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AN ENQUIRY IN TO THE HISTORICAL ROOTS OF  
INDUSTRIAL BACKWARDNESS OF KERALA -  
A STUDY OF TRAVANCORE REGION.

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## Introduction

The relative industrial backwardness of Kerala is a problem of very wide concern among scholars as well as administrators and political activists in the state. The contribution of the industrial sector to the State Domestic Product (SDP) has remained below the national average. Further, the share of industrial sector in the State's workforce has always been significantly higher than its share in the SDP, underlining the backward nature of the industries.<sup>1/</sup>

The widely held notion of high wage costs being responsible for the retarded industrial development of Kerala fail to meet empirical verification especially with respect to the modern industrial sector. It has been argued that the industrial backwardness of Kerala should be related to the heavy concentration of agro-based and processing industries, with weak inter-industry linkages and low growth potential in the industrial structure. It results in a process of cumulative causation that tends to keep the economy industrially backward.<sup>2/</sup> The above line of explanation raises an important issue which is the theme of present paper : How did the backward industrial structure initially come into being ?

Our enquiry into the historical roots of industrial backwardness in Kerala is undertaken with reference to the Travancore region of Kerala which constituted a separate princely state under the British. Our choice of the region is deliberate

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1/ Centre for Development Studies, Poverty, Unemployment and Development Policy, A Case Study of Selected areas with reference to Kerala, United Nations, New York, 1975. pp. 79 - 81

2/ K.K. Subrahmanian and P. Mohanan Pillai, "Kerala's Industrial Backwardness, Exploration of Alternative Hypothesis", Economic and Political Weekly, Vol.XI, No. 14. April 5, 1986.

because it had exhibited remarkable industrial dynamism during the last decade of colonial rule and ranked top among the princely states in industrial development at the time of integration with the Indian Union. However, the decade that followed was equally remarkable for the stagnation of industrial development in the region. It failed to partake in the general buoyancy of the Indian economy during the first two five year plan periods. In fact the share of the industrial sector in the GDP of Kerala declined during this period. It is argued that this discontinuity in the industrial development accentuated the distortions in the industrial structure and contributed significantly in rendering Kerala as a relatively industrially backward region. The focus of the paper is the background of the lost decade of industrial efforts in the immediate post-independence period.

The paper opens with a brief description of the economic consequences of colonial domination in Travancore's agricultural and commercial sectors. Travancore, it is seen, was converted into an export oriented primary producer with colonial capital as a major claimant on the surplus either directly through the ownership of the plantations or monopoly over major sectors of export-import trade. The development of the agro-processing industries which constituted the first phase of industrial development in Travancore and their characteristic features are discussed in the next section. Then, we go on to describe the development of modern industries from the late thirties, underlining the pivotal role played by the Travancorean Government. The discussion forms a back drop to highlight the industrial stagnation in the immediate post-independence period, in the final section. Our analysis brings out the limitations of the industrial development in the pre-independence period, the conservative nature and agrarian bias of Travancorean entrepreneurial class as well as the ineffectiveness of the post-independent government to intervene in the industrial development.

Commercialization of Travancore Economy

By the end of the eighteenth century Travancore had come under the effective domination of the British. Colonial paramountcy in economic terms meant a new claimant for the surplus extracted through the forms of tribute. The consequent financial pressures on the Travancore government initiated a series of reforms in relation to the land holding and land revenue, with the aim of expansion of cultivation in order to augment the revenues. These measures, in many sense unique to the region, were facilitated by the specificities of political centralization process and the birth of Travancore state in the mid-eighteenth century<sup>3/</sup> by which a large part of the cultivated land came under state ownership. With the later take over of most<sup>of</sup> the temple lands, the share of state owned land increased to nearly 80 per cent of the cultivated land in Travancore.

The reforms such as the one in 1818, encouraging cultivation of waste lands by all communities, the one in 1816, granting ownership rights to government tenants, the one in 1896, offering protection to tenants on private lands etc. all had far reaching repercussions on the pattern of land holding and investment in agriculture.<sup>4/</sup> It is noteworthy that in the beginning of the present century 75 per cent of the cultivators in Travancore owned their own land. More importantly, these reforms enabled the emergence of a significant stratum of rich cultivators through accumulation of agrarian surplus. On a rough calculation the tax and rent payment came to only around 15 per cent of the net agricultural income of Travancore in early thirties. By contrast, in the Malabar region of Kerala, where the proprietary cultivators constituted only 8 per cent of the total cultivators, around 60 per cent of the net agricultural income was paid out in rent and the tax.<sup>5/</sup>

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3/ Sardar K. I. Panikkar : Malabar and the Dutch, D.B. Taraporevala and sons, Bombay, 1931.

4/ T.C. Varadachari : Agrarian Change and Economic Consequences, Land Tenures in Kerala, 1850 - 1950, Allied Publishers, Bombay etc, 1970.

5/ T.M. Thomas Isaac "Some Aspects of Industrial Development of Kerala", Paper presented at the seminar on Kerala - A Quarter Century After, A.K.G. Centre for Research and Studies, 1981.

the changes in the family structure and inheritance pattern of matrilineal communities and the land legislation of 1930, by which the government began to directly collect the dues from the tenants in the Jernam lands, further strengthened the trends towards redistribution of land holding and agrarian accumulation in the Travancore region.

All these reforms provided opportunities particularly to the communities outside the caste hierarchy like the Syrian Christians and at a later stage and to a lesser extent, to the <sup>backward</sup> castes like the Ezhavas, to acquire land ownership and accumulate. It was from the ranks of these two communities, Syrian Christians and the Ezhavas that a nascent bourgeoisie arose in Travancore in the first half of the twentieth century. Even as far back in 1820, Ward and Conner had noted that the Christians had come to possess "a good deal" of landed property which they were "generally increasing".<sup>7/</sup> By 1930 they had properred into a front rank land owning community with an income level comparable to Brahmins.<sup>8/</sup>

Before proceeding to examine the role of the rising Syrian Christian bourgeoisie in colonial agriculture, we shall analyse another important economic consequence of integration of Travancore into the British imperial system. The colonial period witnessed very rapid expansion of the external trade of Travancore. As can be seen in Table 1, the total value of exports and imports of Travancore increased by nearly 10 fold between 1870-71 and 1938-39. The various agricultural products namely coconut, plantation crops like coffee, tea, and rubber, and various

6/ J. Atherton: Marriage and the Family in Kerala, with Special Reference to Matrilineal Clans, University of Calgary, Calgary, 1977 and Robin Jeffry: The Decline of Nayar Dominance: Society and Politics in Travancore, 1847-1908, Vikas, Delhi, 1976.

7/ Governmental and Statistical Memoirs of the Survey of Travancore and Cochin States, Vol. I under the auspices of Lieutants Ward and Connor, from July 1816 to the end of the year 1820, Survey Generali office, Madras, 1898 (Reprint) (1827, 1863)

8/ T.N. Velu Pillai: Travancore State Manual, G.O.T, Trivandrum 1940, Vol.III, pp. 78-79.

spices such as ginger, lemongrass, pepper, cardamom, turmeric etc. constituted the exports from Travancore. On the other hand, Travancore imported not only manufactured products like textiles, metal products and necessities such as kerosine tobacco but also a major portion of its food requirements. The rice and paddy constituted 30 to 50 per cent of the import basket in the present century. The composition of external trade underlines the extensive commercialisation the Travancore economy had undergone by the present century.

