

CHAPTER V: MINISTRY OF MICRO, SMALL & MEDIUM ENTERPRISES

5.1 Assistance to Training Institutions Scheme

5.1.1.1 Introduction

The Ministry of Micro, Small & Medium Enterprises (Ministry) is implementing a scheme called 'Assistance to Training Institutions (ATI) Scheme'. Basic objectives of the ATI scheme are to develop indigenous entrepreneurship from all walks of life for developing new micro and small enterprises, enlarging entrepreneurial base and encouraging self-employment in rural as well as urban areas by providing training to the first-generation entrepreneurs and assisting them in setting up enterprises. There are two components of assistance under the scheme - first is to provide funds for training programmes¹ and second is for capital support.

5.1.1.2 Funding of the Scheme

During 2012-13 to 2019-20, the Ministry released ₹358.99 crore for conducting training programmes and ₹62.25 crore for capital support under the scheme. Details are mentioned in **Annexure-XXXI**.

5.1.1.3 Approach, methodology and scope of audit

At the behest of Parliamentary Standing Committee on Industry and the Ministry in December 2016, Audit of ATI Scheme for the period April 2012 to March 2020 (eight years) was taken up in two phases, to examine the achievements of the scheme objectives. An Entry Conference was held with the Ministry on 6 July 2018. Thereafter, Audit examined the records relating to ATI Scheme in the Ministry and at five sampled implementing institutes between July 2018 and November 2018. The draft Report was issued to the Ministry on 28 June 2019 and Exit Conference was held on 8 November 2019. Audit observed, through analysis of data provided by the Ministry, that improvements were brought in the execution of ATI Scheme post Audit at the Ministry level during 2018-19 and 2019-20.

5.1.1.4 Audit objectives and Audit criteria

Audit aimed to ascertain whether:

- (i) guidelines, policy framework and planning were adequate,
- (ii) scheme implementation was efficient and effective,
- (iii) financial management was efficient and available funds were utilised optimally, and;
- (iv) internal controls existed and monitoring was effective.

¹ *Entrepreneurship Development Programmes (EDPs), Entrepreneurship cum Skill Development Programmes (ESDPs) and Training of Trainers (ToTs)*

The audit criteria were: Guidelines 2010 and 2016 of ATI Scheme, Minutes of the meetings of Screening Committee, approval letters, sanction orders and General Financial Rules, 2005/ 2017.

5.1.1.5 Audit sample

Of the 13 Institutes² that received funds under the scheme, Audit selected³ five implementing Institutes namely, National Institute for Micro, Small and Medium Enterprises (NIMSME), Hyderabad, Telangana; National Institute of Entrepreneurship and Small Business Development (NIESBUD), Noida, Uttar Pradesh; Central Tool Room (CTR), Ludhiana, Punjab; National Small Industries Corporation (NSIC), Okhla, Delhi and Centre for Entrepreneurship Development of Karnataka (CEDOK), Dharwad, Karnataka for detailed Audit scrutiny.

5.1.1.6 Improvements post Audit

Improvements in the execution of the scheme post Audit observed at the Ministry level for the financial years 2018-19 and 2019-20 are tabulated below:

Table 5.1: Improvements post audit in ATI Scheme

Sl. No.	Audit observations	Para No.	Improvements made
1.	During 2012 to 2018, minutes of meetings of Screening Committee (SC) were not circulated among the stakeholders, representatives of implementing institutes were not invited to the meetings and institutes were not inspected. SC had held only eight meetings.	5.1.2.4(A)	The Ministry has started: <ul style="list-style-type: none"> • circulating the minutes of SC meetings • started inviting the representatives of implementing institutes to SC meetings and increased frequency of the meetings • sending its officials for inspection of training institutes⁴.
2.	Ministry allotted majority of training targets to NIESBUD and NIMSME as compared to NSIC and CTR.	5.1.2.1(A)	From 2018-19 onwards, the Ministry reduced training targets of NIMSME and increased the share of NSIC and CTR.
3.	Irregularities in training data base: 12,746 cases of duplication,	5.1.2.2(D)	During 2018-20, an average of 49 cases per year of duplication and 65 cases per

² 1. NIMSME, Yosufguda, Hyderabad; 2. NIESBUD, Noida, Uttar Pradesh; 3. Indian Institute of Entrepreneurship (IIE), Guwahati, Assam; 4. NSIC, Okhla, Delhi; 5. CTR, Ludhiana, Punjab; 6. CEDOK, Dharwad, Karnataka; 7. Vardhman Mahaveer Open University (VMOU), Kota, Rajasthan; 8. Jai Narain Vyas University (JNVU), Jodhpur, Rajasthan; 9. Gulbarga Industrial Estate Manufacturers' Association (GIEMA), Gulbarga, Karnataka; 10. Entrepreneurship Development Institute (EDI), Jote, Arunachal Pradesh; 11. Coir Board, Kochi, Kerala; 12. Entrepreneurship Development Institute of India (EDII), Ahmedabad, Gujarat; and 13. Entrepreneurship Development and Innovation Institute (EDII), Chennai, Tamilnadu.

