations of Audit and the Public Accounts Committee were yet to be taken by Tea Board India. While furnishing responses to the Audit observations, as highlighted in this Report, Ministry of Commerce and Industry accepted most of the issues and assured of necessary compliances.

New Delhi
Dated: 29 March 2023



(R G Viswanathan)
Deputy Comptroller and Auditor General
and Chairman, Audit Board

Countersigned



New Delhi
Dated: 29 March 2023

(Girish Chandra Murmu)
Comptroller and Auditor General of India

Annexures

Annexure–I
(Referred to in Para 1.7)
List of Board Members as on 31 March 2021

Sl. No.	Details of the Board Members		
1.	Shri Prabhat Kamal Bezboruah	Chairman	Appointed under sub-rule (1) of rule 4 of Tea Rules, 1954
2.	Deputy Chairman, Tea Board	Ex-Officio Member	Appointed under clause (aa) of sub-rule (1) of rule 4
Representing the Governments of the principal tea growing States			
3.	Secretary, Department of Industry, Commerce and Enterprises, Government of West Bengal, Kolkata		Member
4.	Additional Director, Department of Industries & Commerce, Government of Tripura, Agartala		Member
5.	Secretary to Government, Micro, Small and Medium Enterprises Department, Government of Tamil Nadu, Chennai		Member
6.	Agricultural Production Commissioner and Principal Secretary, Agriculture Department, Government of Kerala, Thiruvananthapuram		Member
7.	Commissioner and Secretary to the Government, Industries and Commerce Department, Government of Assam, Guwahati		Member
8.	Principal Secretary (Agriculture), Government of Himachal Pradesh, Shimla		Member
Representing the Parliament			
9.	Shri Raju Bista, Member of Parliament, Lok Sabha		Member
10.	Shri Horen Sing Bey, Member of Parliament, Lok Sabha		Member
11.	Shrimati Shanta Chhetri, Member of Parliament, Rajya Sabha		Member
Representing owners of tea estates and gardens and growers of tea			
12.	Shri B. Kumaran		Member
13.	Shri Bipan Syngal, Secretary, Laghu Udyog Bharati –North Bengal Unit, West Bengal		Member
14.	Mrs. Diki Tashi Wangchuk		Member
15.	Shri Kishorilal Agarwal		Member
16.	Chairman, Indian Tea Association, Kolkata		Member
17.	President, The United Planters' Association of Southern India.		Member
18.	Vacant		Member

19.	Vacant	Member
Representing persons employed in Tea Estates and Gardens		
20.	General Secretary, Assam Chah Mazdoor Sangh.	Member
21.	Ms. Veena Srivastava	Member
22.	President, Tea Association of India,Kolkata.	Member
23.	Shri J. Raman	Member
24.	Vacant	Member
Representing dealers including both exporters and internal traders of tea		
25.	Shri Nidhesh Hasmukhlal Shah	Member
26.	Vacant	Member
Representing manufacturers of tea		
27.	Shri Bhavesh Rameshbhai Patel	Member
28.	Shri P Mohanan Tachupurambil	Member
Representing consumers of tea		
29.	Shri Ratan Nandlal Bidada	Member
30.	Sant Shri Nanakdas Maharaj	Member
Representing other interests		
31.	Dr. Ashok Kumar Saxena	Member
32.	Shri Sunil Kirwai Bharatiya	Member

Annexure-II
(Referred to in Para 2.5)

Offices/Units of Tea Board India selected as sample in Audit:

I. Head Office, Kolkata

II. Zonal Offices and Regional Offices with disbursing authority

Sl. No.	Name of the Unit
1	North Eastern Zonal Office, Guwahati
2	Siliguri Regional Office
3	Coonoor Zonal Office
4	Palampur Regional Office



Selection of Records of subsidy disbursement made at Zonal Offices and Regional Offices with disbursing authority

Sl. No.	Name of the subsidy schemes	No. of subsidy cases	No. of subsidy cases audited	Sampling methodology
A.	Human Resource Development	18,380	368	2% of subsidy disbursement cases are selected.
B.	Plantation Development Scheme	8,896	178	2% of subsidy disbursement cases are selected.
C.	Quality Upgradation & Product Diversification Scheme	2,038	102	5% of subsidy disbursement cases are selected.
D.	Tribal Area Sub Plan	1,889	94	5% of subsidy disbursement cases are selected.
E.	Scheduled Caste Sub Plan	1,601	80	5% of subsidy disbursement cases are selected.
	Total	32,804	822	

Regional Offices without disbursing authority selected for audit:

Sl. No.	Name of the Regional Offices	Controlling Office	Criteria for selection of records
1.	Regional Office, Tezpur	Zonal Office, Guwahati	The relevant records regarding operational activities of the offices.
2.	Regional Office, Jorhat		
3.	Regional Office, Dibrugarh		
4.	Regional Office, Golaghat		
5.	Regional Office, Peermade	Zonal Office, Coonoor	
6.	Regional Office, Gudalur		
7.	Regional Office, Jalpaiguri	Regional Office, Siliguri	
8.	Regional Office, New Delhi	Head Office, Kolkata	

III. Tea Research and Quality Control Units

Sl. No.	Name of the Auditable units
1	Research Office, Quality Control Laboratory, Siliguri
2	Research Office, Darjeeling Tea Research and Development Centre, Kurseong

Annexure-III
(Referred to in Para 3.2.1 and 3.2.2)
Details of the identification and registration of tea growers
during the last five years ending 31.03.2021

A. Small Tea Growers:

State	As on 31.03.2017		As on 31.03.2018		As on 31.03.2019		As on 31.03.2020		As on 31.03.2021	
	Identified	Registered	Identified	Registered	Identified	Registered	Identified	Registered	Identified	Registered
Assam	84,577	67,825	87,675	68,143	1,07,371	84,327	1,01,085	75,785	1,18,754	76,024
Meghalaya	644	570	749	609	749	609	644	240	777	240
Tripura	2,766	2,447	2,768	2,447	2,768	2,447	2,766	831	2,886	831
West Bengal & Bihar	7,121	6,802	16,675	7,259	21,701	7,259	40,865	22,605	34,808	29,061
Himachal Pradesh	1,166	1,097	1,166	1,097	1,166	1,097	1,526	272	1,166	454
Uttarakhand	284	282	1,012	310	1,012	310	3,150	210	1,448	332
Mizoram	364	364	365	364	365	364	364	-	644	-
Arunachal Pradesh	1,039	-	3,309	-	3,309	-	1,690	-	3,526	-
Nagaland	3,352	-	3,352	-	3,352	-	3,354	1,721	3,335	1,721
Manipur	489	-	489	-	489	-	489	-	484	-
Tamil Nadu	44,181	25,029	45,516	28,982	46,614	30,679	45,765	22,943	46,997	25,516
Kerala	7,335	3,215	7,552	3,635	8,458	3,898	8,497	3597	7,921	3,621
Total	1,53,318	1,07,631	1,70,628	1,12,846	1,97,354	1,30,990	2,10,225	1,28,204	2,22,746	1,37,800