Table 1

THE TOTAL VALUE AND PERCENTAGE DISTRIBUTION OF THE  
CHIEF EXPORTS AND IMPORTS OF TRAVANCORE

Items	Exports				Imports			
	1870-1871	1899 1900	1919 1920	1938 1939	1870 1871	1899 1900	1919 1920	1938 1939
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Cocoa nut & coconut products	57.1	52.6	36.9	37.2				
Coffee, Tea & Rubber	8.5	0.4	33.5	30.4				
Tamarind and Aracanut	8.0	3.7	1.2	1.8				
Ginger, Lemongrass, Pepper								
Cardamom & Turmeric	15.0	14.0	10.1	7.7				
Cashew	-	-	-	6.8				
Styragly, Molasses & Sugar	2.0	3.3	3.2	2.0	0.7	0.7	N.A.	2.5
Other Textiles and yarns					26.0	14.7	N.A.	14.4
Rice & Paddy					2.5	31.4	51.1	31.0
Tobacco	0.3				32.7	33.1	7.4	4.7
Mine & oils					-	-	N.A.	12.5
Metals, Machines, Vehicles, Hardware, Equipment etc.					3.2	N.A.	1.6	5.6
Total value in Rs. lakhs	65.7	169.5	576.3	958.0	52.1	93.9	455.7	763.2

(Source: Report of the Administration of Travancore 1870-71, 1884-85 and 1899-00, Statistics of Travancore 1894, 1904 and Trade Statistics of Travancore 1938-39)

The above transformation of the economy was also facilitated by the numerous reforms of trade regulation initiated by the British from 1856 onwards. The Sircar monopoly over 10%<sup>9/</sup> of foreign trade were abolished in the nineteenth century itself. Measures were undertaken to bring the commercial laws of Travancore more and more in consonance with the practices of British India. Under the persuasion of the British, several agreements were signed between Madras government and the government of Travancore and Cochin, together known as the Inter Portal Trade Convention. A scheme for the development of Cochin harbour was also jointly drawn up by the three governments.<sup>10/</sup> Trade infrastructure such as transport facilities, the canal - backwater network along the coastal region and roadways connecting the mid lands and high ranges to the water heads - were developed. In the matter of communication and transport facilities the region was far ahead of British India.<sup>11/</sup>

However, the indigenous merchant groups could not gain much benefit from the rapid expansion of trade opportunities. It may be noted that in the pre-colonial phase Syrian Christians were active in internal and external trade of Travancore. They along with Jews, and to lesser extent Gujarathis were largely the traders in traditional Kerala Society. The Travancorean merchants who had even earlier, in the middle of the eighteenth century, received a setback when Sircar monopoly on trade was first introduced, had survived as sub-agents to the government monopoly.

9/ Papers Relating to the Inter Portal Trade Convention (1858-1925), Govt. Press, Trivandrum, 1927.

10/ Robert Bristow: Cochin Saga, Paico, Cochin 1967 (Reprint)

11/ P. Ibrahim: "The Development of Transport Facilities in Kerala, A Historical Review", Social Scientist, Vol. VI, No.8, March 1979, pp. 34-49

... of the ... her ... withdrew completely, from trade and shifted to agriculture or restricted their operations to internal trade alone. The colonial domination controlled this process. The reputed names such as those of Thachil Mathu Tharakan in pepper, timber and tobacco trade in Alleppey, the Parayils in pepper in Kuzappuram, Arammulla Oommen Tharakan in Pepper in Quilon and Ganapathi Tharakan in Kayankulam and Quilon, almost entirely disappeared from the scene by mid nineteenth century.

On the other hand, European coastal trading firms such as Pierce Leslie & Co, William Goodacre & Co, Aspinwall & Co, Bombay Co, Volkart Bros, Darragh Small & Co. etc. rose into prominence. They virtually monopolised the export of plantation products as well as imports for the plantation sector through interlocking of the directorships and managing agencies. They also controlled the shipping and forwarding business as well as insurance business. Similarly their control over import of textiles, metal products and mineral oils was total. There was no item of trade, however small, in which they hesitated to engage in. The Indian firms, especially the Cochin mercantiles, managed to survive in timber and rice trade. The Travancorean presence was mostly in coir mats and mattings, cashew kernels, and spices. The Travancoreans who managed to remain in the field in trade had to be content with the role of brokers and wholesalers, for the European coastal firms. As the company history of a leading European Coastal Firm stated: "the great bulk of the produce was purchased from Indian dealers, who contracted to deliver goods within certain periods at the premises where produce was prepared, passed and packed for shipment. Although

12/ P.K. Michael Tharakan, "Thachil Mathu Tharakan: An Appraisal of the Political and Economic Implications of his life and Times: Paper presented at the Seminar on Thachil Mathu Tharakan, Christian Cultural Forum, Trivandrum, August, 1976, and Joseph Kolengadan: "Nazzrani Nattu Nayakam Thachil Mathu Tharakan", (Malayalam) in Kerala Chari Itthilude 1982, Kerala History Congress, Vaikom, 1982.

13/ See "Communication No.5," in Reginterg der belevonen Papieren van Malabar overgekomen 1759, I 175/Vol 201 - 202 /NN 2222/OREPENO/Y 1759/ZEV-WTIENPE BOEK, MALABAR, Algemeen Rijkar chief, The Hague.

14/ See S. Krishna Iyer: Travancore - Dutch Relations, 1729 - 1741', Ph.d. thesis submitted to Kerala University, 1984.

15/ ...narian George K and P.K. Michael Tharakan: "Development of Tea Plantations in Kerala, A Historical Perspective", Working Paper No: 204, Centre for Development Studies, Trivandrum, 1985

16/ W.K.M. Langley (ed); Century in Malabar, The History of Pierce Leslie and Co. Ltd., Madras, 1962, pp. 16 - 17



in the early days we did business with larger and wealthy dealers, they were superseded by smaller dealers, they had very small capital and had to be judged as to their financial status"<sup>17/</sup>

As stated earlier agrarian reforms from the mid-nineteenth century as well as the emergence of an active land market enabled the elite in the Syrian Christian Community to become considerable land owners. Being free from heavy rental obligations, there was built-in incentive for them to raise the productivity. The present proprietors in Travancore responded favourably to the expansion of international demand for the products of commercial crops. In the coastal plains coconut cultivation rapidly spread while spices and plantation crops expanded in the mid-lands and high ranges.

Table 2

Area Under Principal Crops : Travancore 1918/48 ('000 acres)

	Paddy (1)	Coconut (2)	Tapioca (3)	Sugarcane (4)	Rubber (5)	Tea (6)	Coffee (7)	Pepper (8)	Ginger (9)
1918-19	638	450	309	4	47	51	-	-	-
1925-26	661	500	351	27	54	60	-	-	-
1930-31	659	500	498	9	60	78	-	-	-
1935-36	69	515	42	15	97	78	6	84	23
1940-41	639	547	446	11	91	72	6	94	35
1945-46	632	317	477	15	112	77	7	91	38
1948-49	520	521	486	10	103	78	8	88	32

(Source: P.G.K. Panikar, T.N. Krishnan and N. Krishnaji: Population Growth and Agricultural Development, A Case Study of Kerala, Centre for Development Studies, Trivandrum 1977, Ch.II, p. 1c 2A1)

With the possibility of unrestricted imports of foodgrains at favourable rates and the spread of cheaper carbohydrate substitutes like tapioca, the shift to commercial crops seems to have been a rational response to rapid increase of population and worsening of land-man ratio.<sup>18/</sup> Further, there was also the geographical barrier to extension of paddy cultivation in the foot hills and high ranges where the

<sup>17/</sup> Ibid: Ch.VI, p.45

<sup>18/</sup> P.G.K. Panikar et al: op.cit. pp.40-50

new plantation crops prospered. Even though the pace of expansion of commercial cultivation was broken by the great depression, as can be seen from table 2 even during the present century the area under commercial crops, especially coconut and rubber, continued to expand while the area under rice cultivation declined. It may also be noted here that even in the case of paddy the extent of commercialization was significant, large-scale cultivation for market having become prevalent in region like Kuttanad.

