

~~H. V. S. Vignani~~
~~16/9/81~~

HARYANA VIDHAN SABHA
COMMITTEE ON PUBLIC UNDERTAKINGS
(1979-80)

(Fifth Vidhan Sabha)

11/5/81/6

~~V. N. Vignani~~

Second Report

ON THE

General Working Of
Haryana Financial Corporation



Presented to the House on 2-4-80

HARYANA VIDHAN SABHA SECRETARIAT,
CHANDIGARH.

MARCH, 1980.

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COMPOSITION
OF
THE COMMITTEE ON PUBLIC UNDERTAKINGS
(1979-80)

CHAIRMAN

1. Shri Sumer Chand Bhatt

MEMBERS

2. Dr. Brij Mohan Gupta
3. Ch. Har Swarup Bura
4. Master Jogi Ram
- *5. Shri Lehri Singh Mehra
6. Shri Mange Ram Gupta
- *7. Shri Mool Chand Jain
- *8. Shri Mool Chand Mangla
9. Shrimati Sushma Swaraj

SECRETARIAT

1. Shri Raj Krishan, Secretary
2. Shri Satvir Singh Ahlawat, Deputy Secretary

*Elected on 26-9-1979 in place of :—

1. Shri Balwant Rai Tayal
2. Shri Devender Sharma
3. Kt Ram Pal Singh

Who ceased to be members of the Committee on their appointment as Ministers with effect from 28-6-79, 31-7-79 and 31.7.79 respectively.

Shri Mool Chand Jain, M.L.A. has resigned on 16.2.80 on his appointment as Leader of Opposition.

INTRODUCTION

1. the Chairman, of the Committee on Public Undertakings, having been authorised by the Committee in this behalf present this SECOND REPORT in respect of the general working of Haryana Financial Corporation.

2. A brief record of the proceedings of each meeting has been kept separately in the Vidhan Sabha Secretariat.

3. The Committee place on record their appreciation for the valuable and unstinted assistance given to them by the Secretary, Haryana Vidhan Sabha and his staff, and are thankful to the representatives of the Government Department concerned and of Corporation who appeared before the Committee.

Chandigarh—160001, }
the March 27, 1980. }

Sumer Chand Bhatt
Chairman

GENERAL

In pursuance of a motion adopted by the Haryana Vidhan Sabha, in its sitting held on the 28th February, 1978, the Committee on Public Undertakings was elected on 21.3.79, for the second time, vide Notification No. CPU-1/79/24, dated the 14th May, 1979, to examine the general working of Twenty Public Undertakings, specified in the Scheduled attached to the motion, and the following nine members were elected to serve on the Committee :—

CHAIRMAN

1. Shri Sumer Chand Bhatt

MEMBERS

2. Lala Balwant Rai Tayal
3. Dr. Brij Mohan Gupta
4. Shri Devender Sharma
5. Ch. Har Swarup Bura
6. Master Jogi Ram
7. Shri Mange Ram Gupta
8. Kr. Ram Pal Singh
9. Smt. Sushma Swaraj

However, Lala Balwant Rai Tayal, Shri Devender Sharma and Kr. Ram Pal Singh ceased to be members of the Committee *w.e.f.* 28-6-79, 31-7-79 and 31-7-79 respectively, on their appointment as Ministers. Another member of the Committee, Shri Mool Chand Jain also ceased to be its member, with effect from 16th February, 1980, on his appointment/recognition as Leader of Opposition. In the resultant vacancies three members were elected on 26.9.79 and the present Committee consists of the following :—

CHAIRMAN

1. Shri Sumer Chand Bhatt

MEMBERS

2. Dr. Brij Mohan Gupta
3. Ch. Har Swarup Bura
4. Master Jogi Ram
5. Shri Lehri Singh Mehra

MEMBERS

6. Shri Mange Ram Gupta
7. Shri Mool Chand Mangla
8. Smt. Sushma Swaraj

The Committee scrutinised the material of the various Corporations. The Committee also made an on-the-spot study of the undertakings at their respective places in various districts. The recommendations/observations of the Committee which were orally examined are contained in the Report on succeeding pages.

REPORT

HARYANA FINANCIAL CORPORATION

Brief History

Haryana Financial Corporation, established under section 3 of the State Financial Corporation Act, 1951, came into existence on the 1st April, 1967, following the reorganisation of erstwhile Punjab Financial Corporation. The Corporation's main business is to provide financial assistance to the medium and small scale industries in the State.