B. Big growers:

States	As on 31.03.2017		As on 31.03.2018		As on 31.03.2019		As on 31.03.2020		As on 31.03.2021	
	Identified	Registered	Identified	Registered	Identified	Registered	Identified	Registered	Identified	Registered
Assam	767	752	767	752	765	753	765	754	758	750
West Bengal	359	338	446	338	451	347	451	348	457	352
Tripura	55	50	53	50	52	44	52	44	52	49
Arunachal Pradesh	1	1	36	1	28	28	28	28	30	30
Sikkim	1	1	1	1	1	1	1	1	1	1
Meghalaya	2	2	1	1	2	2	2	2	2	2
Bihar	1	1	5	1	6	4	6	4	7	5
Himachal Pradesh	27	26	16	16	15	15	15	15	15	15
Mizoram	2	2	2	2	1	1	1	1	1	1
Uttarakhand	11	8	8	8	4	3	4	3	6	6
Manipur	0	0	2	0	1	1	1	1	1	1
Nagaland	0	0	2	0	1	0	1	0	1	1
Tamil Nadu	136	123	136	123	133	133	133	133	133	133
Kerala	91	90	91	90	93	92	93	92	93	92
Karnataka	19	18	19	18	16	16	16	16	16	16
Total	1,472	1,412	1,585	1,401	1,569	1,440	1,569	1,442	1,573	1,454

Annexure-IV
(Referred to in Para 3.3.2)

Loss of differential revenue due to non-collection of revised license fees

Sl. No.	License particulars	Old Rate (in ₹)	Revised Rate (in ₹)	Differential amount (in ₹)	Total no. of licenses issued	Loss of differential license fees (in ₹)
A	B	C	D	E = (D – C)	F	G = (E x F)
1.	Tea Waste (Fresh)	100	3,300	3,200	376	12,03,200
2.	Tea Waste (Renewal)	50	3,300	3,250	917	29,80,250
Total						41,83,450

Annexure-V
(Referred to in Para 3.4.2)

**Details regarding inspections of tea factories during 2016-17 to 2020-21 to check/
 verify compliances of various provisions of Tea Act, TMCO and other Control
 Orders to ensure quality and quantity of tea produced**

Year	Total no. of tea factories	No. of samples that should be tested	Total nos. of sample collected	Shortfall in testing of sample (in %)	No. of factories sample collected from	No. of sample failed	% of samples failed
A	B	$C=B \times \frac{1}{2}$	D	$E = \frac{(C-D)}{C} \times 100$	F	G	$H=\frac{G}{D} \times 100$
2016-17	1,216	2,432	117	95.19	28	68	58.12
2017-18	1,216	2,432	391	83.92	298	186	47.57
2018-19	1,216	2,432	329	86.47	232	88	26.75
2019-20	1,216	2,432	98	95.97	55	31	31.63
2020-21	1,216	2,432	72	97.04	70	10	13.89

Annexure-VI
[Referred to in Para 4.3.1]

State-wise area under tea cultivation, production & productivity of tea during the period 2016-17 to 2020-21

State	2016-17			2017-18			2018-19			2019-20			2020-21		
	Area (Ha)	Production (million kg)	Productivity (Kg/Ha)	Area (Ha)	Production (million kg)	Productivity (Kg/Ha)	Area (Ha)	Production (million kg)	Productivity (Kg/Ha)	Area (Ha)	Production (million kg)	Productivity (Kg/Ha)	Area (Ha)	Production (million kg)	Productivity (Kg/Ha)
Assam	2,82,049	657.24	2,330	3,19,355	676.31	2,118	3,37,690	701.34	2,077	3,37,690	695.38	2,059	3,37,690	626.23	1,854
Tripura	8,360.44	9.46	1,132	8,453.2	8.72	1,032	8,311.33	8.62	1037	8,311.33	8.94	1,076	8,311.33	8.21	988
Meghalaya	505.07	0.52	1,030	1,011.12	0.47	465	1,007.34	0.56	556	1,007.34	0.49	486	1,007.34	0.43	427
Mizoram	482.78	-	-	482.78		0	197.8	0	0	197.8		0	197.8		0
Nagaland	22,766.6	0.81	36	8125	1.24	153	22,972.3	1.68	73	22,972.3	1.8	78	22,972.3	1.52	66
Manipur	1,382.61	-	-	1,795.05		0	1,695.05	0	0	1,695.05		0	1,695.05		0
Arunachal Pradesh	8,915.7	12.14	1,362	1,0623	11.16	1,051	7,223.73	11.67	1,616	7,223.73	11.9	1,647	7,223.73	10.81	1,496
Sikkim	196	-	-	182.6	0.12	657	186.39	0.09	483	186.39	0.09	483	186.39	0.07	376
Bihar	4,424	4.78	1,080	4,502.53	4.65	1,033	4,007.37	5.04	1,258	4,007.37	5.25	1,310	4,007.37	6.33	1,580
Himachal Pradesh	2,525.33	0.76	301	1,305.05	0.85	651	1,337.48	0.78	583	1,337.48	0.93	695	1,337.48	1.09	815
Uttarakhand	2,958.18	0.01	3	2,634.18	0.02	8	2,878.19	0.02	7	2,878.19	0.02	7	2,878.19	0.06	21
West Bengal	1,42,092	357.39	2,515	1,39,594	387.86	2,778	1,48,122	394.23	2,662	1,48,122	415.89	2,808	1,48,122	396.05	2,674
Tamil Nadu	62,419	143.67	2,302	62,930.7	164.4	2,612	62,885.1	160.15	2,547	62,885.1	156	2,481	62,885.1	160.04	2,545
Kerala	36,184.2	58.61	1,620	36,473.3	63.88	1,751	35,871.2	60.76	1,694	35,871.2	59.26	1,652	35,871.2	66.85	1,864
Karnataka	2,216.14	5.1	2,301	2,216.14	5.37	2,423	2,171.74	5.1	2,348	2,171.74	4.86	2,238	2,171.74	5.34	2,459
All India	5,77,477	1,250.49	2,165	5,99,684	1,325.05	2,210	6,36,557	1,350.04	2,121	6,36,557	1,360.81	2,138	6,36,557	1,283.03	2,016

Annexure-VII
[Referred to in Para 4.4.2]

Year-wise disbursement of subsidy to Big Growers (BGs) and Small Tea Growers (STGs) for Replanting/ Replacement Planting during the period 216-17 to 2020-21

Year	Subsidy disbursed to BGs			Subsidy disbursed to STGs			Total subsidy disbursed		
	No. of Beneficiaries	Area (Ha)	Amount (₹ in lakh)	No. of Beneficiaries	Area (Ha)	Amount (₹ in lakh)	No. of Beneficiaries	Area (Ha)	Amount (₹ in lakh)
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii) = (ii) + (v)	(ix) = (iii) + (vi)	(x) = (iv) + (vii)
2016-17	250	2,424.62	3,168.04	26	2.50	47.25	276	2,427.12	3,215.29
2017-18	167	1,616.78	2,533.68	81	49.31	151.04	248	1,666.09	2,684.72
2018-19	95	1,193.09	2,087.77	24	14.67	30.75	119	1,207.76	2,118.52
2019-20	274	756.4	2,403.7	42	19.23	24.96	316	775.63	2,428.66
2020-21	427	3,294.38	6,109.02	130	41.86	168.40	557	3,336.24	6,277.42
Total	1,213	9,285.27	16,302.21	303	127.57	422.40	1,516	9,412.84	16,724.61