Syrian Christians were prominent particularly in two sectors of commercial agriculture that required relatively higher capital investment. The first sector was the commercial cultivation of paddy in large scale farms in the coastal backwaters in Kuttanad region spread across Alleppey and Kottayam districts. Reclamation from the "swamps near the coast" was a part of the comprehensive scheme for increasing the output of wealth in the state envisaged by Sir.T.Madhava Rao who became Dewan in 1858. Various schemes for encouragement such as tax exemptions and liberal loans were offered to the land reclamationists. The estimates of total land reclaimed varied from 20,000 acres to 50,000 acres. In the highly expensive and risky operation of Kayal cultivation pioneered by a European Henry Baker Jr. and a Nair, Chirayil Inani Kesava Panikar, the Syrian Christians came to dominate. <sup>19/</sup> Among the best known Syrian Christian names were those of Kalathil Anthony Mappillai, Chirayil Thomas Mappillai and Chirayil Thoman Mappillai. The huge capital required for investment for reclamation, even considering non-monetised transactions of earlier times, must have come from various sources. A significant portion of the requirement seems to have been financed by local money lenders particularly Marikkompu Brahmans. However, an important source of funds must have been the surplus generated from the earlier trading activities of Syrian Christians.

The other sector in agriculture where the Syrian Christians became prominent was the plantation cultivation. The two plantation crops of importance in Travancore were tea and rubber, coconut being not planted under plantation style of agriculture. At the end of 'thirties area under tea was around 75,000 acres and rubber around 100,000 acres. Around 85 per cent of the cropped area under tea were owned by European firms. <sup>20/</sup> The Travancoreans had a relatively stronger foothold in the rubber plantations.

Even in the sector of rubber plantations by the end of 1930's, the presence of Travancorean planters was relatively less as compared to Europeans as we would see presently. It was in Mundakkayam that the first commercial planting of rubber in Travancore occurred in 1902. And this region soon became the preeminent area of rubber cultivation. Mundakkayam with a production of 50 lakh pounds of rubber had clearly become the largest rubber producing 'district' in India by that time. By around 1933, there were 35 big rubber estates ranging in area from 100 acres to over 2,500 acres besides several small holdings under 100 acres. The total area under rubber in the big estates was around 16,900 acres. A greater portion of this area was owned by European firms and individuals. On the other hand in neighbouring Kanjirappally area the Planters Association had in 1933, thirty six estates with a total cultivated area of 2,535 acres and a reserve area of 186 acres. These estates were fairly small, ranging from 850 acres to 22 acres. They were mostly owned and managed by Travancoreans who had no big factories for processing rubber found on the Mundakkayam estates. <sup>21/</sup>

Though this would show the superiority enjoyed by the English Capital in rubber plantation sector in 1933, it also indicates a relatively small group of indigenous rubber planters having emerged; particularly the Syrian Christians.

<sup>20/4</sup> Tharian George K and P.K. Michael Tharakan; op.cit.

<sup>21/</sup> Emily Gilchrist Hatch: Travancore, OUP, London, 1939, p.104.

The rise was against all sorts of odds. Even to get to know the technology of natural rubber production, Travancorean planters had to wait at the generosity of the British counterparts.

In both rubber and tea several tie ups, besides the actual control over the planting side of the business, in the form of managing agencies, shipping and brokage agencies were resorted to by the Europeans. This was possible in the peculiar circumstances of political backing and protection offered by the imperial governmental control on the one hand, and the relatively weak position of Indian bourgeoisie to offer meaningful competition. Nevertheless the indigeneous interests were in a position to accumulate to some extent as we have seen, in spite of some loss that could have happened as a result of the depression in 1930's. They were in a position, from experience gained in more than three decades of activities in the plantation sector, to acquire control over plantation properties which were being left behind by the British capital from around 1940.

The capital accumulation in agriculture was helped and was generally consolidated by investments in the banking sector by Syrian Christians. In fact as it has been pointed out by the Report of the Travancore-Cochin Banking Enquiry Commission<sup>22/</sup> a number of places in mid-land area of Travancore became major centres of banking and also of considerable commercial agriculture.

#### Development of Agro Processing Industries

The expansion of commercial agriculture and the boom in the demand for its processed and semi-processed products necessitated the growth of a number of agro-processing industries. The development of these agro processing industries characterised the first phase of the industrial development in Travancore. (See Table 1).

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<sup>22/</sup> Report of the Travancore-Cochin Banking Enquiry Commission, GOZ, Delhi, 1956, p.13.



Table 3

THE DISTRIBUTION OF INDUSTRIAL ESTABLISHMENTS IN 1921

Industries	Using Power		Not Using Power		Total		Percentage share in the total employment	Percentage of workers employed in factories with 100 workers	No. of factories under European/Anglo-Indian ownership
	Factories	Workers	Factories	Workers	Factories	Workers			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Tea	43	5623	8	3087	51	8710	33.92	84.86	39
Rubber	3	671	2	35	5	706	2.75	92.50	4
Cair	11	374	73	3355	90	5729	22.32	69.52	7
Other food Industries	6	221	1	16	7	237	0.92	—	1
Wood Industries	2	291	2	39	4	330	1.28	84.54	1
Monazite Sand Factories	2	235	—	—	2	235	0.91	74.50	2
Brick & Tile	10	2736	26	621	36	3357	13.07	82.00	1
Milk Factorion	2	73	5	230	7	303	1.18	—	—
Printing Press	4	498	7	226	11	724	2.82	45.03	—
Cotton Weaving	—	—	33	797	33	797	3.10	—	—
Metal Factories	3	696	1	25	4	721	2.82	96.53	2
Others	3	531	5	2917	8	3168	12.34	92.71	2

(Source: Census of Travancore, 1921)

The important feature of the industrial structure as revealed in Table 3 is the dominance of agr-processing industries. There were a small number of other industrial establishments like monazite mining factorion, milk factorion and lace and embroidery works. Even the high level of literacy in Travancore a number of printing presses had also come up. The metal factories consisted of workshops catering to the extensive public works undertaken by government and the plantations. However, the machinery, equipment, hardware, fuel, etc. required for the factory industries were mostly met by imports.

Around 65 per cent of the factory employment was accounted for by the agro-processing industries. The tea factories alone employed 33 per cent of the work force. However, these represented a sort of enclave development, with very little forward or backward linkages in the economy. The inputs were mostly imported and the output which required only elementary processing and was almost entirely exported. The labour in the tea estates were mostly Tamil immigrants and as we have already noted, the surplus created went into the hands of the European coastal trading firms or the European Planters.

In this respect, coconut industries had the most significant impact on the Travancorean economy. Till the early decades of the present century, the industrial development in Travancore was mostly centred around coconut. Coconut being a small holder's produce spread through the coastal and mid land regions, the development of coconut industries such as copra making, oil milling and coir industry created a large stratum of petty capitalists, middlemen and petty producers. Spurred on by the trade boom in hard fibres in the mid-nineteenth century, the production of coir yarn and fibre quickly spread through the coastal belt of Travancore utilising the cheap and abundant labour that was available. The coir weaving industry, on the other hand, was localised in and around the town of Alleppey in large-scale manufactories. Though the coir factories employed only less than 6000 workers in 1921, if the employment in the household sector of coir yarn spinning is also taken into consideration coir industry will be seen to be the largest source of industrial employment with around one lakh workers.

The power driven rotary chucks had begun to replace the traditional bullock driven gharries in the villages. The fact that share of coconut oil rose from 2.4 to 7.1 per cent in the exports from Travancore while that copra and coconuts declined from 39.3 to 12.5 between 1890-91 and 1919-20 is a testament to the <sup>23/</sup>testament to the growth of oil industry. Alleppey evolved to be the major centre of oil industry in the demand boom for oil generated by the rapid progress of soap

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<sup>23/</sup> See, Report of the Administration of Travancore, Statistics of Travancore, Trade Statistics of Travancore, for relevant years.

industry in British India in the forties. <sup>24/</sup> Timber industry mainly consisted of saw mills. The tile and brick industry developed around the town of Quilon due to the availability of good quality clay. <sup>25/</sup>

Rice mills and distilleries constituted the food industry. The cashew industry, which would later characterise and dominate the food industry of Travancore appeared on the industrial scene only by mid twenties. <sup>26/</sup> By the end of the forties it became as important as coir weaving in terms of factory employment. The cashew industry was localised around Quilon, a minor port town of Alleppey. The main attraction for this localisation must have been the availability of cheap labour. It may be noted that development of coir and oil industries as well as labour intensive back water paddy cultivation in the adjacent Kuttanad region had already claimed the labour in the vicinity of Alleppey, the other major industrial town of Travancore.