The authorised Capital of the Corporation is Rs. 5.00 crores. Subscribed and paid up Capital of the Corporation at the end of March, 1978, amounted to Rs. 3.30 crores, divided into 3,30,000 shares of Rs. 100 each. Break up of the paid up Capital is as given below :—

	Rs.
1. Haryana Government	1,56,32,500
2. I.D.B.I.	1,37,91,500
3. Scheduled Banks	25,10,500
4. Co-op. Banks	1,51,500
5. Other Financial Institutions (Ins. Coys.)	7,63,500
6. Private Share-holders	1,50,500
Total	<u>3,30,00,000</u>

The Corporation is managed by a Board of Directors constituted in the manner laid down in section 10 of the State Financial Corporations Act, 1951. At present the Board of Directors, according to the information furnished by the Corporation, consists of :—

1. Shri V.K. Sibal, I.A.S., (Chairman)	}	Nominated by the Haryana Government
2. Shri B.S. Ojha, I.A.S.		
3. Shri K.R. Punia, I.A.S.,		
4. Shri B. Kejriwal		
5. Shri S. V. Bhawe		Nominated by Reserve Bank of India

- | | | |
|--------------------------------|---|--|
| 6. Shri S.P.S. Deol | } | Nominated by Industrial Development Bank of India
Elected to represent Scheduled Banks. |
| 7. Shri C.D. Reddy | | |
| 8. Shri D.C. Gupta | | |
| 9. Shri Man Singh | } | Elected to represent Co-operative Banks |
| 10. Shri R.C. Chadha | | |
| 11. Shri Vineet Virmani | } | Elected to represent Insurance Companies, Investment Trusts and Other Financial Institution (excluding Scheduled Banks and Coperative Banks) |
| | | |
| 12. Shri T.K. Banerji, I. A.S. | | Managing Director. |

The position regarding the number of meetings of the Board of Directors, required to be held under Regulation 44 of the General Regulations, and the number of meetings actually held during the last three years, is as under :—

Year	Meetings required to be held	Meetings actually held
1975-76	4	9
1976-77	4	10
1977-78	4	5

Regulation 47 of the General Regulations provides that each Director, other than the Managing Director and a salaried officer of the State Government, shall receive a fee of Rs. 75/- for each meeting of the Board and a fee of Rs. 50/- for each meeting of Executive Committee attended by him. In addition each Director attending a meeting of the Board or of the Executive Committee shall be reimbursed his travelling and halting expenses, if any, on the scale as may be fixed by the Board from time to time.

GUIDELINES FOR APPLICANTS

Haryana Financial Corporation has published a booklet "Guidelines for Applicants" which gives some details regarding the nature of assistance which can be rendered, the limits to which these can be rendered, the types of security against which it can be provided etc.

While the Committee appreciate the basic idea of publishing the booklet they feel that it contains instructions, which appear quite stringent to attract simple minded persons. On the other hand clever persons manage loans even by getting certain conditions relaxed.

Haryana Financial Corporation is expected to serve the State as a Development Bank in the true sense. It should, therefore, take concrete steps to fall in line with the fresh economic and political thinking regarding the advancement of weaker Sections of the society. The national consensus, at the present point of history, has sharpened the focus on the twin need of removal of unemployment and bringing about a more socially desirable redistribution of wealth. The Corporation should, therefore, suitably revise the booklet "Guidelines for Applicants" and also have its Hindi version published so as to attract simple people belonging to weaker sections of society.

Sanctions and Disbursements

The Corporation's main business is to provide financial assistance to the medium and small scale industries in the State. Only such units are eligible for financial accommodation from the Corporation as are engaged or are to be engaged in any one or more of the following activities --

- (a) Manufacturing of goods ;
- (b) Preservation of goods ;
- (c) Processing of goods ,
- (d) Mining ;
- (e) Generation and distribution of electricity or any other form of power ;
- (f) The maintenance, repair, testing or servicing of machinery of any description or vehicles or vessels or motor boats ; trailers or tractors ;
- (g) Assembling, repairing or packing any article with the aid of machinery of power ;
- (h) Fishing or providing share facilities for fishing or maintenance thereof ;
- (i) Providing special or technical knowledge or other services of promotion of industrial growth ; and
- (j) Development of any contiguous area of land as an industrial estate.