³ The selection of the Institutes was made on the basis of stratified random sampling, and the strata were formed on the basis of the amounts of grants received by the Institutes and the number of trainees trained by them.

⁴ Inspection was conducted at CTR, Ludhiana; Training centers of CTR Ludhiana at (i) Central Footwear Training Institute (CFTI), Chennai, (ii) Central Institute of Tool Design (CITD), Hyderabad, (iii) Indo German Tool Room (IGTR), Ahmedabad, (iv) Central Institute of Hand Tools (CIHT), Jalandhar; Training center of NSIC, Delhi at LBI, Chennai; and NIMSME, Hyderabad.

Sl. No.	Audit observations	Para No.	Improvements made
	16,884 cases of fuzzy duplication & irrelevant entries in trainee names were noticed.		year of fuzzy duplication were noticed, as compared to the average of 2,124 cases per year of duplication and 2,814 cases per year of fuzzy duplication found during 2012-18. No irrelevant entries were found during 2018-20, as compared to 25 irrelevant entries during 2012-18.

5.1.2 Audit findings

The Audit findings on the scheme are detailed in the paragraphs below.

5.1.2.1 Planning of ATI Scheme

A. Non-assessment of capabilities of institutes

As per Para 3.3.3 of Guidelines 2010 of the ATI scheme, the Screening Committee (SC) was to lay down the criteria for examining the competency, capacity and experience of the applicant training institutions. SC was to consider the proposals of the applicant institutions in the light of suitability of the proposals, competency, capacity, experience/ past performance of the institution, availability of funds, etc., and to forward the proposals along with its recommendations to Secretary (MSME), for approval.

Audit could not derive any assurance of SC laying down or considering any such criterion in the absence of documented evidence. Audit noticed that training targets (**Annexure-XXXII**) had been allocated to Institutes without considering their capacity and staff strength. As an illustration⁵, the comparative position of total staff strength (including non-faculty) of the Institutes and the targets allotted for conducting the training programmes during 2012-13 and 2013-14 is shown in Table 5.2.

Table 5.2: Staff Strength of Institutes vis-à-vis training programmes allotted

Institute	Staff strength of the Institute	Percentage of total staff strength of all the Institutes	Training programmes allotted in 2012-13 & 2013-14	Percentage of total training programmes
NIESBUD	26	1.34	3,448	45.05
NIMSME	91	4.72	1,666	21.76
IIE	44	2.28	1,430	18.68
CTR	870	45.08	628	8.20
NSIC	899	46.58	481	6.28
Total	1,930	100	7,653	100

⁵ *NIMSME, NIESBUD and IIE had conducted training programmes by themselves as well as through Partner Institutes (PIs) approved by the Ministry. The Ministry bifurcated the targets of training programmes allocated to the Institutes into own programmes and PIs programmes only during 2012-13 and 2013-14 and thereafter allocated consolidated targets without any bifurcation. Further, the Ministry did not furnish the staff strength of the PIs of the Institutes selected for Audit. In view of this, the staff strength of the Institutes (excluding that of the PIs) was compared with the targets allocated by the Ministry to the Institutes for conducting their own training programmes (i.e., excluding the programmes conducted by the PIs) for only two years viz., 2012-13 and 2013-14.*

As may be seen from Table 5.2, NIESBUD and NIMSME were allotted 45 per cent and 22 per cent respectively of the total training programmes during 2012-13 and 2013-14, despite their staff strength being only 1.34 per cent and 4.72 per cent of the total staff strength of all the five Institutes. In contrast, CTR and NSIC were allotted only eight per cent and six per cent of the training programmes, despite having 45 per cent and 47 per cent of the total staff strength of the five Institutes.

During the period 2012-13 to 2019-20, the Ministry had allotted majority of training targets to NIESBUD (37 per cent) and NIMSME (31 per cent) which, in turn, outsourced 99 per cent⁶ and 92 per cent⁷ of their own programmes respectively to private agencies, which was prohibited under the ATI scheme. On the other hand, meagre programmes were allocated to NSIC (seven per cent) and CTR (11 per cent) despite their better capacity and staff strength.

The Ministry justified (March 2019) that NIMSME and NIESBUD were specialised institutes in the area of entrepreneurship development and were given major share of training programmes. Training was only a minuscule part of NSIC's portfolio, and limited number of employees were involved in training. CTR conducted long-term technical courses (1-3 years) which were different from courses under ATI Scheme, which were normally of 72-300 hours' duration. The Ministry also stated that staff strength alone could not determine training imparting capacity and the training targets were fixed based on Institutes' proposals, availability of budget and their performances in preceding year. It was further stated that the Ministry was not aware of outsourcing of programmes by NIESBUD and NIMSME.

Pursuant to its transfer to the Ministry of Skill Development and Entrepreneurship in May 2015, no training programmes were allocated by the Ministry of MSME to NIESBUD from 2016-17. The Ministry reduced share of training programmes of NIMSME and increased training programmes of NSIC and CTR from 2018-19.

Recommendation No. 1

The institution of Screening Committee needs to be overhauled and specific parameters laid down for it to adopt, before approving a programme.