We shall briefly summarise the important features of these agro-processing industries:

1. All these industries were export oriented and were dependent upon the vagaries of foreign market demand. Even in the case of tile industry a significant proportion of the demand came from British India. It is interesting in this context to read a contemporary perception. It was said that "there is no effort on the part of industrialists to sell the products of coconuts in this country itself. The industrialists of this state are narrow minded middlemen interested only merely in their profits ..... we export coconut oil and import kerosene for burning the lamps ..... Today price of kerosene is rising while the price of coconut oil is falling.... If we can boycott kerosene from the land on basis of swadeshi ideal and use coconut oil for burning the lamps can the foreigners ever hope to manipulate price of coconut oil.... Now take the case of coir. That business consists of weaving coir matting and exporting them to foreign countries.... Think of the large demand for coir

<sup>24/</sup> J.S. Patil: Report of Coconut Enquiry in India, Delhi, Imperial Council of Agriculture, 1934.

<sup>25/</sup> Minimum Wages Committee for Tile Industry Report: Govt. of Kerala, Trivandrum, 1957.

<sup>26/</sup> K.F. Kannar, Cashew Development in India: Potentialities and Constraints, Arri Cole, New Delhi, 1983

mattings in this state itself given its high rain and humidity. Those who dwell near the backwaters, rivers or sea coast have to spend six months from middle of Elavam to middle of Vrichigam in places with high humidity. If it is the situation that every house, especially the poor, should buy and would buy 2 to 6 or 8 mattings coir industry would not have to depend on the likes and dislikes of the designers in such desperate fashion. If coir mattings are produced like the grass mats and sold in our country itself at cheap rates coir industry will prosper. But, if our workers continue to be merely coolies subsisting at bare minimum how could we ever do it." <sup>27/</sup>

2. The technology, productivity and labour process in all these industries were caught in a vicious circle of permanent stagnation, causing deplorable labour conditions and levels of living. Colonial domination, the relative surplus population and the consequent availability of cheap labour and a number of other socio-economic factors repressed the tendency of capital to constantly improve the technique of production, centralise and socialise the productive forces and sweep forward and sweep away the lower forms of production. Therefore, the transitional manufacturing and premanufacturing forms of production organisations came to persist and characterise most of these industries. For example in coir spinning only rudimentary instruments such as manual spinning wheels were used. The majority of the workforce was self-employed, the industrial structure was characterised by a wide spectrum of premanufactory production organisations like petty producers under various forms of domination of merchants or wage workers within a common enclosure. Coir weaving even though organised in large-scale establishments, the labour process was mainly manual, the machine power being used only in large-scale manufactories in the finishing and packing departments. <sup>28/</sup> Similarly the main labour process in earthen cashes and tile industries also continued to be handicraft based. Thus all

<sup>27/</sup> Rana Varma Thampant: 'Ker. Vyavasaya Thinte Abhivridhi Margangale Patte', (Mal), 'Ravaneer's Agricultural and Industrial Journal', 1935.

<sup>28/</sup> T.M. Thomas Isaac: "Evolution of Organisation of Production in Coir Spinning Industry", Centre for Development Studies, 1986. (forthcoming working paper.)



these industries were highly labour intensive with low capital investment in direct productive activities. The key link was the control over trade.

3. As the table itself shows the European firms dominated the plantation industries. The cottage entrepreneurs as well as middlemen in coir yarn spinning industry came mostly from the Ezhava caste. However the sprawling net work of middle men and petty entrepreneurs were controlled by the European export houses in the port town of Alleppey. These export houses were successful in keeping Travancoreans out of the coir yarn export market through their monopoly of baling presses and cartel arrangements amongst themselves. However, in coir weaving, cashew and tile industry the Travancorean entrepreneurs were successful in making their way to the front ranks by mid-thirties mostly helped by the lower costs of production in their relatively smaller establishments. However, even in these sectors the leading firms continued to be European owned. In Alleppey there came into existence two chambers of commerce - Travancore Chamber of commerce (European) and Alleppey Chamber of Commerce (Travancorean) - who carried on a bitter struggle against each other. However, it may also be noted here that the coir interests in both these chambers came together to form a united association - Travancore Coir Mats and Mattings Manufacturers Association - at the end of thirties namely to stem the upsurge of trade union movement.<sup>29/</sup>

4. The production process in these industries involved only elementary or primary processing. Tea and cashew, for instance scarcely provided a potential for forward linkages. However, even in the case of rubber which had attracted considerable private investment, very little of the industrial potential was realised. The rubber factories only did primary processing before the raw material was exported to the rubber goods manufacturing industries outside Travancore. Soap Industry, for which coconut oil was an important raw material came to flourish in British India rather than in Travancore. Further, Travancore supplied considerable amount of

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<sup>29/</sup> T.M. Thomas Issac: "Working Class Party and Working Class The Experience of Alleppey", (Malayalam), Swatanthra Samaram Communist Prasthanam, Chirutha Publications, Paluvayal, 1967.

raw copra to the oil mills using expeller technology in Bombay and coir yarn to the powerloom factories in Europe.

5. There was very little inter-dependence between these export oriented agro-processing industries. Further, due to their low technological basis and its primary processing nature, there was very little scope for the development of engineering or metal factories. Even in the case of tea and rubber factories the basic machinery requirements was met through import from Europe. As we have already noted the few metal factories that evolved were in the nature of repair shops.

Finally it may be noted that the development of agro-processing industries in Travancore was incidental to the commercial expansion and commercialisation of agriculture in Travancore since mid-nineteenth century.

The role of the Travancore State in the industrial development till about mid-1930's was very limited. The industries department itself was set up only in 1919. This was followed by the Travancore Economic Development Board. However, the activities of the industrial department till the 'thirties even by official admission was one of drift.<sup>30/</sup> There was no coherent and consistent policy towards industrial development. The departmental activities were mainly confined to laboratory experiments, running of a few commercial schools and conducting geological surveys.

The general attitude of apathy towards large scale factories finds clear expression in the policy declaration which appeared as part of the 1924 budget, "it seems to the government that we shall be making a serious mistake if we expend our energy and resources for the development of factory industries in Travancore. Our industrial efforts might with advantage be directed towards the development and creation of cottage industries"<sup>31/</sup>.

This aversion of the government to factory industries and the lack of a coordinated policy even for the development of cottage industries should be understood

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<sup>30/</sup> See "Address of the Dewan to the Travancore Legislative Council, 1921", in Travancore Legislative Council Proceedings (TLCP) Vol.V, 1925, p.741

<sup>31/</sup> K. George, "Budget Speech", dtd. 1.8.24, Ibid, p.40

together with a certain lack of foresight and ineffectiveness of the early departmental chiefs, in the background of the colonial framework under which Travancore was trying to industrialise. The abortive experiment in Punalur Paper Mills, in the last decade of the nineteenth century, when the state undertook to guarantee the interest payment to the investors, came to be considered as the inevitable result of any such large scale financial ventures. <sup>32/</sup> Apart from the lack of proper technology, the uncertainty of the markets for the Travancorean industry, geographically situated as it was in the corner of the subcontinent with no adjacent metropolis, was an important deterrent. The requirements of the manufactured goods was mostly met through imports and Travancore had little freedom to change its tariff policies to give protection to its nascent industries. As admitted by the Director of industries on the floor of the Legislative Council, "When we talk about the development of industries, we must remember the position of Travancore. Some gentlemen talk about the experiments made in Japan and other places. But, we must remember that Japan is a sovereign state having international status and she can introduce industrial policies which will be respected by other sovereign states... it is not possible for us to develop industries in the manner Japan may have done. We are only a small fraction of a big unit". <sup>33/</sup>

However, as a leading industrialist himself noted, the 'vacillating' nature of the industrial policy of the government "merely reflected the jerky and shaly nature of the public opinion". <sup>34/</sup> The nascent bourgeois class itself was not yet fully capable of articulating its interests coherently. Indeed, the governmental emphasis on the development of cottage industries was generally accepted in the political and commercial circles.