11th Annual Report of the Corporation, shows that cumulative sanctions of loan amounted to Rs. 48,86,01,466 whereas the total disbursement amounted to Rs. 30,30,64,240. In reply to a question of the Committee it was stated that in order to compare the lag between

sanctions and disbursements on a true basis it was essential to compare the effective sanctions with disbursements. Net effective sanction, it was explained, was the figure of cumulative gross sanction reduced by the extent of cancellation it was added further should that be done, for the entire portfolio, including what was inherited from the Punjab Financial Corporation, prior to 1st April, 1967 the net effective sanctions amount to Rs. 4,586.77 lakhs against which disbursements amounted to Rs. 3,563.77.

As for lag between sanctions and disbursements, it was stated that such a lag was inevitable considering the nature of Corporations activities and the procedural requirements that it had to follow.

During oral evidence it was also stated, in defence, that fixed assests of the Clients had to be verified on each stage and all legal requirements, including clearance of title, had to be scrupulously followed.

The Committee observe that this explanation would have been justified if the difference were small or if the period had been one year. There is, however, a difference of about Rs. 18.55 crores spread over a period of 12 years. The explanation offered is thus far from satisfactory. While the Committee appreciate the peculiar features which make such a time lag inevitable to some extent, they feel that the difference between the amount sanctioned and the amount actually disbursed by the Corporation is quite too large.

The Committee, therefore, recommend that the Corporation should take suitable steps to ensure that when a loan is sanctioned, after completing all the formalities, it should be disbursed to the loanee without any avoidable delay so as to enable him to utilize the loan according to his need and a proper check should also be kept for its proper utilization and the committee may be informed accordingly.

Decline in the Inflow of Applications

Scrutiny of the material supplied by the Corporation reveals that there was a sharp decline in the inflow of applications as indicated below :

Year	Total No. of Applications received.
1974-75	585
1975-76	227
1976-77	148
1977-78	187

As is evident the decline is somewhat arrested during the year 1977-78 but the inflow, as compared to the figure of 1974-75, is still very meagre. In reply to a question of the Committee it was stated that

the reduction in the inflow of applications was entirely on account of an unfavourable industrial climate and general recessionary conditions prevailing. Apart from the recessionary trend, it was further stated that it was also possible that the emergency acted as a deterrent to fresh investment.

The committee are not satisfied with the explanation offered and recommend that the real cause of steep decline in the number of applications may be investigated. It may be ensured that the fall in the inflow of applications is not due to inefficiency or inadequacy of staff. Concerted steps may also be taken to encourage applications for the grant of industrial loans by streamlining the working of the Corporation. Steps so taken by the Corporation, may be brought to the notice of the Committee as well.

Defaults in Repayment

According to the material supplied to the Committee the amount due by way of principal and interest and the outstanding defaults on loans, as on 31st March, 1977 and 31st March 1978, were as under :—

Date	No of Units	Principal (Rs. in lacs)	Interest (Rs. in lacs)
31.3.77	407	227.85	143.51
31.3.78	447	324.74	213.45

In reply to the question of the Committee the representative of the Corporation conceded that the defaults were a major problem. It was, however, added that a comparison of the 15 State Financial Corporations, concerning whom upto date data was stated to be available with the Corporation, showed that some other State Financial Corporations were in an even worse position and on the other hand, it was added further, the administrative and other expenses had been lowest in ratio to the portfolio in Haryana as amongst all the State Financial Corporations and that a co-relation appeared to be visible between the administrative expenses and the quality of the portfolio. It was also stated that handicaps had also been experienced for want of suitable personnels to handle legal matters and possibly also the fact that the Managing Director himself had been burndened with dual responsibilities by the State Government.

During evidence, in reply to a question as to what steps had been taken to strengthen the legal machinery, it was stated that during the year 1975-76, when the activities of the Corporation had reached a peak and it had sanctioned Rs 10 crores and disbursed about 6½ crores, the functionary next to the Managing Director in the Corporation was the Secretary and that the efforts of the General Manager to have additional staff did not bear any fruit.

The Committee are, however, not satisfied with the explanation furnished. A cursory study of the working of the Corporation, during

the last 10 years, amply bears out that there is something inherently wrong in its approach or assessment regarding the viability of the projects it has undertaken. It is perhaps due to this reason that the defaults have been mounting up year after year. Some machinery shall, therefore, have to be set-up and some other steps in that direction taken in order to improve this aspect of the Corporation working. At present it is difficult to escape the impression that despite lot of insistence on fulfilling various paper formalities and meeting other technical niceties, the basic soundness of criteria, for determining viability of the project, or the genuineness of the party undertaking that project, is lacking. Till certain radical steps are taken in this behalf the default will continue to remain a problem.