B. Non-assessment of skill requirements and non-assignment of minimum targets of wage employment/ self-employment to training institutes

Audit was not furnished any record, which could provide an assurance that the Ministry had assessed skill requirements, skill gaps prevalent in the country, and had accordingly planned to bridge the gaps through definitive skill development programmes, through accredited institutions. Ministry's sanction orders also, did not lay down any targets for the training institutes in terms of development of indigenous entrepreneurship, wage employment or self-employment of the trainees. Employability or the employment status

⁶ Out of total 3,776 programmes, NIESBUD outsourced 3,756 programmes

⁷ Out of total 3,438 programmes, NIMSME outsourced 3,159 programmes

of the trainees post-training and development of indigenous entrepreneurship was not discussed in any of the SC meetings. The ATI scheme also did not lay down any mechanism for assessment of post-training livelihood status of the trainees to derive assurance on the achievement of intended outcome of the training programmes. The Ministry could not produce any data to Audit on the development of new micro and small enterprises in the country, which was the basic objective of the scheme.

The Ministry stated (December 2019) that it was not possible to assign targets for employment of trainees since employment generation depended upon various factors like state of economic development, performance of various sectors of economy, etc., and not training alone.

The reply is not satisfactory as the basic objective of the scheme was to develop entrepreneurial base and encouraging self-employment. Audit is of the view that it would not be possible to assess the outcome of the scheme without assigning minimum targets of entrepreneurship development (self-employment) or wage employment. Therefore, Ministry's focus should be on increasing of entrepreneurial base in the country leading to enhanced employability of the trainees.

Recommendation No. 2

The Ministry should arrange to put in place a detailed curriculum and essential minimum levels of training for every type of skill sets assessed and required.

Recommendation No. 3

The Ministry should arrange to lay down a mechanism for assessment of the post-training livelihood status of the trainees by the Ministry/ Institutes.

5.1.2.2 Scheme Implementation

A. During the years 2012-13 to 2019-20, the Ministry allotted 17,615 training programmes to five apex institutes with target to train 4,73,658 persons. Against this, 15,263 programmes (87 per cent) were completed with training of 4,13,131 (87 per cent) persons as shown in Table below:

Table 5.3: Targets and achievement of training programmes

Institute	Programmes			Trainees		
	Target	Achievement	%	Target	Achievement	%
NIESBUD	6,558	5,274	80	1,64,020	1,32,562	81
NIMSME	5,385	4,990	93	1,59,345	1,47,333	92
IIE	2,464	2,026	82	72,830	61,319	84
CTR	1,903	1,812	95	47,575	45,764	96
NSIC	1,305	1,161	89	29,888	26,153	88
Total	17,615	15,263	87	4,73,658	4,13,131	87

B. Outsourcing of own training programmes by apex institutes

The sanction orders of the Ministry stipulated that an Institute would conduct all training programmes by itself or through approved Partner Institutes (PIs)⁸. Institutes were free to select PIs, as required, for conducting ATI training programmes. However, they were not allowed to outsource the programmes to any other agency.

Scrutiny of records revealed that NIESBUD and NIMSME outsourced their programmes to private agencies, other than PIs, in contravention of sanction orders. NIESBUD and NIMSME hired faculty for training programmes through outsourced agencies and did not have any control over their selection. Even selection of trainees and faculty was left to outsourced agencies. Audit could not verify the credentials of faculty for any of the training programmes and thus, could not derive any assurance about the competence of hired faculty and the quality of training provided in the programmes.

The Ministry conceded (December 2019) that it was not aware about outsourcing of training programmes by the Institutes.

C. Irregularities noticed in outsourced programmes of NIESBUD

Scrutiny of records at Noida campus of NIESBUD showed that NIESBUD had outsourced all Entrepreneurship cum Skill Development programmes (ESDP) to unapproved private agencies. It hired three different private agencies for providing faculty, infrastructure and coordinator from different parts of the country to conduct programmes on its behalf. Test check of 19 cases revealed that in all these cases, the competent authority (Director General of NIESBUD) approved the selections and appointments of private agencies after the completion of training programmes. However, the work orders were issued prior to the approval of competent authority. In one case, the work order was issued to hired agencies (all three) after completion of programme.

NIESBUD stated (November 2019) that the programmes were allotted with the instructions to start immediately to achieve the targets within the same fiscal year. Accordingly, the programme coordinators moved immediately to the field to mobilise the candidates at different locations. After selection of candidates and finalisation of infrastructure and faculty, the files were put up for approval. Hence, post facto approvals were obtained in many cases; however, verbal instructions of competent authority were obtained in advance. The competent authority signed on files after his satisfaction.

The reply is unacceptable, as Audit could not find any confirmation by the competent authority of any such instruction.

Further scrutiny revealed that in six cases, the three agencies (infrastructure provider, faculty provider and coordinator provider) which conducted programmes on behalf of NIESBUD and submitted separate invoices, made similar mistakes in their respective

⁸ *If any Institute did not have sufficient capacity to conduct training programmes, it had an option to allot extra programmes beyond its capacity to its authorised PIs and get it completed.*

invoices and corrected those mistakes in similar fashion. This was possible only if the same person prepared the invoices and made corrections. Two of such instances are reproduced in Box 5.1 below for reference.