Annexure-VIII

[Referred to in Para 4.4.2.1 (a) (i)]

Name of the Estates which did not complete replanting within 36 months from the date of completion of uprooting

Sl. No.	Name of the Estate	Scheme	Year of application	Subsidy Amount (₹ in lakhs)
1	Mokrung Tea Estate	PDS	2013-14	5.70
2	Lepetkatta Tea Estate	PDS	2010-11	5.38
3	Sewpur Tea Estate	PDS	2010-11	6.66
4	Abhoyjan Tea Estate	PDS	2013-14	5.15
5	Kasojan Tea Estate	PDS	2011-12	6.27
Total				29.16

Annexure-IX

[Referred to in Para 4.4.2.1 (b)]

Name of the Estates which had more than ₹10,000 PF dues

Sl No.	Name	Scheme	Year of application	Subsidy Amount (₹ in lakh)	Year of disbursement
Zonal Office, Coonoor					
1	The Bombay Burman Trading Corporation Ltd. (AnaiMudi TE)	PDS	2013-14	3.91	2019-20
2	The Bombay Burman Trading Corporation Ltd. (MukottuMudi TE)	PDS	2013-14	4.35	2019-20
3	Katary Estate	PDS	2014-15	6.22	2017-18
4	Katary Estate	PDS	2015-16	30.40	2019-20
5	Mailoor Estate	PDS	2014-15	6.59	2017-18
6	Parkside Estate	PDS	2016-17	1.83	2020-21
7	Granby Estate	PDS	2012-13	2.36	2018-19
Regional Office, Siliguri					
8	Ringtong Tea Estate	PDS	2014-15	54.13	2020-21
9	Dalsingpara Tea Estate	PDS	2011-12	49.36	2019-20
10	Dalsingpara Tea Estate	PDS	2012-13	93.67	2020-21
11	Kadambini Tea Estate	PDS	2011-12	29.98	2017-18
12	Dhowlajhora Tea Estate	PDS	2015-16	86.08	2020-21
13	Mujnai Tea Estate	PDS	2011-12	47.73	2018-19
TOTAL				416.61	

Annexure-X
[Referred to in Para 4.5.2 (c)]

QUPDS Subsidy payment cases having PF Dues more than ₹10,000

Sl. No.	Name	Year of application	Subsidy Amount (₹ in lakh)	Year of disbursement
1	Devashola Estate Tea Factory	2015-16	13.75	2017-18
2	Thengakal Estate Tea Factory	2008-09	17.26	2016-17
3	Thengakal Estate Tea Factory	2009-10	10.06	2017-18
4	Granby Estate Tea Factory	2009-10	50.00	2016-17
	TOTAL		91.07	

Annexure-XI

[Referred to in Para 4.5.4 (d)]

Name of the factories which did not furnish copy of latest PF challan at the time of release of subsidy under Orthodox Tea Production Scheme

Sl. No.	Name of the Factory/Estate	Year	Subsidy Amount (₹ in lakh)
1	Burnside Estate Tea Factory	2017-18	6.90
2	Sentinal Rock Estate Tea Factory	2018-19	4.76
3	Ibex Lodge Tea Factory	2018-19	2.71
4	Talapoya Estate Tea Factory	2019-20	14.22
5	Thengakal Estate Tea Factory	2019-20	10.13
6	Katary Estate Tea Factory	2019-20	32.42
7	Highfield Tea Factory	2020-21	5.11
8	Arrapetta Estate Tea Factory	2020-21	29.76
9	Iyerpadi Estate Tea Factory	2020-21	7.63
10	Lockhart Estate Tea Factory	2020-21	16.92
11	Oothu Estate Tea Factory	2020-21	4.21
12	Yellapatti Estate Tea Factory	2020-21	7.95
	Total		142.72

Annexure-XII

[Referred to in Para 4.5.4 (e)]

Name of the Factories which had more than ₹10,000 PF dues at the time of application for subsidy under Orthodox Tea Production Scheme

Sl. No.	Name	Subsidy Amount (₹ in lakh)	Year of disbursement
1	Anai Mudi Estate Tea Factory	0.41	2017-18
2	Anai Mudi Estate Tea Factory	3.61	2018-19
3	Anai Mudi Estate Tea Factory	1.53	2019-20
4	Burnside Estate Tea Factory	6.90	2017-18
5	Burnside Estate Tea Factory	6.91	2018-19
6	Burnside Estate Tea Factory	11.92	2019-20
7	Burnside Estate Tea Factory	19.64	2020-21
8	Carolyn Estate Tea Factory	1.41	2020-21
9	Coonoor Estate Tea Factory	26.52	2019-20
10	Devashola Estate Tea Factory	8.51	2018-19
11	Devashola Estate Tea Factory	15.71	2019-20
12	Devashola Estate Tea Factory	29.87	2020-21
13	Dunsandle Tea Factory	10.91	2018-19
14	Dunsandle Tea Factory	21.84	2019-20
15	Dunsandle Tea Factory	33.44	2020-21
16	Glendale Estate Tea Factory	34.02	2018-19
17	Glendale Estate Tea Factory	50.10	2019-20
18	Iyerpadi Estate Tea Factory	5.81	2019-20
19	Katary Estate Tea Factory	27.95	2018-19
20	Katary Estate Tea Factory	32.42	2019-20
21	Katary Estate Tea Factory	21.46	2020-21
22	Kairbetta Estate Tea Factory	32.85	2020-21
23	Kotada Estate Tea Factory	8.82	2018-19
24	Kotada Estate Tea Factory	23.73	2020-21
25	Mailoor Estate Tea Factory	10.62	2019-20
26	Mailoor Estate Tea Factory	15.89	2020-21
27	Mayfield Estate Tea Factory	37.37	2020-21
28	Nonsuch Estate Tea Factory	1.87	2019-20
29	Nonsuch Estate Tea Factory	3.72	2020-21
30	Pachaimallai Tea Factory	3.12	2018-19
31	Pachaimallai Tea Factory	11.96	2019-20
32	Pachaimallai Tea Factory	22.49	2020-21
33	Parkside Estate Tea Factory	41.85	2018-19
34	Parkside Estate Tea Factory	20.36	2020-21
35	Thay Mudi Tea Factory	3.81	2018-19
36	Thay Mudi Tea Factory	4.55	2019-20
37	Thay Mudi Tea Factory	11.72	2020-21
38	Welbeck Tea Estate	3.48	2017-18
39	Welbeck Tea Estate	8.12	2019-20