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<sup>32/</sup> See CSP No. 8497 - 9, 8514 - 6, 855J - 8560, 14255, Punalur Paper Mills, 1891, 1896, 1897, 1895, 1893, 1887, 1910, 1900, 1891, 1892, in ERG, Trivandrum

<sup>33/</sup> I.C. Chacko, dtd. 12.8.25, Vol.V, TLCP op.cit, p.736

<sup>34/</sup> K.C. Manon Mappillai, dtd. 12.8.85 Ibid. p. 736.

State Intervention and Development of Modern Industries

From around the mid thirties there was a perceptible change in the attitude of the government towards industrialisation. The earlier laissez faire policy gave way to a policy of determined intervention to foster and hasten the development of industries. The main elements of the new policy may be summarised as follows:

- a) The first was the encouragement given to private initiatives to start new industries by giving concessional credit facilities, land concessions, subsidised supply of firewood, electricity and such other infrastructural facilities. The most remarkable achievement of this period was the Pallivasal Hydro Electric Scheme in which cumulative total investment in 1946-47 stood at Rs.430.50 lakhs. Government also undertook commercial transport, and financed railway development.
- b) The second element in the strategy of industrialisation was direct government investment in those sectors where sufficient private initiative was not forthcoming. In a major policy statement made at the joint sitting of Travancore Legislative Houses in 1937 the Dewan stated: "There are certain nascent industries with possibilities of development in which private initiative cannot start without initial encouragement were given. Thus for instance, it required government initiative and push and therefore government of Travancore started making rubber goods. But the experiments are not and should not be an end in themselves. It is neither good for the state nor for business and therefore as soon as such experiments have ended in comparative success it is the duty of the state to hand over the experiments to private enterprises.....In other words government shall at the right moment give place to private enterprise". Thus in 1946-47 the government had considerable investment in State Transport (Rs.12.79 lakhs) Clay Refinery and Porcelain factory (Rs.17.53 lakhs) Rubber Factory (Rs.4.73 lakhs) Vanchi Clay Mining and Refinery (Rs.1.97 lakhs) and Fertilisers and Chemicals Travancore Ltd (Rs.4.08 lakhs) and so on.

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35/ Commercial Review, Vol. III, No. 6, June 1937, p.192

36/ Report of the Administration of Travancore for the year 1122 ME, Trivandrum, 1947, see also, P.C. Peter, Some Industrial Problems with special Reference to Travancore-Cochin The Popular Book Depot, Bombay, 1975, p.26.

c) Thirdly, the government took active interest in ensuring markets for the products of the new industries. It appointed trade agents outside Travancore and a government sales depot at Trivandrum. It was the vigorous intervention by the Travancore government that enabled the Travancorean industry capture a portion of the orders placed by the War Supplies Department. In the case of coir industry, whose foreign markets were closed at the outbreak of the war, it would have come to a total stand still but for the active initiative taken by the government to get coir goods accepted for war requirement intents, wall bags etc. <sup>37/</sup>

d) Integral to the policy of industrialisation was the attempt to create what the authorities considered as healthy industry relations. This meant an apolitical trade union movement and institutionalised collective bargaining arrangements. An explicit enunciation of this by the authorities was necessitated because of the rapid spread of radicalism among the working class especially in the Alleppy industrial belt by the end of the 'thirties. <sup>38/</sup> The legal framework for this new perspective was provided by the various labour legislative enactments. <sup>39/</sup> The Factories Act, Trade Union Act and Trade Disputes Act were enacted in the background of the explosive labour unrest in Alleppy in 1938. The Travancore Workmens Compensation Act, the Travancore Payment of Wages Act and the Travancore Maternity Benefits Act were passed before the War had ended. The Industrial Relations Committee was formed with the re-

<sup>37/</sup> "Administration Report of the Department of Industries for 1116 ME, in Dev.Dpt. No.D. Dis. 1209/92 English Records Cellar, (E&C), Trivandrum, E.L. Pollard, Report of the Travancore Coir Mats and Matting Manufacturers Association for the year 1940-41 Alleppy 1941, p.9. and also the speech of K.C. Karunakaran in Proceedings of the Sree Mula Assembly 9th session dtd 21.7.1940, Trivandrum 1941.

<sup>38/</sup> T.M Thomas Isaac, (1985), op.cit,

<sup>39/</sup> P.N. Karina Pillai, "Labour Legislations in Travancore", Travancore-Information Listner Vol.VI, No.2, July 1946.

representatives of employers and employees in coir weaving industry at Alleppey and was held as the model for the whole state to emulate. At the end of the War the government took initiative in calling Tripartite Labour Conference at which bonus was defined as differed wages and was agreed to be given to the workers in the <sup>40/</sup> state.

This remarkable shift in the policy of the Travancore Government has usually been attributed to the statesmanship and foresight of C.P. Ramaswamy Iyer, <sup>41/</sup> the Dewan. However, a close perusal of the proceedings of the Travancore Legislative Council gives a different perspective. The picture that emerges is one of a hesitant government being prodded and criticised into action by the representatives of the rising indigeneous bourgeois class. The formation of the industries department itself was the result of their demand. Thence onwards, it was the ineffectiveness and the lack of an industrial policy that was one of the targets of attack in every budget session in Travancore Legislative Council. According to K.C. Mammen Mappillai the leading spokesman of the Syrian Christian Capitalists, "..... Industrial policy or industrial expansion has been proceeding generally without any coherence and in an haphazard manner". And in his opinion, what little achievements the industrial department could claim credit for, "does not represent the deliberately expressed mind of the government. Generally these have been brought about either through external pressure or in response to repeated public opinion that something should be done in the direction of industrial expansion". <sup>42/</sup>

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40/ 'Notes on Tripartite Conference 1946' (Type script)  
 Records of Travancore Coir Mats and Matting Manufacturers Association, Alleppey.  
 'Brief Outline of Work of IRC 1940-46' (Type script)

41/ Kumbhachandran Iyer's Souvenir of the Samadhi b da purthi of Sachiyothama  
 C.P. Ramaswamy Aiyar, Dewan of Travancore, Trivandrum. 1940

42/ K.C. Mammen Mappillai, Budget Discussion, TLCR Vol.1. Part 1, dt.24.7-22,p.606

The position of the Industries Department to such criticisms was that was not the policy of the State to run factories. The results of the laborator experiments conducted by the department were open to public and "it was for the vate capitalists to utilise them.<sup>43/</sup> This immediately brought forth the retort t the Department "should have advised the government to give more encouragement t the capitalists of the country."<sup>44/</sup> The governmental aid was sought in removing th handicaps suffered by the Travancorean capitalists vis-a-vis the European merca houses, raising the tariffs against the imports of manufactured goods, provisio better credit facilities for the mercantile and industrial community, appointing trade representatives in foreign markets and collection of market intelligence.

The financial policy of the government which "attached undue importan the surplus budgets.....like the mideaval stateman who always aimed at a fa ble balance of trade",<sup>45/</sup> was often subjected to severe criticism. The budgetary licy of the government was geared to the provision of social welfare facilities, creation of budgetary surpluses which were allowed to accumulate in the fixed d sits and the government of India securities.<sup>46/</sup> It was demanded that the accumula surplus which were deposited in the government of India securities and foreign at low rates of interest should at least be made available to the native indust lists.<sup>47/</sup> During the Depression period K.C. Karunakaran the leading Ezhava indust list strongly argued for deficit budget "Every progressive government should cl its budget with deficits".<sup>48/</sup>

The government policy of giving priority to the cottage industries wa also assailed. It was argued that the neglect of factory industry would be cor

<sup>43/</sup> I.C. Chacko, Vol.XV TLCP, 1104.ME, p.936.