Box 5.1: Portion of invoices where mistake had been made in programmes 2012/5824 & 5825 & 2014/22531 & 22532

A. Invoices of programmes 2012/5824 & 5825 where all three agencies made same mistake and corrected in similar fashion in their separate invoices

➤ Invoice of Infrastructure provider – GIIT

Sub:- Invoice for providing class room, furniture & training aids .
 Codes:- 2012/5824 & 2012/5825
 Prog :- Finishing & packaging supervisor
 Duration :- 125 Hrs
 No of Trainee:- 25 Each
 Category:-General
 Date :- 05-03-12 to 14-04-12
 Venue:-Loni

➤ Invoice of Faculty provider - Panorma Universal

Sub:- Invoice for providing faculty support in training programmes.
 Codes:- 2012/5824 & 2012/5825
 Prog :- Finishing & packaging supervisor
 Duration :- 125 Hrs
 No of Trainee:- 25 Each
 Category:-General
 Date :- 05-03-12 to 14-04-12
 Venue :-Loni

➤ Invoice of Coordinator provider - Prominent Solution

Sub:- Invoice for providing coordinator support and expenses on various activities
 Codes:- 2012/5824 & 2012/5825
 Prog :- Finishing & packaging supervisor
 Duration :- 125 Hrs
 No of Trainee:- 25 Each
 Category:-General
 Date :- 05-03-12 to 14-04-12
 Venue :-Loni

B. Invoices of programmes 2014/22531 & 22532 where all three agencies made same mistake and corrected in similar fashion in their separate invoices

➤ Invoice of Infrastructure provider – Eduwave revolution

Sub:- Invoice for 2 Skill Development Training Programme for SC and GENERAL candidates.
 Prog Details :- 22531, 22532
 Duration :- 300 Hrs
 No of Trainees:- 25 each prog.
 Prog Name : Repair and Maintenance of Power supply, Inverter and UPS
 Date : 21-12-2015 to 23-03-2016
 Venue : Hardoi & Jaunpur

➤ Invoice of Faculty provider – Srishti sewa samiti

Sub:- Faculty Support Invoice for 2 Skill Development Training Programme for SC and GENERAL candidates.
 Prog Details :- 22531, 22532
 Duration :- 300 Hrs
 No of Trainees:- 25 each prog.
 Prog Name : Repair and Maintenance of Power supply, Inverter and UPS
 Date : 21-12-2015 to 23-03-2016
 Venue : Hardoi & Jaunpur

➤ Invoice of Coordinator provider – Organization For empowerment of Rural Youth

Sub:- Invoice for 2 Skill Development Training Programme for SC and GENERAL candidates.
 Prog Details :- 22531, 22532
 Duration :- 300 Hrs
 No of Trainees:- 25 each prog.
 Prog Name : Repair and Maintenance of Power supply, Inverter and UPS
 Date : 21-12-2015 to 23-03-2016
 Venue : Hardoi & Jaunpur

NIESBUD replied (January 2019) that the error of printing same erroneous date of programme by all the three agencies was because a single coordinator of programme had assisted all the three agencies in preparation of these invoices and errors were corrected through hand.

From the facts above, possibility of manufacturing of invoices and records in-house by NIESBUD in some of the programmes could not be ruled out.

The Ministry assured (December 2019) that appropriate action would be taken in this regard.

D. Dubious expenditure on nameless candidates

Audit requested (June 2018) the Ministry to provide complete data⁹ of training/ trainees under the ATI Scheme for the period 2012-13 to 2017-18. The Ministry provided (May 2019) the data, after a year, which was incomplete. Data contained information of only 2,80,017 trainees (70 per cent) out of total 4,01,927 trainees trained as per records. Information on gender, duration of training, reimbursement for training and Aadhar numbers of trainees were missing in the data provided. In 25 cases, the trainee data was irrelevant as the names of trainees and their fathers were either in numbers or jumbled alphabets (i.e., ee, aa, 000 000, 99999, A B, Y P, p R, ABC etc.). In these 25 cases, the Institutes had claimed ₹10.70 lakh from the Ministry.

In order to do comprehensive analysis of the training data and for better appreciation of scheme implementation, Audit requested (August 2019) the Ministry to provide complete Aadhaar-linked data of ATI scheme trainings for the period 2012-13 to 2019-20. The Ministry provided data in a table in September 2020. The Ministry, this time provided data relating to 4,19,722 trainees¹⁰ without Aadhaar and mobile numbers of trainees.

Audit findings based on data analysis are discussed below:

i) Duplicate trainees

Audit compared the trainee names, fathers' names and date of birth of 4,19,722 trainees and found 12,844 duplicate cases (**Annexure-XXXIII**). The highest numbers of duplicate trainees (4,482 trainees) were in the year 2012-13 and the lowest in the year 2019-20 (41 trainees). The frequency of repetition of duplicates was two to nine times.