Sl. No.	Name	Subsidy Amount (₹ in lakh)	Year of disbursement
40	Welbeck Tea Estate	5.46	2020-21
41	Wentworth Estate Tea Factory	37.82	2017-18
42	Wentworth Estate Tea Factory	50.06	2020-21
43	Thengakal Estate Tea Factory	8.49	2016-17
44	Thengakal Estate Tea Factory	1.01	2018-19
45	Thengakal Estate Tea Factory	17.64	2019-20
46	Thengakal Estate Tea Factory	20.92	2020-21
	TOTAL	778.62	

Annexure-XIII
(Referred to in Para 4.6.2)
Physical Targets and Achievements of HRD Scheme

Sl. No.	Sub-components	2016-17			2017-18			2018-19			2019-20			2020-21
		Targets	Achievements	Achievements (in %)	Targets	Achievements	Achievements (in %)	Targets	Achievements	Achievements (in %)	Targets	Achievements	Achievements (in %)	Targets
1	Safe Drinking Water (No of the tea garden workers households)	1,00,000	0	0	--	--	--	--	--	--	--	--	--	NA
2	Medical equipment, accessories, ambulance and reservation of beds in traditional and non-traditional area (Nos.)	20	4	20	24	34	142	25	0	0	27	25	93	NA
3	Assistance to disabled persons dependent on tea garden workers / Sponsoring special cases of heart and cancer patients in specialty hospitals (Nos.)	500	3	1	40	5	13	50	1	2	60	0	0	NA
4	Educational stipend/ Nehru Award (Nos.)	1,500	5,748	383	7,800	4,612	59	9,000	3,012	33	10,200	3,826	38	NA
5	Book and uniform grant including School kits for the wards of workers (Nos.)	9,000	541	6	1,800	419	23	2,000	369	18	2,200	559	25	NA
6	Coaching and hostel fees for entry at IIT/ IIM/ Civil Services – Reservation of Seats at polytechnics for wards of workers (Nos.)	10	0	0	--	--	--	--	--	--	--	--	--	NA
7	Assistance to Scouts and Guides and sports activities (Nos.)	30	7	23	400	230	58	400	5	1	400	83	21	NA
8	Short term vocational training for workers in acquiring new skills/ general training on health and hygiene	5,000	186	4	4	7	175	4	1	25	4	2	50	NA

Sl. No.	Sub-components	2016-17			2017-18			2018-19			2019-20			2020-21
		Targets	Achievements	Achievements (in %)	Targets	Achievements	Achievements (in %)	Targets	Achievements	Achievements (in %)	Targets	Achievements	Achievements (in %)	Targets
9	Awareness campaigns for highlighting various welfare measures available for tea garden workers as well as for their children (No. of campaigns.)	30	0	0	--	--	--	--	--	--	--	--	--	NA
10	Short term executive programs for managerial staff in collaboration with IIPM (Nos.)	5	0	0	--	--	--	--	--	--	--	--	--	NA
11	Meetings / seminars in collaboration with IIPM/ TRA/ UPASI KVK/ Major Producer Associations/ Agricultural Universities (Nos.)	5	0	0	--	--	--	--	--	--	--	--	--	NA

Annexure-XIV
(Referred to in Para 7.3 (i))
Details of internal audit conducted in Tea Board

Name of the Office/ unit	Period covered under audit	Date on which internal audit conducted	Whether conducted by internal audit wing/ external agencies	Whether Internal Audit report shared with audit
Zonal Office, Guwahati	2016-17	-	External Agency	No
	2017-18	-	External Agency	No
	01.04.2018 to 30.09.2019 (SCSP & TASP)	14.10.2019 to 25.10.2019	Internal Audit wing.	Yes
	2018-19 (Plan & Non-plan)	08.07.2019 to 25.07.2019	Internal Audit wing.	Yes
	2020-21 (Plan)	13.09.2021 to 28.09.2021	Internal Audit wing.	Yes
Zonal Office, Coonoor	2017-18 & 2018-19	-	Internal Audit wing	Yes
	2020-21 (Plan)	13.09.2021 to 27.09.2021	Internal Audit wing. Audit report yet to be finalised by HO.	Yes
Regional Office, Siliguri	2016-17 (Plan & Non-Plan)	06.06.2016 to 10.06.2016	Audit conducted by External Agency (R.P. Boobna& Co. Chartered Accountants Firm)	Yes (only summary)
	2019-20 (Plan & Non-Plan)	06.03.2020 to 13.03.2020	Internal Audit Wing	Yes
	2020-21 (Plan)	13.09.2021 to 28.09.2021	Internal Audit Wing. Audit report yet to be finalised by HO.	Yes
Regional Office, Palampur	2014-15 to 2016-17	2016-17	Internal Audit wing.	No
	2017-18 to Nov 2019	2019-20		No
Regional Office, Delhi	2016-17	-	Internal Audit wing.	No
	2017-18	-	-do-	No
	2018-19	10.01.2019 to 17.01.2019	-do-	Yes
	2020-21 (Non-plan)	-	Online, Internal Audit wing.	No

Name of the Office/ unit	Period covered under audit	Date on which internal audit conducted	Whether conducted by internal audit wing/ external agencies	Whether Internal Audit report shared with audit
Regional Office, Jorhat	2020-21	-	Online, Internal Audit wing.	No
Regional Office, Silchar	2020-21	-	Online, Internal Audit wing.	No

Annexure-XV
(Referred to in Para 7.4)

**Status of the Action Taken on Recommendations made in the Performance Audit Report No. 10 of 2011-12 of
the Comptroller and Auditor General of India on “Role of Tea Board in Tea Development in India”**

Sl. No.	Recommendations	Action taken and present status
1.	Tea Board may evolve a mechanism to ensure registration of all small tea-growers and ensure that all the stakeholders in tea business furnish requisite and complete information on time which can be used by Tea Board for better regulation under the provisions of Tea Act. Tea Board may plan and conduct regular inspections for exercising effective control and ensuring fair practices in tea.	Even after a lapse of several years, 38 <i>per cent</i> of small tea growers were still continuing tea cultivation without the requisite permissions of Tea Board under the provisions of Tea Act, 1953, as discussed in Para 3.2.1. Tea Board did not have any laid down plan for carrying out inspection of tea estates/factories to monitor quality of tea and ensuring judicious use of pesticides as per Plant Protection Code, as discussed in Para 3.4.1 and 3.4.2.
2.	Tea Board may take a holistic view of critical situation of declining productivity of tea in India and take major structural and strategic decisions like redesigning of programmes, schemes, delivery mechanisms and much higher financial outlays. Documentation may be strengthened both in individual cases as well as for overall scheme implementation. Timely inspections may be conducted and the impact of the subsidies disbursed may be evaluated.	The overall productivity decreased over the years. It was further observed that productivity of big growers was much lower than that of small tea growers. The marked difference in productivity between big growers and small tea growers may be attributed to aging population of tea bushes of the big growers, as highlighted in Para 4.3.1 and 4.3.2.
3.	Perceptible increase in production of Orthodox tea may be prescribed as a one of the conditions for release of subsidy under the Orthodox Subsidy Scheme. Monitoring mechanism for implementation of the QUPD	Audit observed that the incentive for Orthodox Tea production was discontinued during the Medium Term Framework. Further, various shortcomings were noticed in the implementation of QUPDS and Orthodox Tea Production Scheme, which reflected weak monitoring

