

S.S.e.16. ABRAHAM, P.K.—Model for developing rubber based industries in Kerala—1989—Dr. K.C. Sankaranarayanan

Statement of the Problem

Kerala is producing over 90 per cent of Natural Rubber of India, a versatile Industrial Raw Material, used for producing over 50,000 consumer and Industrial products. Kerala has a highly educated, reasonably skilled and talented man-power. There is adequate development of Industrial infrastructure such as roads, railways, ports and communication links. Power, a major input for most of the rubber based industries, was surplus till recently. It was estimated that over the last one decade, there was an inflow of over Rs. 10,000 crore by way of foreign exchange remittance to Kerala. There is a huge consumer market making Kerala a continuous urban and semi urban agglomeration of people. The unemployment has crossed 30 lakh mark. Despite these favourable factors only around 10 per cent of Natural Rubber (NR) produced in Kerala is used as an industrial raw material inside the state. The balance is taken out as an industrial raw material for factories situated as far as Calcutta, in Bengal and Modi Nager in U.P. Due to this, the state is loosing a vital economic opportunity in terms of value addition; employment generation and market exploitation.

Objective of the Study

The objective of the present study is to conduct an enquiry into the cause of non-development of Natural Rubber based industries in the State of Kerala, and to suggest a model for the industrial utilisation of a desired level of this raw material in the State itself under a time span.

The Hypothesis

The hypothesis of the study is that lack of entrepreneurial, organisational and political leadership are the major causes of non-industrial utilisation of Natural Rubber in the state.

Methodology and data Collection

Both primary and secondary data were collected, the University Library (Trivandrum), the Rubber Board and the Rubber Research Institute (Kottayam), the Centre for Development Studies (Trivandrum), the Trivandrum Public Library (Trivandrum), the State Planning Board (Trivandrum), the Bureau of Economics and Statistics (Trivandrum), the FACT's documentation Centre (Alwaye), the State Industries Department (Trivandrum), the KSIDC (Trivandrum), the KITCO (Ernakulam) etc were visited for collecting secondary data and surveying the available literature connected with the subject.

The secondary data were supplemented by a survey covering over 150 industrial units of which 80 per cent were rubber based. The selection of the units was done at random. A pre-tested questionnaire was used to collect data

from them. Apart from answers for the pre-set questions, their views, opinions and judgements were sought on various aspects of industrialisation of the state. Leading entrepreneurs of the state were also met personally and their views ascertained to strengthen the validity of the conclusions.

Limitations of the Study

Detailed feasibility and project studies on various rubber based units which can be established in Kerala could not be attempted in this study. Hence only certain broad and general recommendations could be made. Detailed feasibility and project report for model suggested will involve an expenditure of several lakhs.

Plan of the Study

For the purpose of analysis the study is divided into 11 chapters. Annexures, tables and graphs that are relevant to the study are given at the end. A brief outline of each chapter is given below:

Chapter 1, viz. Historical background on the industrialisation of Kerala deals with the history of industrialisation of Kerala from early times.

Chapter 2 is on industrial Development during the Five Year plans in Kerala. This chapter deals with the Industrial development in the state after independence and during the successive Five Year Plans. It also compares Industrial Development of Kerala with other States in India. The objective is to find as to where Kerala stands in the Industrial Map of India after 40 years of Planned Development.

Chapter 3 deals with the Industrial Backwardness of the State and the Employment situation. It presents an overview of the economic situation of the State and elucidates as how the state has slipped in the Industrial field since independence and the consequent explosive unemployment situation in the state.

Chapter 4 presents the Scope of the Present Study. This explains also the background of the study, the problem, the scope, objectives, hypothesis, methodology and limitations.

Chapter 5 is on the History of Natural Rubber. This chapter summarises the history of Natural Rubber, its origin, development and present position in the world, India and Kerala as a plantation crop and as a major Industrial Raw Material.

Chapter 6 deals with both Natural Rubber and Synthetic Rubber. It explains, the invention of Synthetic Rubber and its substitution in the areas where Natural Rubber was ruling supreme. The composition of NR-SR utilisation in the world as well as in India over the years is also compared in this chapter.

Chapter 7 presents the Development of Rubber Based Industries with reference to the World Scene. This chapter deals with the various inventions which made rubber the most versatile industrial raw material. It traces the history of rubber based industries in the world. The consumption projection upto 2000 A.D. is also made in this chapter.

Chapter 8 explains the Development of Rubber Based Industries with reference to the Indian Scene. The development of rubber based industry in India and the estimated demand upto 2000 A.D. is also given in this chapter.

Chapter 9 is on Development of Rubber Based Industries with reference to the Kerala Scene. The history of rubber based industries in Kerala and its developments under various sectors are included in this chapter.

Chapter 10 discusses the reasons for Non-development of Industries in Kerala including Rubber based Industry. The stagnation of the Industrial Sector in Kerala,

the reasons which led to the present situation, the unsatisfactory development of Natural Rubber based industry are dealt with here.

