EXECUTIVE SUMMARY

The Government of India (GoI) introduced Technology Upgradation Fund Scheme (TUFS) in 1999-2000 to provide a focal point for modernization efforts through technology upgradation in the Indian Textile Industry, which occupied a unique position in the Indian economy in terms of its contribution to industrial production, employment and exports. The scheme was subsequently modified in 2007 (as M-TUFS[1]), 2011 (as R-TUFS[2]) and 2013 (as RR-TUFS[3]).

At the Government of India level, the Ministry of Textiles (the Ministry) was the apex authority responsible for administration of the scheme. Ministry has appointed Office of the Textile Commissioner, Mumbai (TxC) as its nodal agency for implementing the TUFS. The scheme was further implemented by Financial Institutions identified by the GoI and was a reimbursement scheme providing benefits to Textiles units in the form of Interest Reimbursement, Capital Subsidy and Margin Money Subsidy. All claims for the scheme, processed by Financial Institutions (FIs), are routed through the TxC. The TxC collates and forwards these claims to the Ministry for issue of sanction and release of funds. The Ministry released ₹ 18,580.45 crore as subsidy for the TUFS during 1 April 1999 to 31 March 2014.

As per data provided by the office of the Textiles Commissioner, Mumbai, there were 22,998 beneficiaries who had got their loans sanctioned between 1 April 2007 to 31 March 2014. Audit selected a sample of 3,231 cases out of these beneficiary units. The sample selected for audit, covered beneficiaries' cases pertaining to M-TUFS as well as R-TUFS. Performance Audit was undertaken to assess whether management of claims under TUFS was in accordance with relevant guidelines and requirements. The period of Performance Audit of the scheme was from 1 April 2007 to 31 March 2014, covering seven major States, namely, Andhra Pradesh, Gujarat, Madhya Pradesh, Maharashtra, Punjab, Rajasthan and Tamil Nadu.

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1 Modified Technology Upgradation Fund Scheme
2 Restructured Technology Upgradation Fund Scheme
3 Revised Restructured Technology Upgradation Fund Scheme

HIGHLIGHTS

The audit findings have been categorised under the following broad headings:

(i) Planning (ii) Implementation, and (iii) Monitoring and evaluation.

Planning

Non-availability of baseline data

Audit observed that no documents were available in the Ministry indicating:

- availability of baseline data about the magnitude of problem of obsolescence of machineries in Textile Industry when the scheme was proposed for continuation in 2007 (for M-TUFS) and 2011 (for R-TUFS);
- reasonable level of upgradation identified / benchmarked, to be achieved through various phases of the scheme i.e. scheme before 2007, M-TUFS and R-TUFS; and
- quantum and degree of modernisation achieved under various phases of the scheme.

(Para 3.1.1)

Shortfall in achievement of targets identified in XI Five Year Plan

- As against the investment target of ₹ 1,50,600 crore, investments of only ₹ 1,31,228 crore were attracted during the XI Five Year Plan. The shortfall in attracting investments was inspite of increase in financial allocation from ₹ 10,273 crore to ₹ 15,404 crore.
- Plan allocation for M-TUFS period and processing of TUFS claims were not being done segment-wise. Segment–wise monitoring was not provided for in the Scheme.

(Para 3.1.2)

Committed liabilities[4]

Unreliable estimates of committed liability (M-TUFS)

In the memorandum for Expenditure Finance Committee (EFC) of M-TUFS, while presenting its case for fund requirements for XI Five Year Plan, an amount of

[4] Generally, Textile projects under TUFS were eligible, for a period of 10 years, for getting subsidy on repayments of its loan. The Ministry takes the responsibility of disbursing TUFS eligible subsidy for a maximum period of 10 years which is referred to as ‘committed liability’ by the Ministry.

₹ 2,761.10 crore was reflected as committed liabilities. Ministry neither had beneficiary-wise and bank-wise details of aforesaid committed liabilities of ₹ 2,761.10 crore nor the payments details of the said committed liabilities.

(Para 3.1.3.1)

Unreliable estimates of committed liability (R-TUFS)

- Ministry was entirely dependent on FIs' data which was varying constantly. As a result, Ministry could not properly estimate the amount of committed liabilities during XI Five Year Plan. The budget allocation, which was meant for entire XI Five Year Plan, was nearly exhausted by 28 June 2010 with the result the scheme was paused from 29 June 2010 to 27 April 2011.
- In order to firm up committed liabilities as recommended by EFC, TxC compiled the data furnished by FIs and arrived at the committed liabilities of ₹ 5,432 crore for the balance period of XI Five Year Plan i.e. upto 31 March 2012. However, there appeared to be no mechanism for gaining assurance on the accuracy of the amount of the committed liabilities submitted by FIs.
- Audit observed that the Ministry neither had beneficiary-wise details of approved committed liabilities of ₹ 5,432 crore nor had beneficiary-wise disbursement there against.