The Committee observe that the working of the Corporation should not be allowed to be eclipsed merely due to the inadequacy of the staff as this reflects lack of fore sight and efficiency on the part of the management. A corporation like this needs people experienced in industry and finance who are forward looking. The Committee, therefore, recommend that the work load at different levels be reviewed and appropriate steps taken to adequately streamline the administration and to properly strengthen the Corporations machinery entrusted with the recovery of loans so that it can effectively cope with serious situation that has already developed. As at present, the defaults exceed Rs. 5 crores. No financial institution like Haryana Financial Corporation, can normally afford to take such a situation lightly. The Committee are convinced that given a certain will at the top level, this problem is not something insurmountable. If the Machinery is properly geared up and its approach is target oriented, there is absolutely no doubt in the mind of the Committee that recovery will be possible in a very substantial number of cases. The Committee painfully view the deteriorating situation regarding defaults and recommend that the Corporation should deal with the wilful defaulters firmly and take steps to effect the recovery under the land Revenue Recovery Act. The Committee may be informed accordingly.

Facilities to Loanees

From the material submitted by the Haryana Financial Corporation it has been observed by the Committee that various facilities, which are offered by the Corporation to small entrepreneurs, are not quite adequate whatever facilities are offered by the Corporation do not reach the common man due to the lack of sufficient publicity staff for contacting and encouraging the small entrepreneurs and it is generally the clever who manage loans from the Corporation.

During oral examination the representatives of the Corporation conceded that there was a need for adequate publicity but they pleaded their helplessness in this behalf stating that the publicity by the Public Sector Undertakings stood banned by the Government since 1976.

The Committee observe that the Industrial development Bank of India which holds 41.80 % of the share capital of the Corporation, forgoes the entire dividend aggregating to Rs. 5,04,585/- payable to them. The State Government which has share holding of 47.37 % also forgoes dividend equivalent in amount payable to Industrial Development

Bank of India from out of Rs. 5,83,115 payable to them. The for gone dividend remains the retained profit of the Corporation and is ploughed back into the funds of the Corporation.

The Committee feel that the income of the Corporation can be re-utilised for more efficiently in providing technical consultation to help the loanees in preparing their projects and affording them the facilities which the banking institution offer to their clients. The Committee are disappointed to find that despite the working for the last over 10 years the Corporation has failed to provide such facilities in adequate measures. The Committee, therefore, recommend that the Government/Corporation may examine this matter in details and take suitable steps to provide more facilities to the clients on the same pattern, such facilities are provided by banking institutions. The Committee also recommend that in order to locate inspire familiarise and help the small entrepreneurs about the requirements and policies of the Corporation publicity media be geared up for contacting and encouraging the deserving parties. Steps taken by the Corporation in this behalf may be informed to the Committee.

Utilisation of Loans

The Corporation was set up mainly with a view to provide financial assistance to the Industrial Units in the State on such terms and conditions as may be agreed upon. The system/procedure which is adopted in processing the loan applications is that after an application is received by the Corporation, it is first scrutinised by the receiving section to ensure that it conforms broadly to the statute and policies of the Corporation viz. whether the Corporation entertains applications for the product proposed to be manufactured, whether the paid up capital and reserves of the promoting company is within the statutory limits, whether the amount of loan applied for is Rs. 15.00 lakhs or below in cases of sole proprietary and partnership concerns and Rs. 30.00 lakhs and below in cases of other types of concerns. If so, it is then allotted to an official of the Corporation for examining its techno-economic viability including inspection of the site and interview with the entrepreneurs etc. After the inspection is done the case is referred to the sanctioning authority. After the sanction of loan a letter is issued to the entrepreneurs indicating the decision of the sanctioning authority including the terms and conditions on which sanction is proposed.

The Committee, however, observe that the Corporation beyond disbursing the loans has never bothered itself to know whether the fund sanctioned and disbursed have been actually utilized for the purpose for which those were sanctioned. Disbursement of the loans was not the main object but just a means to certain end. It is said commentary on the working of the Corporation that it has unfortunately taken disbursement of loan as the end in itself and it does not know whether the projects it had financed had ever seen the light of the day and at what stage of production if any, they were.