Sl. No.	Recommendations	Action taken and present status
	scheme may be strengthened to ensure the augmentation of processing capabilities of Orthodox tea. A mechanism may be devised to analyse the reasons for decline in quality even after payment of subsidy for remedial measures.	mechanism in Tea Board. Further, Tea Board did not frame any mechanism to analyse the reason for decline in quality of tea production as discussed in Para 4.5.
4.	Tea Board needs to adopt an appropriate system of cost studies for identifying areas for cost reduction and effectively address those areas to ensure the long-term sustainability.	Tea Board did not frame any strategy/system of cost studies to identify the areas for cost reduction. IIPM, Bengaluru was engaged, to conduct a study on cost of production. In their report (March 2018), IIPM, Bengaluru recommended to make mandatory for the tea producing companies to furnish audited data of cost of production of Green Leaves and Made Tea which would facilitate in future for decision making for financial incentives/ subsidies etc., on cost of production. However, such recommendations were not implemented by Tea Board. As such, Tea Board did not take any initiative for identifying areas for cost reduction and effectively address those areas to ensure the long-term sustainability as discussed in Para 4.9.1 and 4.9.2
5.	Tea Board may provide adequate scientific manpower and other resources for Tea Research, while ensuring effectiveness in terms of papers published along with Impact factor of the papers and technology developed/ transferred /commercialised and patented. Tea Board may evolve an effective mechanism to ensure accountability of the money spent by external research entities like UPASI and TRA and obtain formal commitment of the industry for fruitful/effective	Audit observed that research activities in Darjeeling Tea Research and Development Centre (DTRDC) owned by Tea Board were deficient due to inadequate financial assistance and non-availability of scientific manpower. It was further observed that although ₹6,662.48 lakh were released to TRA and UPASI-TRF during the period 2016-17 to 2020-21, neither any technical audit nor any financial audit was conducted by Tea Board to assess the performance of research activities undertaken by these institutes, and accountability of the money spent by these institutes as highlighted in Para 5.2 and 5.3.2.

Sl. No.	Recommendations	Action taken and present status
	implementation and continuance of the e-commerce initiative of IT-portal.	
6.	Tea Board may fix quantifiable benchmarks for increase in exports for exporters to become eligible for any incentive/support and assess the impact/outcome of the support activities. Effective steps may be taken to implement exporters rating system and frame logo rules to ensure that exporters adhere to set benchmarks in quality. The Board may evaluate the impact and effectiveness of all its marketing and promotion activities on tea promotion in international and domestic markets by fixing appropriate criteria/ benchmarks.	Audit observed that there was no provision for fixing any benchmark, in terms of quantity of export by exporters, to make them eligible for grant of subsidy either in XII Plan or Medium Term Framework as discussed in Para 6.6.1.
7.	Internal audit may be strengthened commensurate to the level of activities of the organisation. Tea Board may address the issue of providing adequate and professionally qualified manpower to undertake its functions and responsibilities efficiently and effectively.	Audit observed inadequacies in the internal audit mechanism of Tea Board like non-existence of Internal Audit Manual, non-conduct of regular internal audit in ZOs and ROs of Tea Board, absence of manpower for conduct of internal audit as were highlighted in Para 7.3.

Annexure-XVI
(Referred to in Para 7.4)

Status of the Action Taken on the Recommendations made by Public Accounts Committee in its 65th Report (Fifteenth Lok Sabha)
on
‘Role of Tea Board in Tea Development in India’ based on C&AG’s Report No. 10 of 2011-12

Sl. No.	Observations/ Recommendations of PAC in 65 th /100 th Report (15 th Lok Sabha)	Current Status (Paragraph no. in parenthesis)
1	Various aspects of the working of the Tea Board had been examined by earlier PACs and rampant deficiencies in its performance pointed out time and again. The Committee, however, observe that despite their earlier recommendations/observations to overcome such lacunae, the Government have not been able to put in place the much needed corrective mechanism. PAC in its 65th Report (15th Lok Sabha) observed that PAC (1969-70) and PAC (1987-88) had recommended for development of alternative markets and exploration for expansion into emerging markets of developing countries, association of competent personnel engaged in the trade for export promotion, review of functioning of Tea Centres abroad, encouragement for quality tea production especially Darjeeling tea, product diversification and value addition to tea, augmentation of research work on tea and dissemination of its results to the planters for practical application, review of the requirement of quantitative growth and qualitative improvement of tea industry which had been affected due to the Government's failure to make a realistic assessment of actual funding needs for plantation of tea and also failure to ensure re-plantation, review of the whole question of subsidy <i>vis-à-vis</i> further growth of the industry, etc.	Audit noticed that Tea Board failed to encourage the entrepreneurs to come forward for setting up domestic tea boutiques as discussed in Para 6.4.1. Further, 46 <i>per cent</i> of the total tea cultivation areas of big growers were not economically viable as the tea bushes were found to be more than 40 years old and commercially unproductive, as discussed in Para 4.3.4. Moreover, adequate attention to the research activities relating to Tea Specially Darjeeling Tea was not paid by the Tea Board as there were shortages of funds and manpower for the same as detailed in Para 5.3.2.

	The Committee find that many of these observations hold relevance in equal measure and reverberate in their current findings. This is symptomatic of the systemic failure plaguing the Tea Board and undoubtedly reveals the extent of complacency that has seeped into its functioning while also exposing its unpreparedness to rise to the growing challenges of a fiercely competitive global trade in tea as reflected by the relegation of the country's ranking to the second position with China overtaking India which hitherto was the reigning top tea producer in the World for nearly a century.	
2	The Committee are concerned to note the declining productivity of tea from 1865 kg. per hectare in 1997 to 1663 kg. per hectare in 2008, steady decline in the prices fetched by the Indian tea over the last decade as compared to countries like Sri Lanka and Mauritius, increase in the cost of production with Indian having the highest cost of production amongst tea production countries in the world and the only country where cost of sales was above the auction realization. The Committee further observe that while India's production share declined from 41 per cent in 1950 to 26 per cent in 2008, India's export share had also declined from 48 per cent in 1950 a dismal 12 per cent in 2008 putting it at a mediocre fourth position in overall world rankings in terms of volume of tea export. In an area where the country can take a lot of pride with tea being indigenous to India and a glorious heritage of taste, what is intriguing is the fact that the import of tea had gone up from 1.37 million kg. in 1992- 93 to 25 million kg. in 2009.	Audit observed that although productivity of tea in India is substantially higher than that of China, Sri Lanka and Japan, however the same almost remained stagnant during 2016 to 2019 and ranged between 2,103 and 2240 kg per hectare. Further, in 2020 productivity of tea in India had declined to 1,976 kg per hectare (declined by 9.98 <i>per cent</i> as compared to 2016) as discussed in Para 4.3.2. The cost of sales of tea was above the auction realisation price. India has the “highest cost of production” among the major tea producing countries in the world as discussed in Para 4.9. Moreover, the export share of India increased from 12 <i>per cent</i> to 14 <i>per cent</i> during 2016-18, thereafter decreased to 13 <i>per cent</i> in 2019 and further decreased to 11 <i>per cent</i> in 2020 as discussed in Para 6.1.