(Para 3.1.3.1)

Recommendations:

1. While designing the scheme in future, Ministry should assess segment wise magnitude of problem of obsolescence in the industry and set the benchmarks to be achieved.
2. Ministry may also consider segment-wise monitoring of the scheme to keep a close watch on progress of each segment.
3. Ministry should maintain its own data of beneficiary-wise committed liabilities.

Implementation

- Extending subsidy to ineligible beneficiaries (₹ 46.96 crore in 129 cases in six States)

(Para 3.2.1)

- Extending subsidy to ineligible investments (₹ 52.87 crore in 193 cases in seven States).

(Para 3.2.2)

- Excess payment made to beneficiaries (₹ 6.42 crore in 40 cases in seven States).

(Para 3.2.3)

- Delay in crediting subsidy (in 172 beneficiaries' accounts in six States there was a delay of 1 to 1509 days).

(Para 3.2.4)

- Keeping funds in non-interest bearing accounts (₹ 4.77 crore in Gujarat were not kept in interest bearing accounts by seven disbursing branches of five FIs).

(Para 3.2.5)

- Though TUFS is a reimbursement scheme, Audit observed that in 2009-10, an amount of ₹ 121.45 crore was refunded by the FIs on account of either excess subsidy claimed or subsidy paid to ineligible beneficiaries. Such instances were seen in the other financial years also, which indicated lack of proper scrutiny of claims of the beneficiaries by the FIs.

(Para 3.2.6)

Recommendations:

4. Ministry may instruct FIs for strengthening their due diligence mechanism to avoid recurrence of aforesaid implementation issues in future.
5. Ministry may also consider instituting checks at its end to ensure that the FIs are exercising proper due diligence so that subsidy is passed on to eligible beneficiaries/investments.

Monitoring and evaluation

Minimal monitoring of implementation of scheme

Monitoring of the working of FIs' system of processing of claims, by the Ministry was weak. The monitoring is dependent solely upon FIs' audit set up and their monitoring mechanism.

(Para 3.3.1)

Mechanism to check compliance of instructions by FIs

- As per the sanction letters of TUFS subsidy, the FIs/bank would maintain:
  - subsidiary accounts of the funds received from the GoI; and
  - a register of the details of beneficiary to whom subsidy was given.

  It was also provided that the amount paid to FI, would remain open for inspection by the GoI (Ministry) / Chief Controller of Accounts (CCA) whenever required.
- Audit observed that prior to 2014, mechanism of inspection was not used.

(Para 3.3.2.1)

Inclusion of Black out period cases in List-II

Projects / term loan sanctioned during Black Out period (29 June 2010 to 27 April 2011) were not eligible for benefits under TUFS. Audit observed that cases in List-II, which was defined to contain only those cases where TUFS project scrutiny and determination of eligibility had been completed but installments of TUFS subsidy had not been released, approved by the Ministry included 19 cases which were pertaining to Black Out period.

(Para 3.3.3)

Non-fulfilment of commitments

Ministry has the important task of taking mid-course corrections whenever and wherever required and fulfiling of commitments made in the Government Resolutions (GRs) as well as in the documents for appraisal / approval of the scheme. However, in various instances noticed by Audit, Ministry did not fulfil its commitments.

(Para 3.3.4)

Monitoring lapses on the part of Inter-Ministerial Steering Committee (IMSC)

- Audit observed that only two meetings of IMSC were held during 39 months of operation of M- TUFS.
- IMSC had to lay down norms for a monitoring and appraisal mechanism for effective implementation of the scheme. However, Audit observed that no separate norms have been laid down by the IMSC.

(Para 3.3.5)

Monitoring lapses on the part of Technical Advisory cum Monitoring Committee (TAMC)

- Audit observed that only five meetings against 13, as per requirement of frequency of meetings mentioned in the GR, were held in 39 months of operation of M-TUFS.
- As per GR of R-TUFS, TAMC was to monitor the progress of Margin Money Subsidy (MMS) @ 15 *per cent* under TUFS for small scale textile and jute units. Audit observed that minutes of various TAMC meetings did not indicate monitoring of the progress of MMS @ 15 *per cent* under TUFS for small scale textile and jute units.

(Para 3.3.6)

Recommendation:

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