The Committee, therefore recommend that Corporation should take suitable steps to keep a watch over the cases where loans are sanctioned and ensure that loans have been properly utilized for the purpose for

which they were sanctioned. The Committee feel that till certain radical steps are taken in this respect the in-flow of common tax payers money in to the unscrupulous hands with the tacit connivance and support of the Corporation staff cannot be fully obviated.

Case of M/s Guruji Production of India

The State Financial Corporation Act, 1951, requires lending only against tangible assests. As a consequence, the fixed assets are required to be verified at each stage of disbursement and those responsible for doing such verification are expected to adopt a true course consistent with the postulates prescribed under the law. However, in the case of M/s Guruji Production of India, which case came to light during the course of oral examination of the representatives of the Haryana Financial Corporation, it transpired that those responsible for generating industrial investment in the State had acted in most dubious manner and sanctioned a substantial loan without any proper and objective verification of the assests. According to the information of the Committee no pucca building had been constructed by the party except a few huts which had also been swept away by winds. The Committee were therefore, at a loss to understand the basis on which the amount of advance was sanctioned and desired the representatives of the corporation to furnish a detailed note giving full facts of the case. The note so submitted by the representatives of the Corporation, contains the following narrative :—

Shri Shyam Bihari S/o Sh. Radha Krishan approached the Corporation for a loan of an amount of Rs. 8,25,000/- on the 23rd January, 1976 for a handloom silk unit to be established at village Mayar near Hissar under the name and style of M/s. Guruji Production of India.

As per the normal practice of the Corporation, the loan case was allotted for appraisal and the appraisal was conducted on 11th & 12th March, 1976 by a Technical Officer (Text) Shri S.D. Chhuggani and another officer (Shri A.K. Aggarwal). The inspecting officers found the proposal in order and recommended that a loan of an amount of Rs. 8.50 lakhs be sanctioned. The appraisal report was studied and a question was raised concerning the marketability of silk handloom material as well as the cost of the scheme for land, building and plant & machinery. However, it was decided to place the memorandum before the Executive Committee for consideration.

The Executive Committee considered the loan proposal on the 3rd May, 1976 and agreed that the land taken in the scheme was excessive. The Executive Committee also felt that a provision needed to be made for a tubewell which has not been made in the proposal before hand. The Committee also discussed the proposal with the entrepreneur and he was informed that with these modifications, the cost of the project would increase further and the entrepreneurs liability would also increase and in this context enquired of the entrepreneur his ability to arrange funds to the required extent. The entrepreneur was advised to discuss the matter further with the officials of the Corporation. The loan proposal was accordingly deferred. The matter was re-submitted to the Executive Committee on the 21st May, 1976 for sanction of a loan of Rs. 8.38 lakhs inclusive of central subsidy of Rs. 1.47 lakhs.

The Executive Committee approved the revised proposal and recommended it to the Board for sanction.

The Board considered the proposal and approved it in its meeting of the 19th July, 1976 and a loan of an amount of Rs. 8.38 lakhs (including Central Subsidy of Rs. 1.47 lakhs) was sanctioned to the concern.

Subsequent to the sanction, the normal procedural requirements of the Corporation were followed and after the completion of such requirements as necessary, the verification of the assets was conducted by Shri H.L. Kapoor on the 29th October, 1976 who reported assets in the nature of buildings of the order of Rs. 74,000/- as on that date. Although on the basis of the assessment, an amount of Rs. 79,000/- was admissible by way of loan, it was not released as some other conditions were required to be complied with.

Another verification was conducted by Shri V.K. Bhandari on the 29th November, 1976, according to which the assets had been added to by another Rs. 1.10 lakhs on the building account. On the basis of these verifications, an amount of Rs. 1.57 lakhs became due and was released as the first instalment after the execution of the Mortgage Deed on the 14th December, 1976.

The next verification was conducted by Shri Manchanda on the 31st January, 1977 and another addition of Rs. 2,27,701.29 was recommended by the said officer in the building account. As a result of this verification, another amount of Rs. 1.82 lakhs became admissible and was released on the 3rd February, 1977.

On the request of the client on the 2nd May, 1977, the case was moved again for the allotment of further verification of assets created and the inspection was allotted to Shri C.L. Sharma. On the receipt of the latter's report on the 24th May, 1977, an amount of Rs. 1.86 lakhs was found due and released on the 26th May, 1977.