3	The Committee are deeply concerned that even after 57 years of existence of the Tea Board, as of 2010, 1,25,216 tea growers constituting more than 80 per cent of the small growers continue to remain outside the ambit of the Tea Board and are continuing tea cultivation without requisite permission in terms of the provisions of the Tea Act, 1953. By the Ministry's own admission, even though the aforesaid Agreement expired way back in 1956, these archaic and redundant provisions of the Act still continue to be enforced by the Tea Board. The Committee recommend that Sections 12 & 14 of the Tea Act may be suitably amended. The Committee, in its 100th Report, reiterated that the concerned State Governments should complete the task of enumeration in a time bound manner and concrete efforts be made for amending/deletion of sections 12 to 16 of Tea Act expeditiously.	Audit observed that as on March 2021, 84,946 small tea growers constituting more than 38 <i>per cent</i> of total small tea growers were outside the ambit of Tea Board. Sections 12 to 16 of the Tea Act, 1953 relating to control over extension of tea cultivation were suspended by Government of India for ease of doing business vide notification dated 23 August 2021. However, for adequate monitoring and for extending the benefit to the tea growers for their development, Tea Board should continue with the process of identification and enlistment of small tea growers as discussed in Para 3.2.1.
4	The Committee desire that the Ministry make an all-out effort towards a two pronged strategy to regularise all existing unlisted growers within a specific timeframe while also simultaneously enforcing a stringent registration/enlistment of any new plantation. To this end, the Committee desire the Ministry to also explore other alternate means of enlistment such as issue of valid identify cards to 'qualified tea growers', not necessarily linked to their ownership of land under cultivation so that genuine tea growers are not deprived of the benefits due to them for want of land documents. The Committee further recommend that such efforts should be adequately augmented by an aggressive sensitisation drive on the benefits of registration/enlistment and also provision of appropriate platforms and incentives to motivate these excluded small tea growers to come forward on their own to enlist themselves. The	Audit observed that Tea Board started the process of identification of small tea growers by issuing them an ID card with QR code from the year 2017-18. Audit scrutinized the State-wise data of QR code-based cards issued to the small tea growers up to 31 March 2021 and observed that cards had been issued only to 1,37,800 out of 2,22,746 identified small tea growers who accounted for 62 <i>per cent</i> of total identified small tea growers as discussed in Para 3.2.1. Tea Board is yet to capture the complete data on tea growers under National Programme on Tea Regulation for robust and effective regulation of the tea industry as discussed in Para 4.3.3

	Committee observe that the Ministry's ongoing endeavor for a complete census to create a database of small tea growers through surveys by State Governments, enlistment from growers Associations, Self Help Group, etc., though long overdue and much belated, are nevertheless the need of the hour and desire that the same should be expeditiously carried out. The Committee also hope that the setting up of a separate Small Growers Directorate and the proposed IT based National Programme on Tea Regulation for a complete computerised data on tea growers by the 12th Five Year Plan period would pave the way for a more robust and effective regulation of the tea industry. The Committee, in its 100th Report, noted that in pursuance of their recommendations, the Ministry has initiated various measures for registration of small tea growers including the Project for issuance of high tech Bio-Metric cards to small tea growers for establishing their valid identity for availing benefits of schemes of the Tea Board. The Committee desire that they be apprised of the tangible benefits accrued to the small tea grower as a result of the Ministry's endeavor towards enlistment. Appreciative of the proposal of the Tea Board for launching a National Programme for Tea Regulation during the XII Plan period, the Committee urge that the programme be launched.	It was further observed that the Small Growers Development Directorate was not functioning since June 2019 and small tea growers were not getting handholding support from Tea Board for their intensified development, as recommended by Parliamentary Standing Committee on Commerce (August 2012) as discussed in Para 4.11.2.
5	The Committee are, distressed to note that the Tea Board is way behind in their e-commerce initiative for more transparent, reliable, accessible and faster transactions. Needless to say, this leaves a huge gap in the race for a sharp competitive edge in the global market while also compromising effective monitoring of the trade. The Committee, therefore, recommend that the Tea Board ramp up	Audit observed that Tea Board introduced Pan India Auction System (Phase-I) from May 2016 and live auction was rolled out on 23 June 2016. The online post settlement module (Phase-II) under pan India mode was also rolled out in September 2016. However, due to certain technical glitches, the system was kept on hold and was further reintroduced

	its efforts to introduce-e-commerce supported by a Computerised Management Information System to register business transactions and commercial operations of Tea Board through automated documentation and an online real time database.	from February 2018 in Coonoor Centre followed by Siliguri and Coimbatore in February 2018 and March 2018 respectively as discussed in Para 3.6.1. However, Tea Board failed to implement mandatory sale of 50 <i>per cent</i> of the total tea manufactured in a calendar year through public e-auctions in India as discussed in Para 3.6.2.
6	Ministry should bring forth appropriate amendments to the Act to rectify the limitations and also desire that a conducive package be worked out with adequate incentives to make the offer attractive enough for private sector to invest so that sick tea gardens are turned around in the minimum possible time for higher productivity.	Audit observed that the action on revival of closed tea gardens by Tea Board was inadequate as discussed in Para 4.11.3.
7	A comprehensive review of all existing legislations/ regulations be carried out a well-crafted framework, alive to the present global challenges and customised to the ground realities, by way of requisite amendments to existing laws or formulation of new regulations wherever needed, be brought out expeditiously, in a time bound manner and the Committee apprised.	Audit noticed that Sections 12 to 16 of the Tea Act, 1953 relating to control over extension of tea cultivation were suspended by Government of India for ease of doing business vide notification dated 23 August 2021. However, for adequate monitoring and for extending the benefit to the tea growers for their development, Tea Board should continue with the process of identification and enlistment of small tea growers as discussed in Para 3.2.1.
8	Government to draw a long term replantation plan indicating the age of current plantation and the time schedule for replantation for the next twenty years and then apprise them.	Audit observed that no long term replantation plan had been prepared by Tea Board.
9	The Committee were also concerned to note the failure of the Tea Board to evaluate the long term impact of rejuvenation pruning which has a lesser gestation time and is one of the most important operations next to plantation determining the productivity of tea bushes. The Committee desired that due importance should be given	Audit observed that 46 <i>per cent</i> of the total tea cultivation areas of big growers were not economically viable as the tea bushes were found to be more than 40 years old and commercially unproductive, as discussed in Para 4.3.4.