<sup>44/</sup> Mathew Murukkan, Ibid, p.962

<sup>45/</sup> P. Habeeb Mohammed, TLCP Vol.IX, 1101 ME,

<sup>46/</sup> R.N. Poduval, "Travancore Finances during the last Decades," Indian Journ of Economics, Vol. 23, 1942-43, pp. 68-79

<sup>47/</sup> K.C. Karunakaran, TLCP Vol. XV 1104 ME, p.216

<sup>48/</sup> K.C. Karunakaran, TLCP Vol.XVII 1105 ME,p.222

the country to permanent backwardness. In 1926, K.C. Mamman Mappillai began demanding that the government should consider a scheme for generating cheap hydroelectric scheme for industrial development.<sup>49/</sup> It was also demanded that government should set the example by undertaking large scale industries and thus convince the people the viability of such enterprises.<sup>50/</sup> This change in the public opinion reflected not only the growing maturity of the capitalist class in Travancore but also the rising sentiments of economic nationalism throughout India. The industrial achievements of Baroda and activities of Visweswaraiyya of Mysore were common references in the debates on industrial policy in Travancore.

The new industrial policy of the Travancore state had significant impact in terms of the emergence of a modern industrial sector in the State. To quote "As a result of this policy several large scale industries covering a very wide and diversified field of production were started in the period from 1935-48. Some of them may be said to have been pioneering attempts in the production of goods which were till then never tried in India. These were Rayons, Titanium Dioxide, Amcnium Sulphate, Rayon grade caustic Soda, Aluminium metal etc. Inspite the lack of raw materials, some of these industries such as Aluminium, Rayons etc. came into existence only because of the state governments initiative and willingness to participate financially in the ventures and offer operational facilities to the maximum extent. The establishment of the FACT for the manufacture of fertiliser from liquid Ammonia obtained from wood gasification is an outstanding example of this. In this case the government provided not only the major portion of the capital but also made power available at cheap rate and placed at the disposal of the concern, a

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<sup>49/</sup> K.C. Mamman Mappillai, TLCP, Vol. IX, 1101 ME, p.129

<sup>50/</sup> Thariathu Kunju Thomman, TLCP, Vol. XV, 1104, ME, p. 963



large extent of reserve forest for the collection of firewood." <sup>51/</sup>

The favourable conditions for investment resulted in a spurt of joint stock company activity in Travancore. As can be seen from table IV the total paid up capital increases by eight fold between 1933-54 and 1947-48. As a result Travancore which was lagging behind other princely states in the development of joint stock companies, during the first three decades of the century, in this period overtakes other comparable princely states both in total capital investment and in per capita investment. <sup>52/</sup> What is even more impressive is the change in the sectoral composition of the companies. The early phase of joint-stock company development was characterized by the growth of plantation companies and banking companies. In 1933-34 out of the 641 companies 506 were banking companies accounting for 36 percent of the paid up capital. The plantation companies accounted for another 45 percent. By 1947-48 the number of banking companies had declined to 154 and their share in the paid up capital to 15 percent. The financial strains generated by the great depression as well as the restrictions imposed by the Travancore Banking Act of 1938 <sup>53/</sup> were responsible for this phenomenon. On the other hand during this period, the trade and manufacturing companies increased from 82 to 418 and their share in the total paid up capital from 14 percent to 50 percent. Most spectacular was the emergence of chemical companies which accounted for 16 percent of the paid up capital in 1947-48. Joint stock companies to manufacture glass, aluminium, rayon and titanium products accounted for 11 percent of the paid up capital. The sharp increase in the number of 'other trading and manufacturing companies' is mainly due to the expansion of 'Agencies (including Managing Agent Companies), trading and

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<sup>51/</sup> Report of the Maj. Gen. (Retd.) Study Group on Power, Industries and Labour, Third Five Year Plan, Government of Kerala, Trivandrum, 1960, p.31

<sup>52/</sup> P.C. Peter: op.cit., p.77

<sup>53/</sup> Report of the Travancore Cochin Banking Inquiry Commission, 1956, GOZ, Delhi, 1956, pp. 20-21 and T.C. Varghese op.cit. p.112 - 15

Table IV The Percentage Share of Various Sectors in the Capital of the Joint Stock Companies Incorporated in Travancore during 1933-34 and 1947-48

Sector	Number of Companies		Percentage share in the authorised capital		Percentage share in the subscribed capital		Percentage share in the paid up capital	
	1933-34	1947-48	1933-34	1947-48	1933-34	1947-48	1933-34	1947-48
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
A. Total trade and manufacturing	82	418	12.6	50.6	10.9	51.2	14.0	50.8
1. Chemicals and allied trade	-	9	-	13.3	-	13.7	-	15.5
2. Glass, Aluminium, Rayons and Titanium	-	4	-	6.1	-	11.5	-	11.2
3. Tanneries, Soap, Match and Rubber	-	13	-	1.0	-	0.9	-	1.0
4. Clay	6	13	1.7	3.0	2.4	3.7	3.8	4.2
5. Printing and Publishing	12	35	0.4	1.2	0.5	0.5	0.2	0.3
6. Mills and	6	32	2.5	3.2	3.1	3.2	5.1	3.1
7. Engineering	4	24	0.9	2.2	0.5	0.8	0.4	0.7
B. Other trading and manufacturing	54	288	6.9	20.8	4.4	16.9	4.5	14.8
B. Banking, Chitties & Insurance	506	154	62.6	21.3	56.2	18.0	36.0	15.3
C. Plantations	35	86	21.5	22.9	28.4	26.9	44.5	30.3
D. Transporte	9	43	1.6	3.1	1.8	2.7	2.5	2.8
E. Hotel, Theatre etc.	6	23	0.3	1.4	0.1	0.9	0.1	0.6
F. Others	3	18	1.4	0.5	2.6	0.3	2.9	0.2
Grand Total	641	742	100.0	100.0	100.0	100.0	100.0	100.0
(Rs. in lakhs)			953	4686	313	1785	183	1537

### Other Manufacturing Companies:

They also included relatively modern industrial concerns such as 'The Electrical and Industries Ltd' (paid up capital of 15 lakhs) and the Forest Industries Travancore Ltd' (paid up capital of 25 lakhs). The data substantiates our contention that not only did the corporate sector in Travancore expand rapidly but also the corporate profile became more diversified and modernised during the period under discussion.

### Industrial Stagnation during the Immediate Post Independence Period

The industrial growth in the last decade before independence is in stark contrast to the stagnation of the next one decade of post independence performance of Travancore. The lack of adequate data on statistics of factories and national income makes a comparison very difficult. Moreover, because of the integration of Travancore with Cochin and Malabar, separate statistics for Travancore region are also not available. However from available data on Kerala's State Domestic Product between 1950-51 and 1964-65, it is possible to delineate some trends in industrial development during the early post independence period: (see Table V)

- a) Till the mid-sixties, the rate of growth of SDP of Kerala was lower than that of the NDP. While the latter grew at 3.66 and 4.14 percent per annum during the first and second plan periods, the corresponding the SDP growth rates were 3.39, and 3.20. During 1960-61 to 1964-65 period the NDP grew at 4.63 per cent while the SDP growth rates were 3.39, and 3.20. During 1960-61 to 1964-65 period the NDP grew at 4.63 percent while the SDP growth rate was only 2.80.
- b) If one examines the sectoral break up of the SDP, it is found that during the 'fifties the share of secondary sector declined. It was the tertiary sector which grew fastest, followed by the primary sector.
- c) Within the industrial sector, the unregistered manufacturing sector grew faster than the registered manufacturing sector in the 'fifties.