In the meanwhile, a report had been received in the Corporation on the 2nd May, 1977 and reached the concerned branch on 4th May, 1977 from the Branch Officer of the Corporation at Bhiwani. The Branch Officer has stated therein that Shri Aggarwal Industrial Promotion Officer in the office of the Rural Industrial Project Officer, Hissar had mentioned to the Branch Officer (Shri B.M. Kapoor) that anonymous complaint had been received from the State Government by Shri Aggarwal for enquiry. Shri Aggarwal desired a joint visit with Shri Kapoor as the unit had been financed by the Corporation in order to see whether the funds had been properly utilized. The concern was visited on the 24th February, 1977. The factory had been seen and enquiries made from the labour working in the factory. The sole proprietor was away. It was gathered that the complaint had been made by a disgruntled worker who had been turned out and it was the judgement of both Shri Aggarwal and Shri Kapoor that a substantial amount had been incurred by the party on the creation of fixed assets and that the prospects of misutilization of loan released were remote. Shri Aggarwal was informed by Shri Kapoor that the Corporation's releases were based on the account books as well as the physical verification of the assets. He was further informed that the detailed

scrutiny of utilisations would be possible on the scrutiny of books and the assessment of the assets by qualified engineers. The scrutiny of the books could not be undertaken in the absence of the sole-proprietor and Shri Aggarwal stated that he would call the sole-proprietor and check the books himself. With his report, Shri Kapoor also enclosed the report made by the Industrial Promotion Officers, Rural Industrial Project Officer to the Director of Industries, a copy of which had been endorsed by the former to Shri Kapoor as well. The Industrial Promotion Officer informed that the complaint was not borne out by the work seen at the site and by the account books of the concern. He further confirmed that apart from the aid of the Corporation, the party had invested substantial funds from his own account.

This report was put up by the Section concerned alongwith other routine points on the 3rd June, 1977 and was filed. It may be worthwhile mentioning that upto this stage, no complaint had been received in the Corporation.

It was decided on the 5th August, 1977, to entrust a detailed inspection-cum-assessment to the Technical Officer (Text.), who was directed to look into all aspects of the matter.

On the 11th August, 1977, the complaint from Shri Ram Bilas was received from the State Government for comments. On the 18th/19th August, 1977 in addition to Shri Chhuggani, Technical Officer (Text.) who had already been asked to do a detailed inspection of the unit, Shri T.N. Trehan, Assessor was entrusted the task of assessment of the civil construction also.

In addition to this, and while not formally entrusting the complaint to the General Manager of the Corporation, he was verbally and confidentially advised to pay a visit to the unit and to superficially determine that the unit was being set up. The detailed investigation and assessment had already been entrusted to qualified engineers, one being a textile Engineers and the other a Civil Engineer.

The reports of the two Engineers were received in due course, copies of which are being appended with this.

Shri Chhuggani in addition to verifying the physical existence of assets tried to contact the complainant Shri Ram Bilas at Village Mayar. He could not meet the complainant, He, however, reported that one Shri Ram Bilas of village Mayar was working in Delhi and obtained his address at Delhi. The Corporation, therefore, wrote to the alleged complainant Shri Ram Bilas on 23-9-1977 in Delhi requesting him to inform whether he had lodged the complaint so that the Corporation could get in touch with him. Shri Ram Bilas in his letter to the concern informed that he had never seen the premises of the concern and, therefore, the question of his lodging any complaint did not arise. In his un-dated reply to the Corporation, the complainant denied having made any such complaint and stated that he had never seen the premises of Guruji Production of India. The books of accounts of the concern were also got checked up by Shri K.K. Sharma at the Head Office of the Corporation who found the account books by and large in order.

Shri Trehan who was deputed for assessment of buildings, assessed the same at Rs. 5,25,998/- against the book value of Rs. 7,45,531.78. Shri Chhuggani assessed the value of machinery at Rs. 1.30 lakhs. as against the book value of Rs 1,78,081.05. As per the practice of the Corporation, the lower of the two values is accepted for determining the margin on security and deciding the amount which can be disbursed to the concern. In view of no material substance having been established from out of the enquiries made on the complaint on the capital and security permitting the release, the concern was estimated to be eligible for a further release of Rs. 9,000/- only

In order to confirm the position of accounts, the Corporation issued a telegram to the concern asking it to produce its account books again. In response to the said telegram, the sole-proprietor Shri Shyam Bihari alleged unnecessary harassment on the part of the Corporation and also mentioned in his concluding paragraph that "we want to avoid litigation", indirectly threatening litigation. A copy of this letter was also endorsed to the Minister of industries, Haryana. The concern, however, produced its books of accounts which were re-checked in the office of the Corporation and the sole-proprietor held discussions with the Managing Director on 22nd and 23rd December, 1977.