	to rejuvenation pruning as well and the Tea Board should put in necessary checks and procedures to ensure that it is carried out during the prescribed period in order to get the maximum yield.	
10	The issue of the imperative need for a continuous and steady re-plantation had engaged the attention of the Committee since 1969 and the PAC (1987-88) in their 107th Report of 8th Lok Sabha, particularly observed that the failure of the Tea Board of India to ensure re-plantation at the rate of 2 <i>per cent</i> per annum of the total planted area as per the Scheme intimated to the PAC (1969-70) affected the industry both quantitatively and qualitatively and had urged for close monitoring of the progress of plantation in coordination with planters, research bodies and plantation workers. While admitting that achievement of 2 <i>percent</i> per annum target of re-plantation depends largely on the industry's initiative and availability of resources for investment, the Ministry of Commerce in their Action Taken Notes on the aforesaid observation stated that a National Committee was set up to draw up a long term strategy and plan for the tea industry. The Committee are constrained to observe that the gravity of the present day crisis facing the Indian tea industry could perhaps have been avoided had the Ministry taken up earnest action on the observations/recommendations of the earlier PACs for effective implementation. While reiterating their earlier recommendation that realistic and achievable targets for re-plantation be fixed after a scientific and coherent assessment of fund needs and mobilization of all resources including technological know-how to ensure achievement of the targets so fixed, the Committee observe that the need of the hour calls for serious retrospection on the part of the Ministry and the Tea Board and	Tea estates did not carry out any replanting and replacement planting activities during the period covered under the Audit.

	come forth with a comprehensive and concrete plan of action for rejuvenation of our tea industry, increase in production, productivity and for preserving its quality and image. In its 100th Report, PAC observed that in view of the imperative need for the sustained and steady re-plantation to replace the aging tea plants, which had also engaged the attention of PAC (1969-70) and PAC (1987-88), the Committee had recommended for serious retrospection on the part of the Ministry and the Tea Board to come forth with a comprehensive and concrete plan of action for rejuvenation of our tea industry for increase in production, productivity and for preserving its quality and image. The Committee observe that the Action Taken Note furnished by the Ministry contains assurance that the recommendation of the Committee would be given due importance while preparing the strategic Plan of Action for the XII Plan period but significantly no clear targets for re-plantation of tea gardens have been given. The Committee therefore urge the Government to fix clear targets for tea re-plantation, year-wise and they be apprised.	
11	A comprehensive perspective plan be developed and implemented in a phased/ time-bound manner for replantation of all tea bushes more than 50 years within the XII Plan period. The Committee would like to be apprised of the detailed plan alongwith the timelines for replantation for the XII Plan year-wise and hectare-wise.	It was seen during present Audit that 46 <i>per cent</i> of total tea cultivation areas of big growers were not economically viable and commercially unproductive, as the tea bushes were found to be more than 40 years old. It is pertinent to mention that 42 <i>per cent</i> and 57 <i>per cent</i> of tea bushes were aged more than 40 years in 1997 and 2009 respectively. Hence, the status has not improved much even after more than two decades as discussed in Para 4.3.4.

12	The Committee desired that the Ministry would give due weightage to the suggestions given by the Institute of Plantation Management, Bangalore that the identified beneficiaries of a more robust and attractive Scheme be implemented through Authorised Financial Institutions from a consortium of Banks to ensure financial discipline required for the implementation of critical development Schemes like the SPTF with Tea Board acting as the facilitator and the same would be apprised to the Committee.	Loan component of Special Purpose Tea Fund (SPTF) Scheme discontinued w.e.f. 1 April 2012. Audit observed inadequacies on the part of Tea Board such as non-maintenance of year-wise database for age of tea bushes, <i>etc.</i> , which incapacitated increase of productivity and quality of tea plantations as discussed in Para 4.3.3.
13	An aggressive modernisation drive for replacement of old inefficient practices with more state-of-the-art machines and mechanical aids to bring about more efficiency and productivity at lower cost. To this end, the Committee desire adequate popularisation campaigns strongly advocating the benefits of these mechanical aids supported by affordable, easy and accessible finance to help growers obtain these aids.	Audit observed that support of Tea Board towards field mechanisation, being an important area towards reduction of cost of production, appeared to be inadequate as discussed in Para 4.10.
14	A systemic, periodic and regular cost studies with mandatory follow up action to identify elements contributing to cost escalation with a view to initiate immediate steps for appropriate and quick redressal thereof. Further, Tea Board should pay full and proper attention to this vital aspect and devise appropriate training modules for all levels of workers in the tea industry in collaboration with reputed training institutes in India and abroad.	Audit observed that no appropriate measure to study the cost of production for identifying areas of cost reduction and effectively address those areas to ensure the long term sustainability of tea industry was adopted by Tea Board. Further, no dedicated scheme was framed towards achieving the objective of reducing the cost of production by providing sufficient training to the unskilled tea plantation workers as discussed in Para 4.9.1 and 4.9.2.
15	The Committee stated with concern that during the period under review neither any deliverables were transferred for the use of the tea industry nor were any patents filed indicating want of tangible research activities. The Committee desired that the research should produce quantifiable and positive outcomes backed by requisite	Audit noticed deficiencies in research and development activities of Tea Board like unsatisfactory performance of Research Projects, inadequate support to Darjeeling Tea Research and Development Centre (DTR&DC), Kurseong and irregularities in establishment and running

	statistical data on the input output correlation on the investments made <i>vis-a-vis</i> productivity and quality enhancement. The Committee desired that the Tea Board to come out with stringent regulations for effective enforcement of the mandatory standards and also should encourage additional accreditations which though not mandatory were nevertheless best adhered to so as to gain further competencies and brand building in global tea marketing. The Committee, in its 100th Report, observed that the reply of the Ministry is completely silent on the important aspect of the Committee's recommendation for prescribing stringent regulations for enforcement of mandatory standards for quality of Indian tea. What is further disquieting is that despite the oft-repeated concern expressed by the Committee to gain further competencies and brand building in global tea marketing by encouraging additional accreditations, there is no mention of the same in the Action Taken Notes of the Ministry. The Committee would like the Government to take this issue with utmost seriousness and action taken in this regard may be apprised to them.	of Quality Control Laboratory. Moreover, non-adherence to the recommendations of the Parliamentary Standing Committee on concerns over climate change were observed. Audit also observed that during the period 2016-17 to 2020-21, TRA obtained only one patent in February 2021 and three other patents filed by them were awaiting final approval. In case of DTR&DC and UPASI-TRF, no patent was filed. It was also observed that during 2016-17 to 2020-21, DTR&DC published 16 research papers in different journals, while 128 and 133 research papers were published by TRA and UPASI-TRF respectively during 2016 to 2021. Further, research activities carried out during XI and XII Plan periods did not transfer any deliverables for the benefit of the tea industry as detailed in Chapter V. Enforcement of regulations by Tea Board for maintaining mandatory standards for quality of Indian tea was also found to be inadequate. There was inadequate sample collection for testing of tea by the Tea Board. Further, the failure rate of samples for quality testing ranged from 14 <i>per cent</i> to 58 <i>per cent</i> during the audit period as discussed in Para 3.4.2.
16	Ministry should take urgent steps to identify the indigenous variants eligible for the Geographical Identification tag and file for their patents and the Committee be apprised.	Audit noticed that as on 31 March 2021, Tea Board has registered Geographical Indications tags for Darjeeling, Assam, Nilgiri and Kangra tea.
17	Tea Board initiate more pro-active measures for strong brand building and differentiated value addition to tea products as per the consumer demands after conducting a thorough market research. Further, Board should make tangible efforts to continuously identify	During Audit, deficiencies like insufficient activities for domestic promotion through establishment of tea boutiques and social media campaigns were observed. Although Tea Board took initiative to develop an "Integrated Tea Park" in