Audit noticed that from 2015-16 onwards, number of cases of duplicates decreased. Audit also noticed cases of duplication of trainees between apex institutes and their PIs, and also between different institutes. The programmes were conducted either at the same station or at stations located far from each other, and in all cases duration of programmes was either

⁹ *Data dump of ATI training website msmetraining.gov.in*

¹⁰ *As per the records seen in Audit, 4,13,131 trainees were trained by the five Institutes during the period 2012-13 to 2019-20, as shown in Table 5.3 under sub para 5.1.2.2(A). However, the data provided by the Ministry in September 2020 showed a total of 4,19,722 trainees. Thus, there was a mismatch between the data as per records and that provided by the Ministry.*

exactly same or overlapping. The estimated cost of training in respect of the 12,844 duplicate cases was worked out to ₹12.75 crore¹¹.

NIESBUD and CTR stated (August 2019) that it is possible for a trainee to attend another training in the second shift, the same day or the same period at another slot, as all trainings were not for the entire day. NIESBUD further added that there was no instruction to prevent a candidate from attending other programmes on the same day.

The reply of NIESBUD is not tenable as Audit observed that in two programmes of NIESBUD (2012/9050 of Hapur, Uttar Pradesh held during 6 August 2012 to 8 November 2012 and 2012/8583 of Sangrur, Punjab held during 1 August 2012 to 31 October 2012) where the period of the programmes was overlapping, 16 out of 25 candidates had attended both the programmes, even though the subject of both the programmes were same viz., 'AC Refrigerator and Water Cooler Repair' and distance between the training venues of the programmes was more than 300 kilometres.

ii) Fuzzy duplicate trainees

Fuzzy duplicates are those where name of the trainee and/ or the father appear to be different with minor changes to spelling.

Audit compared¹² trainee names and fathers' names of 4,19,722 trainees and found 17,014 fuzzy duplicate cases. The highest numbers related to 2014-15 (5,429) and the lowest for 2019-20 (65). Audit noticed that from 2015-16 onwards, number of fuzzy duplicate trainees decreased. Audit also observed that fuzzy duplicity was present in programmes of all institutes. Institute-wise fuzzy duplicates cases are detailed in (Annexure-XXXIV).

NIESBUD stated (August 2019) that the problem can be that of the software while uploading trainee data and assured proper care in future to avoid such instances. However, NIESBUD did not enclose any evidence in support of its contention or complaint made by it about problems in software design.

CTR stated (August 2019) that names of persons in its regions differ slightly. Sometimes two or more persons may have same name or same fathers' name but persons were distinct and it did not fudge deliberately the names of trainees or their fathers. The reply is not tenable as Audit findings indicate manipulation of data. Other institutes did not furnish their replies.

In respect of the Audit observations on duplicate trainees and fuzzy duplicate trainees, the Ministry accepted (November 2019) serious irregularities brought out by Audit and stated that these need to be corrected and further corrective measures would be taken in

¹¹ In order to estimate the cost of training in respect of the 12,844 duplicate cases, a test-check of records of 86 trainees was done and the average cost per trainee was found to be ₹9,928/- in these 86 cases. Thus, the total amount involved in the 12,844 duplicate cases can be construed as ₹12.75 crore (12,844 * ₹9,928).

¹² To detect such fuzzy duplicate cases, Audit compared the names of trainees and names of their fathers with the criteria of matching of 95 per cent or more but less than 100 per cent. The date of birth was not taken as a criterion for matching, as fuzzy match does not work with dates.

consultation with the training institutions. The Ministry assured to instruct the Institutes appropriately to ensure that the irregularities do not recur.

iii) Physical verification of records

To confirm the findings of data analysis, audit examined records of NIESBUD. Audit selected 64 programme files for the period 2012-13 to 2015-16 for scrutiny. However, NIESBUD furnished only 39 original programme files to Audit and remaining 25 programme records furnished were mere printouts from the MSME training website (msmetraining.gov.in). These did not contain attendance sheet, original admission forms, feedback forms, faculty details etc. Thus, Audit could not verify the genuineness of the programmes.

In reply (July 2020) NIESBUD stated that Institute's efforts to find the original programme files did not fructify as they were very old (FY 2012-13 to 2015-16).

Scrutiny of 39 original programme files revealed that documents¹³ in the files of three programme nos. 2013/14613 (Entrepreneurship Development Programme at Kolkata), 2015/22413 (Fashion Designing Programme at Sirmour, Himachal Pradesh) and 2015/22470 (Fashion Designing Programme at Sidhi, Madhya Pradesh) were exact copies of the documents found in three other programme files, 2014/17207 (Interior Design Programme at Howrah, West Bengal), 2014/22083 (Maintenance Fitter Programme at Solan, Himachal Pradesh) and 2015/17599 (Web Designing Programme at Chhindwara, Madhya Pradesh) respectively. It is clear that NIESBUD uploaded the details of same set of trainees more than once on the training website and claimed assistance wrongfully.