The Government on receipt of the copy of Shri Shyam Bihari's letter dated 26th November, 1977 also started making informal enquiries for the disbursement of loan. The Corporation finally decided to disburse the amount of Rs 9,000/- which the concern was eligible as per the practice and norms of the Corporation on 28th December, 1977. It was also placed on record that the case should be closely examined at each stage (at the time of future disbursements). The Department of Industries vide their letter of 2nd January, 1978 forwarded a copy of the letter of Shri Shyam Bihari to the Corporation for disposal which was subsequently followed by another letter No. LNS/Misc/Guruji/78 1120-A dated 10th January, 1978 from the Director of Industries wherein the Director of Industries had mentioned that the concern had already invested Rs. 10.40 lakhs as against the cost of project of Rs. 15.47 lakhs and that the project was labour oriented and would provide employment to about 1,000 workers. The Director of Industries had categorically mentioned that the balance amount of loan of Rs. 3.13 lakhs may please be released to the party to enable them to go ahead with the project.

It will be seen that the project was seen to be in physical existence by the following gentlemen .—

- i) Shri H. L. Kapoor.
- ii) Shri V. K. Bhandari
- iii) Shri R. Manchanda.
- iv) Shri C. L. Sharma.

and substantial investments had been made for creation of fixed assets. The value of assets besides being seen from time to time at each verification was also got assessed through Shri T. N. Trehan, qualified Civil Engineer on the panel of the Corporation and Shri S. D.

Chhuggani, Technical Officer (Text). of the Corporation. Besides, the Industrial Promotion Officer an Officer in the office of the Rural Industrial Project Officer, Hissar had also visited the site and saw the factory building etc. in existence. The General Manager of the Corporation also saw the physical existence of the structures and the books of the concern were checked not only at each stage of inspection, but also twice at the Head Office of the Corporation in Chandigarh itself. As such, there does not appear any doubt about the existence of the factory. It may be pertinent to add that the project was being set up by a new entrepreneur in a backward district identified by the Central Government and was designed for creating employment in a rural area and particularly for backward classes. With a view to keep the cost of project low, the Corporation had accepted rate of construction of building for estimation of cost of project at Rs 12/- per sq. ft for workshop shed consciously accepting thereby that the construction would be second class.

The Corporation received a telegram from the concern on 12th June, 1978 indicating that its premises had been ruined because of high velocity wind and earthquake. The Corporation immediately directed its Hissar office where Shri K. K. Sharma was posted at that time to carry out an inspection of the unit and report the situation. Shri Sharma reported that there was a hurricane at about 6-30 P.M. on 10th June, 1978 in which the premises of the concern were damaged along with some damage to another concern M/s. Kilburn Ceramics, which is situated nearby and some electrical installations of railways. He also got the photographs made of the site indicating the damage done to the structures. The Corporation considered Shri Sharma's report and decided that the retrieveable assets from the debris may be retrieved and stored separately in a safe place provided the concern is also agreeable to this. From a perusal of Shri Sharma's report dated 1st July, 1978, it was gathered that the attitude of the sole-proprietor was indifferent and non-co-operative.

The Corporation also called the party telegraphically in response to which Shri Shyam Bihari called on the General Manager and Managing Director of the Corporation when the Corporation expressed its dissatisfaction over the indifferent attitude of the sole-proprietor and asked him as to how he proposed to restructuring of the unit. Shri Shyam Bihari did not have any concrete proposal for revival of the unit, but he said that he would submit a proposal for a reduced size of unit, which can be constructed with the material retrievable from the debris. He also mentioned that he would approach the Government for a sympathetic consideration in view of the natural calamity for revival of his unit.

To verify the nature of the reported thefts of property the copy of the F.I.R. stated to have been lodged with the Police was also obtained. Besides, the Deputy Commissioner, Hissar was addressed to confirm the fact of the hurricane and its severity. Despite reminder, the report has not been received.

The loan has been recalled in preparation for further legal action to realise our dues from the concern and its guarantors.

The Committee, however, did not feel satisfied in the matter and therefore, decided to conduct an on the spot study. The on the spot study revealed that there were 6—7 rooms and a few sheds on a total area of about four acres. The material used was worthless. It was due to this reason that when the storm hit this area the roofs of the Sheds below away. Enquiries made by the Committee in the surrounding areas there, revealed that there was no damage of any significance to any other building in the area. This amply proved that the funds utilized by M/s. Guruji Production of India for the creation of a fixed assets had been misutilized.