Table V

TRENDS IN THE GROSS DOMESTIC PRODUCT OF KERALA

(Rs. crores)

Year	Primary	Secondary			Terri- tory	Total SDP	Percen- tage	Total NDP	Percen- tage change
		Total	Regd. Mfg.	Unregd. Mfg.					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1950-51	191.26	53.64	25.37	25.63	97.96	342.86	—	9078	—
1951-52	203.90	54.66	25.45	26.63	101.83	360.39	+5.11	9279	+2.21
1952-53	200.57	54.59	23.55	28.01	195.78	360.94	+0.15	9590	+3.35
1953-54	210.24	57.45	26.06	27.51	110.27	377.95	+4.71	10201	+6.37
1954-55	217.98	60.21	29.53	27.14	114.96	393.15	+4.02	10483	+2.70
1955-56	224.88	60.19	27.49	28.87	119.75	404.82	+2.96	10860	+3.60
1956-57	233.70	61.59	27.90	29.56	129.41	412.35	+1.83	11461	+5.53
1957-58	230.48	62.22	26.64	31.07	130.84	423.54	+2.73	11254	-1.81
1958-59	235.23	63.92	28.70	31.24	137.93	437.08	+3.19	12165	+8.09
1959-60	245.11	65.54	27.52	32.65	144.00	454.65	+4.01	12399	+1.92
1960-61	253.70	67.55	29.50	32.97	152.87	474.12	+4.28	13263	+6.97
1961-62	253.75	70.05	31.16	33.65	161.99	485.78	+2.45	13729	+3.51
1962-63	264.65	71.33	31.73	34.33	172.67	508.67	+4.71	13993	+1.92
1963-64	273.08	72.94	31.72	35.31	180.92	526.94	+3.59	14771	+5.56
1964-65						531.89	+0.93	15885	+7.54

(Source: Col. 9 & 10 S.L. Shetty: Structural Retrogression in Indian Economy, EPW, Bombay, 1979)

Col. 2-6 compiled by the Bureau of Economics & Statistics, Trivandrum

During 1951-61 period, the share of factory employment in the non-household industrial sector even declined marginally. In fact, the only modern industrial enterprises worth mentioning that came up in Travancore region were the DDT factory at Alwaye, a cycle rim factory and a spinning mill at Trivandrum. An enquiry into the causes of industrial deceleration would underline the limitation of the develop-

21/ The Distribution of the Work Force in Non Household Sector in Kerala:

	1951	1961	in lakhs
Number of household workers	404 (100)	524 (100)	
Number of factory workers	131 (32.4)	166 (31.6)	
Number of non household and non factory workers	273 (67.6)	359 (68.4)	

Source: Bureau of Economics and Statistics, Industry and Infra Structure, Trivandrum 1974.

ment of modern industries in the pre-independence period. Firstly, despite the establishment of a number of modern industrial establishments during the earlier period the industrial structure as a whole continued to be dominated by the agro-processing industries. Thus, for example, even in 1959 traditional food, beedi, cotton weaving, coir and ceramic industries accounted for 79 percent of the workforce in Kerala. The chemical basic metal, metal products, electrical equipments, and transport equipments/<sup>55/</sup> engineering industries had only less than 10 percent of the work force in the state. The export oriented agro processing industries in the Region gained no benefit from the import substitution and tariff protection policies that played an important role in the quest of industrial development in post independence India.

Secondly, the role played by the indigenous investors in the development of the modern industrial sector was not very significant. In this context the behaviour of the Syrian Christian capitalists, who had by then acquired considerable capacity for investment, requires special scrutiny. The political atmosphere in Travancore made them hesitant to invest in the state sponsored enterprises. It was a period of mounting tension between some sections of the Syrian Christian community and the administration under C.P. Ramaswamy Aiyer.

In the particular context of Travancore, where the polity, social structure and the social practices, to a great extent, were still determined on the basis of Hindu concept of ritual purity, the emergence of a non-Hindu community demanding equal social status and rights created tension.<sup>56/</sup> The early phase of political struggle in Travancore from the early twenties was led by a communal alliance of Christians, Muslims and Ezhavas against the nayarna dominated administration. It was at the

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55/ NCAER, Techno-Economic Survey of Kerala, New Delhi, 1962

56/ P.K. Michael Tharakan, "Nascent Bourgeoisie, their Political Precocant and Affiliation to the National Movement : The Case of Travancore State Congress 1938-1947" paper read at Seminar on the Indian National Movement, It's Political, Social and Ideological Dimensions, 27-29 January, Social Scientist, New Delhi, 1986.

successful conclusion of this struggle that a joint national movement under Travancore State Congress was possible at the end of the 'thirties. The Dewan was able to wean away the communal groupings other than the Syrian Christians from the State Congress agitation. <sup>57/</sup> Several specific steps adopted by the Dewan was viewed by the Syrian Christian Community as directed against them. One that aroused great passion and controversy was the liquidation of 'Travancore National Quilon Bank' the premier Syrian Christian financial institution. There was indeed sufficient grounds for persons belonging to the Syrian Christian Community to be wary of entering into the industrial sector under the guarantees given by the administration. <sup>58/</sup>

The above situation did not create serious obstacles to government's efforts to foster industries as there was significant inflow of capital from the neighbouring Tamil Nadu. The role played by Tamil capital in the industrial development of Travancore is a matter <sup>that</sup> merits more detailed examination. However, this inflow of Tamil capital seems to have dried up during the post independence period. Perhaps, the opening up of new investment opportunities in Tamil Nadu after the independence as well as the loss of state patronage in Travancore might have been the factors responsible for this development.

The indigenous capitalists in Travancore exhibited little entrepreneurial interest in industries even during the changed situation of the post independence period. The experience of industrial estates scheme in Kerala was the worst in India. <sup>58/</sup> In this context it may be interesting to read the following perceptive statement of K.N. Raj:

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<sup>57/</sup> T.M. Thomas Isaac, P.K. Michael Tharakan, "Sree Narayana Movement In Travancore, 1888-1939, A Study of Social Basis and Ideological Reproduction", Working Paper No. 214, Centre for Development Studies, Trivandrum

<sup>58/</sup> C.P. Mathen: I Have Borne Much, New India Printers, Madras, 1957.

<sup>59/</sup> P.N. Dhar and H.F. Lydall: The Role of Small Enterprises in Indian Economic Development, Asia Publishing House, Bombay, 1961, pp -- 44-50



"One reason for the relatively slow development of large and medium scale industries is perhaps the lack of entrepreneurs interested in their development. Kerala, it would seem, is still at the state of capitalist development when projects which promise easy as well as quick money, and even speculative enterprises, seem to have considerable appeal to those who have reasonable amounts of capital. Where this process started earlier, as in Gujarat and even parts of South India, a type of entrepreneur, interested in genuine industrial expansion that yields quick returns only over a period of time, has slowly been emerging particularly in recent years. But there is no clear evidence of yet of growth of such entrepreneurship in Kerala except in the fringes. This appears to be less due to the lack of necessary ability than to the existence of other seemingly more attractive alternatives and also, no doubt, the lack of capital itself in the region on the scale required. The responsibility of the government in taking an entrepreneurial role and establishing large and medium scale industries which would lead the way for more rapid development of small scale industries is therefore correspondingly greater".

The hypothesis of dearth of investment funds in Travancore region has been questioned. It makes all the more important to enquire into the possible 'more attractive alternatives' for investment that drew the indigenous capitalist away from the industrial path.

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59/ K.N. Raj: "Approach to the Planning of Kerala's Economy" in Omcherry N.M. Pillai (ed) Planning for Prosperity in Kerala The Delhi Malayali Association, New Delhi, 1960 p.42

60/ "The paucity of industrial capital cannot be ascribed to the inadequacy of funds. Such fear is clearly laid at rest when we know that whenever the government floated any internal loans they were oversubscribed in a few hours time. The people have also been keen on investing in ventures that proved to be solvent propositions. Land is considered to be the most solvent of such proposition, "P.C. Peter, op.cit, p.111. Also read the following remarks of the Industrial Development Committee (Cochin)"..... We are assured that there is plenty of money in the state but that is funding remunerative employment in rural and urban properties and in loans on such properties as well as commodities" quoted in Ibid. p.112.