In the absence of Aadhaar-linked data of trainees, Audit could not verify if Aadhaar linking (introduced in 2016-17) had helped the Ministry to root out serious irregular practices identified earlier. Due to Ministry's reluctance to share Aadhaar-linked data, Audit is unable to assess the impact of the red flagged cases mentioned above and suggest any corrective measures essential to curb misuse of training funds.

Recommendation No. 4

The Ministry may consider introducing e-KYC verification of trainees, trainers, and agencies involved to ensure quality, authenticity and transparency.

Recommendation No. 5

The irregularities/lapses highlighted in this Report may be got investigated and the responsibility of the concerned officers/ Institutes for such lapses may be fixed by the Ministry.

¹³ *Attendance sheet, trainee application form, trainee supporting documents, feedback forms etc.*

5.1.2.3 Fund Management

A. Unspent balance of training funds not intimated to the Ministry

Audit verified the total funds spent by the sampled Apex Institutes under ATI Scheme during 2012-13 to 2017-18 and found that NIMSME & NIESBUD had unspent balances of ₹1.27 crore and ₹2.78 crore respectively as on 31 March 2018. The Institutes did not declare the unspent balance of the grants and interest earned in the Utilisation Certificates (UCs) sent to the Ministry. Thus, NIMSME and NIESBUD concealed ₹4.05 crore in the UCs. The details are in **Annexure-XXXV**.

In March 2019, NIMSME stated that it had submitted UC against the funds received from the Ministry and would submit one more UC for the interest portion. It further stated that ₹52.89 lakh was returned to the Ministry as unspent balance of 2017-18 in October 2018. However, as per Ministry's records, NIMSME had not refunded any amount (September 2020).

NIESBUD in its reply (January 2019) stated that it retained both unspent balance (₹0.96 crore) and interest (₹1.83 crore) treating it as compensation for opportunity cost¹⁴.

The reply of NIESBUD is not acceptable, as it had already availed expenses on monitoring and handholding.

The Ministry assured (December 2019) that appropriate action would be taken.

5.1.2.4 Monitoring and Impact of the Scheme

A. Monitoring of ATI Scheme at Ministry level

According to Guidelines 2010, a Screening Committee (SC) comprising of high-level officers from the Ministry and the Secretary (MSME) were required to monitor the progress of ATI Scheme periodically. However, the Guidelines did not lay down details of the monitoring mechanism. During 2012-13 to 2017-18, SC held only eight meetings with no representation from implementing Institutes. The deliberations of SC meetings were not circulated to implementing Institutes till 2017-18. The Ministry did not conduct any third-party review during the above period. The representatives of the Ministry never visited¹⁵ training institutes during 2012-13 to 2017-18 to monitor the progress of ATI training.

The Ministry stated (December 2019) that since 2019, it convened meetings more frequently and circulated minutes to all stakeholders.

Audit examination of records for the years 2018-19 and 2019-20 confirmed Ministry's claim.

¹⁴ *Opportunity cost, or alternative cost, is the loss of the benefit that could have been enjoyed had a given choice not been made.*

¹⁵ *As per para 3.3.3 (iv) of the Scheme Guidelines 2010, Central Government and/or the concerned national level EDI may also conduct such further checks or verifications through its own office or through an independent agency, as deemed necessary.*

B. Inadequate monitoring at the Institutes' level

i) Monitoring by NIMSME

Audit observed that NIMSME identified faculty members responsible to monitor successful completion of training programmes allotted to its PIs and outsourced agencies, including post-training follow-up activity. On completion of programmes, faculty in-charge used to certify documents for passing the payments. Also, as per the MoUs signed by NIMSME with its PIs, it was the obligation of NIMSME to provide training to the trainers/ core faculty of the PI and to provide course design/ syllabus for the trainees enrolled by the PI.

However, NIMSME did not provide to Audit, any evidence in support of training the faculty of PIs or having assisted PIs to design the syllabus. There was no evidence of faculty in-charge having visited PIs for monitoring.

In reply (October 2018), NIMSME stated that its officials used to visit the PIs during training programmes besides inauguration and valedictory sessions. However, NIMSME did not furnish any supporting documents.

ii) Inadequate monitoring of own and PIs' programmes by NIESBUD

Audit noticed that Noida campus of NIESBUD outsourced 99 *per cent* of its own programmes to private agencies. The outsourced training programme files did not contain completion reports, monitoring reports/ certificates etc. Further, NIESBUD did not furnish records related to monitoring and execution of programmes by PIs. In January 2019, NIESBUD provided three tour reports in support of monitoring PIs. However, these reports had no specifics of the programmes monitored.