The Committee painfully observed that when a complaint was received and the General Manager was deputed to pay a visit to the unit he failed to submit any report. The Committee fails to understand as to what stood in the way of the General Manager in submitting a report based on his own assessment. This either reflects a dereliction of duty or an act of collusion on his part.

The Committee observe that it is most imperative that person verifying the viability of a project at different administrative and technical levels must be held squarely responsible and accountable for the decision taken or recommendations made by them until and unless this most elementary check is applied it would be well high impossible to improve the working of the Corporation. As at present, in view of the fact that since none is to be held responsible for his doings, however, wrong or defective, factually or otherwise, every one can escape responsibility.

The committee, therefore recommend that appropriate steps be taken to have an enquiry conducted and a responsibility for the remissness fixed. The Committee also recommend that suitable steps be taken to ensure that the machinery concerned with conducting verification and making recommendations consists of persons who are imaginative, dedicated and knowledgeable so that recurrence of cases like the one aforesaid, which has been admitted by the representative of the Government to be undoubtedly a very bad case, is eliminated.

ANNEXURE

MOTION REGARDING CONSTITUTION OF A COMMITTEE ON PUBLIC UNDERTAKINGS.

- “1. (a) That a Committee of the Haryana Vidhan Sabha to be called the “Committee on Public Undertakings” for the examination of the working of public undertakings be constituted consisting of nine members who shall be elected by the House every year from amongst its members according to the principle of proportional representation by means of single transferable vote.
- (b) That a Minister shall not be eligible for election as a member of the Committee and that if a Member, after his election to the Committee, is appointed as Minister, he shall cease to be member thereof from the date of such appointment.

2. That the functions of the Committee shall be :—

- (a) to examine the reports and accounts of the public undertakings specified in the as below Schedule and any such other public undertakings as may be referred to the Committee by the Speaker for examination ;
- (b) to examine the reports, if any, of the Comptroller and Auditor-General on the public undertakings;
- (c) to examine in context of the autonomy and efficiency of the Public Undertakings whether the affairs of the Public Undertakings are being managed in accordance with sound business principles and prudent commercial practices ; and
- (d) to exercise such other functions vested in the Committee on Public Accounts and the Committee on Estimates in relation to the Public Undertakings mentioned above as are not covered by clauses (a), (b) and (c) above and as may be allotted to the Committee by the Speaker from time to time.

Provided that the Committee shall not examine and investigate any of the following, namely :—

- (i) matters of major Government policy as distinct from business or commercial functions of public undertakings ;
 - (ii) matters of day-to-day administration ;
 - (iii) matters for the consideration of which machinery is established by any special statute under which a particular public undertaking is established.
- (3) that the term of the office of the members of the Committee shall not exceed one year.
 - (4) that the quorum of a sitting of the Committee shall be four.

5. That in all other respects the Rules of Procedure of the Legislative Assembly relating to the Committee shall apply with such variations and modifications as the Speaker may make.

SCHEDULE (SEE PAGE 13)

List of Public undertakings

1. Haryana Financial Corporation, Chandigarh.
2. Haryana State Industrial Development Corporation, Chandigarh.
3. Haryana State Small Industries & Export Corporation, Chandigarh.

4. Haryana State Handloom & Handicrafts Corporation Chandigarh.
5. Haryana Agro Industries Corporation, Chandigarh.
6. Haryana Warehousing Corporation, Chandigarh.
7. Haryana Land Reclamation & Development Corporation, Chandigarh
8. Haryana Seed Development Corporation, Chandigarh.
9. Haryana Dairy Development Corporation, Chandigarh.
10. Haryana Minor Irrigation (Tubewells) Corporation, Chandigarh.
11. Haryana Tourism Corporation, Chandigarh.
12. Haryana Harijan Kalyan, Nigam.
13. Haryana Tanneries Ltd., Jind.
14. Haryana Breweries Ltd., Murthal.
15. Haryana Matches Ltd., Yamunanagar.
16. Haryana Minerals Ltd., Narnaul.
17. Haryana State Electricity Board, Chandigarh.
18. Haryana Agricultural Marketing Board, Chandigarh.
19. Haryana Housing Board, Chandigarh.
20. Kurukshetra Development Board.