Rubber plantations were a sector that absorbed considerable investment funds of the indigenous entrepreneurs, especially those from the Syrian Christian Community. The area under rubber in Travancore increased from 95,832 acres in 1933-34 to 1,60,760 acres in 1958. Not only was the new extension in the plantation area was being undertaken mostly by the Travancorean entrepreneurs but they were also making considerable investment in foreign companies, especially Rupee Non-Indian Companies. More than 75 per cent of capital invested in the rubber companies and large scale proprietary or partnership concerns in India was estimated to be Indians owned in 1955. It is indeed a sharp contrast to the situation in 1933-34. Similarly, the independence also brought greater opportunities for investment in trade where the monopoly of European coastal firms rapidly disintegrated in the fifties. It is here that our discussion in section I on the agrarian roots of entrepreneurship in Travancore assumes importance. Their agrarian base gets strengthened in the forties when due to political reasons the Syrian Christian capitalists were forced to confine to more secure investments in the agricultural sector itself. The boom in plantation cultivation, especially rubber, as well as the withdrawal of European capital from the plantation sector, with changed political situation of the post independence period, new avenues of investment in the commercial agricultural sector opened up for indigenous capitalists.

Given the above situation the responsibility of the state in initiating programmes for industrial development assumes added importance. It is all the more so, given the role state intervention played in promoting industrial growth in the forties. However, we find that during the First Five Year Plan the schemes for

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61/ The Statistics of Travancore - 1109 MW, GOP, Trivandrum, 1935 p. 12 and Quarterly Bulletin of Statistics, Department of Statistics, Govt. of Kerala, Trivandrum, 1960.

62/ Report of the Plantation Enquiry Commission 1956 Part III, Rubber, GOI Delhi, 1956, p.17.

63/ Government of Kerala, Second Five Year Plan Kerala, Tvm. 1958, pp. 31.2



Industrial development were limited to an expansion of the production capacity of the ceramic factory and a survey of cottage industries which never saw the light of the day. <sup>63/</sup> Though the plan allocation for industry, increased from 2 percent to 7.9 per cent during the Second Five Year Plan, as the draft document of the Third Plan itself admitted, there was no significant progress in modern industries during the Third plan period because of the emphasis given to traditional industries. <sup>64/</sup>

Various factors contributed to this new situation. First was the financial constraints on the state government arising from the integration of Travancore with Indian Union. <sup>65/</sup> The state government lost the elastic customs and excise revenue sources which were substituted by a inelastic block grant for a period of five years. On the other hand, the state government continued to bear the burden of high welfare costs and administration. The expenditure on food subsidies during the food crisis faced by the Travancore-Cochin region in the immediate post independence period was another added burden. The Finance Commission rejected the plea for special consideration for the export oriented state of Kerala similar to the special grants given to the North Indian states in lieu of the tariff on Jute.

At the same time, the State Government lacked the sufficient political will to mobilise the necessary resources from within the state. On the one hand, there was the administrative chaos created by the integration of Travancore with Indian Union, then with the State of Cochin and finally in 1957 with Malabar to form the State of Kerala. On the other hand, this period was also marked by severe instability and conflict and frequent changes of ministries in the political sphere. <sup>66/</sup>

The inadequate political pressure was largely responsible for the discrimination of the region by the Central Government. <sup>67/</sup> The plan outlay of Rs. 30.3 crores

<sup>63/</sup> Government of Kerala, Second Five Year Plan Kerala, Trivandrum 1958, pp 31-2

<sup>64/</sup> Government of Kerala, Third Five Year Plan Kerala, Trivandrum, 1961, p. 15

<sup>65/</sup> For a detailed discussion of the adverse impact of financial integration of Travancore with Indian Union on states' finances see T.K. Koshy, "Financial and Administrative relations of Kerala and the Centre", unpublished M.Lit. Thesis submitted to the University of Kerala, Trivandrum 1962.

<sup>66/</sup> See for example E.M.S. Namboodiripad, "Twenty Five Years of Kerala Political Developments", paper presented at Seminar on 'Kerala after a quarter of a century' at AKG Centre for Research and Studies, Trivandrum, 1984

<sup>67/</sup> See for example E.M.S. Namboodiripad, "Third Plan of Kerala" in G. K. Narayan N. N. Pillai (ed) Official Report of the Government of Kerala, Third Five Year Plan Report of the

in the First Five Year Plan and 87 crores in the Second Five Year Plan in the Travancore-Cochin area, works out to be nearly half the all India per capital plan expenditure. <sup>68/</sup> During the Second Five Year Plan Travancore-Cochin received only 43 per cent of the plan outlay as central aid while the rest of the states received 53 per cent.

In the First Five Year Plan Period there was no central public sector investment in Kerala. During the Second Five Year Plan it was limited to the establishment of a D.D.T. factory with an outlay of 78 lakhs rupees or 0.1 per cent of the total central public sector investment. The absence of a strong political lobbying group from the state due to its political instability must have also contributed to the relative neglect of the region by the Central Government during the immediate post-independence period.

### Conclusion

In the preceding survey we have offered explanations for the discontinuity in industrial development of the Travancore region. The last fifteen years of the colonial era in Travancore were characterised by considerable industrial dynamism and growth of modern industries. By contrast, the first fifteen years of the post-independence period proved to be one of industrial stagnation. Our analysis provides certain insights into the historical roots of industrial backwardness of Kerala.

We have emphasised the role played by the Travancore Government in initiating a process of rapid industrial development during the pre-independence period. We have argued that the policy of active intervention and support for industrial development pursued by the Travancore Government evolved primarily as a response to the pressures exerted by the indigenous bourgeois class.

Ironically, the leading backbone of the indigenous capitalists from the Syrian Christian Community were inhibited from utilising the state sponsored

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68/ The Second Plan suffered from the fact that integration of Malabar with Travancore Cochin took place after the finalisation of the Plan. In computing the share of Kerala in respect of the Malabar area, only that part of the Plan outlay of Madras relating to "breakable items" were considered. The loss of Kerala on this account above was estimated to be Rs.24 crores. See Third Five Year Plan, GOI, Trivandrum, 1960, p.24.

Investment opportunities in the then prevailing political situation. They remained largely confined to the commercial agricultural sector and allied industries. The expansion of plantation cultivation and commerce as well as the withdrawal of the European capital from these sectors after the Independence provided a new avenues of investment within the confines of their relatively more secure traditional areas of operations. Thus there was little indigenous entrepreneurial interest in industrial development even in the post independence period. The inflow of Tamil capital also seems to have dried up in the new phase.

At the same time due to various reasons such as the fiscal crisis, administrative problems and political instability the new state government was severely constrained from intervening in a decisive manner to keep up the pace of industrialisation. Primarily due to inadequate political pressure the problems and needs of the region received little attention from the central government. The net result of the above situation was that Kerala failed to partake in the relative buoyancy of industrial development in the post independent India and by the mid-sixties when Kerala had slumped off her lethargy industrial development in the country as a whole had entered a phase of acceleration.

Arguments presented here had been developed in two separate papers published in Malayalam; T.M. Thomas Isaac: "Some Aspects of Industrialization in Kerala", (Malayalam) Adyanaga lokam, Special Number, 1983.. and P.K. Michael: "Industrialization and Modernization of Kerala" (Malayalam) in Kesavan Mathat and N.P. Chekkutty (ed) Modernization of Kerala: Some Historical Issues, Calicut University Union, Calicut, 1982. The Authors are grateful to Sri.Raman Sundevan with whom we jointly presented a seminar on the subject at CDS. in 1985. ]

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