C. Employment of the trainees

The basic objectives of the ATI scheme were to develop entrepreneurial base and encourage self-employment in the country. For this purpose, 4,01,927 trainees were trained under the ATI Scheme from April 2012 to March 2018 and out of that approximately 36 *per cent* trainees got employment as per the Ministry's reply. Data on employment of the trainees, as gathered from the Ministry and Apex Institutes is given in Table 5.4:

Table 5.4: Institute-wise employment data

Institute	Employment data gathered from the Ministry		Employment data gathered from the Institutes	
	Wage employment	Self-employment	Wage employment	Self-employment
NIMSME	48,465	28,239	41,654	27,245
NIESBUD	38,064	5,513	23,905	10,988
CTR	1,711	1,504	2,908	1,842
NSIC	3,281	2,133	2,977	3,608
IIE	7,145	6,721	Not available	Not available
Total (Percentage¹⁶)	98,666 (25%)	44,110 (11%)	71,444 (18%)	43,683 (11%)

¹⁶ Represents percentage of the total 4,01,927 trainees trained by the Institutes during 2012-18

It can be seen from the table that employment data of the Ministry and that of the Institutes does not match. In view of different sets of employment data provided by the Ministry and the training institutes, Audit could not derive assurance regarding the extent of employment generation from trainings imparted by the Institutes. Further, information on the extent of employment generated by each programme, and the programme which led to maximum employment was not being maintained. Further, the Ministry could not furnish information on development of entrepreneurial base in the country from implementation of ATI scheme.

In reply to Audit query regarding employment and efforts made by the Apex Institutes for generation of employment, they furnished the following comments:

- NSIC replied (September 2018) that Job fairs were regularly organised at centres where group of industries agreed to interview students. More than 300 companies visited the NSIC's technical centres in 2017-18.
- CTR replied (September 2018) that 4,379 recruiters were requested to recruit the trainees registered with Sampark Portal containing information of passed-out trainees.
- NIESBUD replied (August 2018) that approximately 10,000 plus candidates trained by it participated in 25 Rozgar Mela(s) (job fairs) across the country in which three *per cent* trainees chose self-employment and 8-10 *per cent* trainees chose wage employment.
- The Ministry replied (December 2019) that Apex Institutes were expected to maintain appropriate data while submitting monthly progress reports to the Ministry. The observations of Audit have been noted for future compliance and appropriate instructions would be issued to training Institutes.

Thus, in the absence of authentic evidence, claim of 36 *per cent* employment generation cannot be relied upon. Moreover, the Ministry did not capture information regarding increase in entrepreneurial base on account of ATI Scheme.

Recommendation No. 6

Scheme guidelines need to be strengthened providing sufficiently detailed instructions as to how to rationalise the objectives in order to convert training into livelihood through entrepreneurship or employment and achieve those in stages.

5.1.3 Conclusion

The Ministry largely failed to achieve the envisaged outcomes of the Scheme owing to inadequate monitoring and poor implementation that led to unethical practices by the institutes. The Ministry allotted training programmes to Institutes without assessing their capacity. Monitoring parameters were not defined properly by the Ministry thereby emboldening the Institutes to flout the guidelines and adopt unethical ways like falsifying the trainee records, tampering both physical and electronic records, etc., as evident through data analysis and records scrutiny by Audit. Further, NIESBUD and NIMSME did not account for unspent grant and interest earned thereon of ₹4.05 crore.

The Ministry did not assess the type of skills that could enhance the employability in the market. The sanction orders of the Ministry also did not lay down any targets for the Institutes for development of indigenous entrepreneurship or for wage employment/ self-employment of the trainees. Further, neither the ATI Scheme lay down any mechanism for assessment of post-training livelihood status of the trainees, nor such issues were discussed in any of the meetings of the Screening Committee. Thus, Audit could not derive an assurance on the achievement of intended outcome of the Scheme.

MSME Development Institute, Nagpur

5.2 Unfruitful expenditure on execution of project

Improper planning and execution of the project under the Micro and Small Enterprises – Cluster Development Programme resulted in non-fulfillment of scheme objectives, and rendered the expenditure of ₹8.89 crore as unfruitful, including GoI grant of ₹5.67 crore.

Government of India (GoI) introduced (October 2007) a scheme called ‘Micro and Small Enterprises - Cluster Development Programme (MSE-CDP)’ with the objective of capacity building of micro and small enterprises (MSEs) and their collectivities in the country. A cluster is a group of enterprises located within an identifiable area and producing similar/ same products/ services. Setting up of a Special Purpose Vehicle (SPV) was an integral part of the scheme which would enable the MSEs to leverage their resources and also have better access to public resources, linkages to credit and enhance the marketing competitiveness. The scheme also envisaged establishing a Common Facility Centre (CFC) comprising common centres for processing, training, marketing, raw material depot, effluent treatment, complementary production processes, testing laboratory, etc.

The Ministry of MSME accorded (February 2011) administrative approval for establishing a Common Facility Centre (CFC) in Fly Ash Cluster at Chandrapur, Maharashtra under MSE-CDP at a total cost of ₹15.38 crore, comprising GoI assistance of ₹13.50 crore and SPV contribution of ₹1.88 crore. The project components included plant and machinery (₹13.42 crore), land and site development (₹35 lakh), building and civil works (₹40 lakh), miscellaneous fixed assets (₹10 lakh), preliminary expenses (₹15 lakh), pre-operative expenses (₹20 lakh), contingencies (₹64.48 lakh) and working capital margin (₹11.56 lakh). The CFC was to start functioning within a period of 24 months from the date of administrative approval, and was expected to provide common services to the enterprises in the cluster at affordable cost as well as to generate enough income to meet all its running expenditure, depreciation and provision for replacement/ expansion of capital assets.