Chapter 11 presents the Conclusions and Recommendations Emerging from the Study. The study validates the hypothesis that lack of entrepreneurial, organisational and political leadership resulted in inadequate investment and an unfavourable environment for the development of industries in general and Natural Rubber based Industry in particular. The labour image projected with reference to the state has driven away the outside entrepreneurs. It also compelled the native entrepreneurs to seek shelter in other states. There is no conscious move from any quarters to industrialise the state. On the other hand the anti-industrial lobby in the form of environmentalists and anti-pollutionists are most vociferous in the state. They successfully blocked the generation of additional power in the last decade which is the most important input for any industry. There was no worthwhile investment in industries in the state for the last 40 years in comparison with the states potential or need. The Government investment was mostly on education, health and social welfare activities and the private investment was on non-productive areas and conspicuous consumption. It was found that the State frittered away over Rs. 10,000 crores remitted from abroad by the Gulf Malayalees during the last 15 years. The bureaucratic procedures have created road-blocks everywhere for entrepreneurs. The entrepreneur's social standing is very low compared to even a Clerk in Government. The Sales Tax and Excise Department consider an entrepreneur not as a respected citizen but a law breaker, account manipulator and tax evader. The political leadership which ruled Kerala over the past years never took up industrialisation as a major objective. The clear proof is the investment in this sector and the unbridled freedom given to labour to win their rights over the right of all others including the public. The organised labour with their militant practices created a fear psychosis among industrialists which made Kerala out of bound for any entrepreneurial activity. The fate of a few industrialists like Birla (Mavoor), Dalmia (Punaloor), Binny (Cochin), Premier (Kalamassery) who ventured their investment in Kerala was enough proof for confirmation for others. While Kerala gave such negative and hostile signals to industrialists and prospective entrepreneurs, there were a large number of other states both near and far to give red carpeted welcome to them. The survey among the present entrepreneurs of the state has clearly underscored this. Rightly or wrongly, their perception is that other states like Tamil Nadu and Karnataka are more conducive to start industries than Kerala. Many of them have established their second units in these States.

It was also found that Kerala has very little Native entrepreneurial class. The much celebrated "planter" is not an entrepreneur. He is only a big, better organised, well managed, scientific farmer. He faces less risk or uncertainty compared to an industrialist. After all his basic investment is in the land which is the safest one in the state. The next is in the traders and financiers who are after quick profits. While Kerala scared away the outside entrepreneurs it never produced or nurtured a native one, with the result that there was no one to give leadership in the field except the bureaucrats and Clerks in the Industries Department who in their little mind devised a web of controls to exert their power and authority. The attitude of Banks and Financing Institutions were not developmental. They took the traditional Bankers approach while lending for industries. They sanctioned loans in most cases only when they are covered.

several times by collateral security. Most of the banks who collected several thousand crores by way of foreign remittances from Kerala utilised it for lending to industries in other States. In fact the money remitted by Keralites from abroad were used for industrialisation of other States like Tamil Nadu, Andhra Pradesh, Karnataka, Maharashtra and Gujarat. The cumulative result of all these was the industrial stagnation of the State including the Natural Rubber based industrial sector.

Recommendations

1. The major recommendation is the creation of an entrepreneurial class in the state as well as creation of an environment wherein entrepreneurs from outside is attracted.
2. There should be a social movement from the present educated, unemployed youth towards industrialisation of the state, for they have to gain everything from such a change. This force should overcome the present anti-industrialist lobby, the environmental lobby, the pollution lobby, and the militant labour lobby.
3. There should be an institution
 - A Rubber Industries Development Corporation.
 - In the Model of KELTRON to develop Natural Rubber based Industries in the State. This institution will have to concentrate on R & D and hightech and high capital projects. The low capital and low tech projects will have to be organised by selected and trained entrepreneurs on a franchised basis in the rubber growing areas. Huge industrial estates in the rubber growing tracts have be developed for setting up these industries.
4. Capital for the investment has to be raised through an innovative system of share participation cum guaranteed job basis. All employees in such units will have to be participants and must be prepared to abrogate their trade union rights by consent. Necessary legal protection will have to be ensured by the Government for such organisations.
5. While the manufacturing model will have to be as above (The Keltron Model) the Marketing has to be undertaken through a Central Marketing Organisation with Branches and Sales Depots all over India (The Bata Model).
6. The suggested model envisages an investment of Rs. 2000 crores over a period of 10 years starting from 1990. On a conservative estimate it will convert about 90 percent of Natural Rubber which is additionally targeted to produce in the state for the next 10 years. In other words instead of the present 15 per cent, the industrial utilisation of Natural Rubber in Kerala will have to be raised over 50 per cent of the states production by the turn of the century. This is expected to produce an additional employment of over 200,000 in the State.
7. Power being a major input for rubber based industry, the Government should double the present installed capacity for power during the next 10 years. This will be possible by starting all the mini and major Hydel projects *including Silent Valley*, besides installing Thermal and Atomic Units. Private Sector may also be encouraged to start power projects.

Contribution of the Study

The report of the High Level Committee on Industry, Trade and Power in their recommendations suggested that "our approach to industrialisation should also

be resource based. Ninetytwo per cent of the country's rubber is produced in Kerala, but most of the rubber based industrial units are situated outside Kerala. One of the sub-committees set up by the State Planning Board has examined the prospects of rubber based industry in Kerala. In its report the Committee recommended a more intensive study to ascertain the prospects of rubber based industry in Kerala and the programme for development of the industry for the next decade". Following this KITCO and KSIDC have drawn up a number of project profiles for prospective entrepreneurs, including NRIS. However the scope of these studies were confined to the limited purpose of identifying commercially viable rubber based projects. Apart from these attempts there was no detailed study on the prospects of rubber based industry in the state. The present study is an attempt to bridge this gap.