	and imbibe evolving successful marketing strategies such as niche marketing, cost leadership, extensive distribution networks, customer focus and quick delivery of products while also moving towards and efficient e-marketing strategy to capture the vast sale potential of Indian tea. The Committee, in its 100th Report, noted the assurance of the Government that the Tea Board will conduct market surveys in the strategically potential markets like Russia, UAE, Iran, USA to capture consumer likes and dislikes in order to develop successful promotional and marketing strategies and thereafter prepare strong brand building measures for Indian tea. The Tea Board has notably modified two schemes for providing promotional support to Indian tea exporters. The Committee should like to be apprised of the outcome of these measures in due course.	North India with good road and port connectivity in 2016, but the same could not be materialized as discussed in Para 6.4.1, 6.4.2, and 6.5.1. Although Tea Board extended support for promotion of Indian tea through participation in international fairs & exhibitions and brand support of packaged tea of Indian origin in international markets, the same failed to achieve the ultimate objective of increasing export of Indian tea, which gradually decreased during the period under audit as discussed in Para 6.2.
18	The Ministry should monitor the implementation of various initiatives taken during XII Plan period, set up a robust monitoring mechanism and apprise the Committee in course of time.	While reviewing monitoring mechanism of Tea Board, Audit observed deficient inspection of tea factories to monitor the compliances of various control orders and Plant Protection Code guidelines. Testing of tea samples to monitor the quality of tea as specified in the Food Safety and Standards Act was found to be inadequate. Initiatives taken for implementation of various Schemes taken up by Tea Board during XII Plan period and Medium Term Framework were also found to be insufficient as discussed in Para 3.4.1, 3.4.2, 4.4.2, 4.4.3.1, 4.4.4, 4.5, 4.6.1 and 4.6.2.
19	Tea Act be amended suitably so that the rate of cess can be calibrated as per the requirements. Keeping in view the dictum that increase in revenue generation is one of the most significant	Audit observed that Tea Board received ₹32,655.14 lakh during 2016-17 to 2020-21 from Government of India (GoI) for meeting the administrative activities. During that period,

	markers of the financial growth of any organisation, the Committee also wish to impress upon the Tea Board not to undermine the importance of revenue generation and put in sustainable operational measures for self-reliance in financial matters. The PAC (1988-89) had also observed that grant of subsidy did not speak highly of the entrepreneurial ability of tea industry. In this context, the Committee recommend that dependence on subsidies and other Government support should be taken as temporary alleviative measure which ought to be phased out eventually, moving towards a more profitable regime. The Committee also recommend streamlining and restructuring of internal audit system for more effective and efficient internal control system commensurate with the extent of activities undertaken, which is but the <i>sine-quo-non</i> of a robust financial management system	Tea Board generated internal resources of ₹3,589.25 lakh. Thus, Tea Board could generate only 9.90 <i>per cent</i> of the total revenue for administrative activities. This showed that the Board is mostly dependent on GoI grants to carry out its day-to-day activities as discussed in Para 7.1. Instances of lack of internal control in financial management and inadequate internal audit mechanism was also noticed during Audit as discussed in Para 7.2 and 7.3.
20	The Committee finds that many systemic and other deficiencies plague the Tea Board and the Tea Industry. In order to meet the growing challenges of a fiercely competitive global trade in tea, steep decline in India's tea export from 48<i>per cent</i> to 12<i>per cent</i>, the Tea Board needs to initiate urgent measures to address the problems so that India attains its pre-eminent position in terms of quality and quantity of tea produced. The Committee further recommend that the small growers may also be brought within the purview of the Tea Board by effecting necessary amendments in the Tea Act while ensuring that statutory amenities and facilities are provided to the tea plantation workers including health and education of their families. The Committee also reiterate the recommendation of the Departmentally related Parliamentary Standing Committee on Commerce made in their 102nd Report of 15th Lok Sabha	In the current audit, instances of non-adherence of recommendations of Parliamentary Standing Committee to provide facilities to the workers engaged in the tea industry and to address the challenges to the tea industry on account of climate change were noticed as discussed in Para 4.6.3 and 5.3.4. Audit noticed that although productivity of tea in India is substantially higher than that of China, Sri Lanka and Japan, however the same almost remained stagnant during 2016 to 2019 and ranged between 2,103 and 2240 kg per hectare. Further, in 2020 productivity of tea in India had declined to 1,976 kg per hectare (declined by 9.98 <i>per cent</i> as compared to 2016) as discussed in Para 4.3.2.

	pertaining to consideration for a compensation package for workers laid off during the gestation period of re-plantation. The Committee, therefore, ardently hope that the strategic vision of the Ministry of Commerce to meet these challenges would accomplish not only its mission of restoring the country to its deserved original position in the global tea market but also fulfill its social obligations of a more promising standard of living of all those who are dependent on the fortunes of the tea industry. The Committee, therefore, reiterate the need for comprehensive review of the extant legislation and the working of the Tea Board in order to boost production and productivity of Indian tea and to ameliorate the living conditions of the workers engaged in the tea industry The Committee, in its 100th Report, exhorted the Ministry to ramp up its efforts so that India restores its pre-eminent position in world tea export. Further, the Committee ardently urged the Government to ameliorate the living conditions of the tea plantation workers and the rules regarding compensation package for workers laid off during gestation period of re-plantation may also be reviewed.	
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List of abbreviations

Abbreviated Form	Full Form
ASIDE	Assistance to states for Developing Export Infrastructure and Allied Activities
CTC	Crush, tear, curl
GLPMC	Green Leaf Price Monitoring Committee
DoC	Department of Commerce
DPR	Detailed Project Report
DTR&DC	Darjeeling Tea Research and Development Centre
EFC	Expenditure Finance Committee
FSSA	Food Safety and Standards Act, 2006
FSSAI	Food Safety and Standards Authority of India
GI	Geographical Identification
Ha	Hectare
HRD	Human Resource Development
ICD	Inland Container Depot
IIPM	Indian Institute of Plantation Management
MOC&I	Ministry of Commerce & Industry
PAAR	Pre-Activity Acknowledgement Receipt
PDS	Plantation Development Scheme
QCL	Quality Control Laboratory
QUPDS	Quality Up-gradation and Product Diversification Scheme
RG 1	A register which contains details of manufacture, clearance and duty paid with value date wise
SCSP	Scheduled Caste Sub Plan
TASP	Tribal Area Sub Plan
TMCO	Tea (Marketing) Control Order
TRA	Tea Research Association
TRLC	Tea Research Liaison Committee
TWCO	Tea Waste Control Order
UPASI-TRF	United Planters' Association of Southern India- Tea Research Foundation

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