The Maharashtra Industrial Development Corporation Limited (MIDC), Mumbai was the Implementing Agency for the project and M/s High Fly Ash Cluster Pvt. Ltd, Chandrapur (SPV) was to run and maintain the CFC for use and benefit of its members. The ownership of the CFC and its monitoring was vested with the Government of Maharashtra (GoM).

The Director, MSME-Development Institute (MSME-DI), Nagpur was the apex body for coordinating and overseeing the progress of the project.

As per administrative approval, the first installment of the GoI grant was to be released after signing of a tripartite agreement between GoI, GoM and the SPV. The second installment was to be released after the receipt of Utilisation Certificate (UC) and expenditure statement of the first installment, joint inspection report on the progress of CFC by the State Government/ Implementing Agency and the MSME-DI, and list of machinery to be purchased.

The outcomes expected from the operation of CFC were as follows:

- a) Number of MSE Fly Ash processing units - 42 existing units and an additional 50 units essentially for expansion and diversification projects, and new start-ups,
- b) Production – increase in cluster turnover from ₹10 crore to ₹70 crore. Further, the existing nil exports position was likely to change to at least 15 *per cent* exports,
- c) Employment Generation – increase in employment from 1,100 to at least, 2000 persons

The Development Commissioner, MSME, New Delhi released (February 2012) the first installment of ₹8.10 crore to MIDC. The total expenditure incurred on CFC was ₹8.89 crore (GoI grant: ₹5.67 crore and SPV contribution: ₹3.22 crore). The unspent grant of ₹2.43 crore was surrendered (October 2013) to the Ministry of MSME.

Audit examination of records (October 2016) and the information collected (October 2020 and February 2021) from MSME-DI, Nagpur revealed that though the CFC was partially made operational (trial run) during 2014, 2015 and 2017 for short periods, GoI did not release the balance amount of grants as the joint inspection carried out by the Committee appointed by MSME-DI had pointed out (December 2014) the following lapses in planning and implementation of the CFC:

- At the time of project approval, the SPV had shown 42 existing fly ash based product manufacturing units as members of SPV. However, during inspection, it was found that only three SPV members were having fly ash based product manufacturing units, and the remaining members were only proposed units.
- The capacity of Fly Ash Classifier installed in CFC was 600 MT per day of classified ash, but the three SPV members were utilizing only 20 MT per day.
- At the time of inspection, 70-75 fly ash based units were working in and around Chandrapur, however, they were not associated with the SPV and were not interested to utilise the CFC, as they stated that the classified fly ash was not useful and economical for brick manufacturing.
- There was delay in allotment of plots to proposed units and there was lack of basic infrastructure like road, drainage, electrification, etc in the area where plots were to be allotted.

- A bulker¹⁷ was purchased in CFC to provide transportation facility for classified fly ash, and a special system was required for emptying/evacuating it. However, the required special system was not available with the individual units, and hence the bulker remained unutilised.
- Testing Laboratory at CFC was neither accredited by National Accreditation Board for Testing and Calibration Laboratories (NABL) nor any qualified staff appointed for testing and certification. Thus, no valid test certificate could be issued to the agencies to whom the units would supply their products.
- The training facility set up in CFC was lying unutilised.
- There was open conflict and difference of opinion between SPV members and existing fly ash brick manufacturers.

As a result of non-release of further grants by the GoI and consequent lack of funds, the suppliers refused to supply the balance material and back-up services for CFC. It was further observed that as of February 2021, 16 out of 42 units had taken possession of plots of which only five units had started production. Further, none of the 50 additional units/startups had set up their units in the cluster as envisaged. Similarly, the objective of increase in cluster production turnover from ₹10 crore to ₹70 crore and generation of additional employment could also not be achieved.

Hence, this resulted not only in non-fulfillment of scheme objectives but also rendered the expenditure of ₹8.89 crore, including GoI grant of ₹5.67 crore, incurred on setting up of CFC unfruitful.

While accepting the facts mentioned in the Audit para, O/o Development Commissioner, Ministry of MSME stated (March 2021 and July 2021) that the Industry, Energy and Labour Department, GoM was informed (March 2019) by the Ministry about the delay in implementation of CFC Project and it was suggested to constitute a high level committee to resolve the issues related to operationalisation of CFC. No response was, however, received from GoM despite follow-up reminders in April 2019 and June 2019. The Ministry further stated that the process of recovery of GoI grant released so far along with penal interest from the Implementing Agency (MIDC) would be initiated, if required.

Thus, improper planning and execution of the project, failure in completion and operationalisation of CFC due to delay in allotment of plots to SPV members, lack of infrastructure development and failure in obtaining the remaining grant from GoI, not only resulted in non-fulfillment of scheme objectives but also rendered the expenditure of ₹8.89 crore, including GoI grant of ₹5.67 crore, incurred on setting up of CFC unfruitful.

¹⁷ *Bulker is a Special Purpose Vehicle especially designed for collection, transportation and de-collection of dry fly ash. Cost of the bulker including chassis was ₹77.04 lakh.*