

CHAPTER III: MINISTRY OF COMMERCE AND INDUSTRY

The Rubber Board

3.1 Functioning of The Rubber Board

3.1.1 Constitution of Rubber Board and its objectives

The Rubber Board (Board) at Kottayam, Kerala, was constituted (April 1947) through the Rubber Act 1947. The Board functions under the Ministry of Commerce and Industry of Government of India. The primary objective of the Board is to develop rubber industry in the country. There are 45 Regional Offices and a Rubber Research Institute of India along with its 10 divisions all over India under the control of the Board (January 2021). The Board is headed by the Chairman, supported by 26 regular¹ and two ex-officio members². The Executive Director is the executive head of the Board. The staff strength of the Board as of March 2020 was 1,261. The Board incurred an annual expenditure of ₹208.56 crore, ₹190.60 crore and ₹227.18 crore during 2017-18, 2018-19 and 2019-20 respectively as against income of ₹24.98 crore, ₹17.77 crore and ₹17.12 crore (excluding grants received from Government of India) during the same period. The major functions of the Board are as follows:

- Development of Rubber Industry in India – Area expansion, production and productivity enhancement, maintenance of nurseries and fostering formation of Rubber Producers Societies and Group Processing Centers (GPCs) among rubber small grower³
- Scientific, technological and economic research
- Training to students and technical advice to growers
- Improving the marketing of rubber and quality control
- Implementing labour welfare activities
- Advisory services to government and collection of statistics

The functions of the Board are implemented through its various arms like Regional Offices and Field Offices⁴ established by the Board.

¹ Those representing GoI, States of Kerala and Tamil Nadu, Members of Parliament and members nominated by GoI

² Executive Director and Rubber Production Commissioner

³ An owner whose rubber estate does not exceed 10 hectares in area.

⁴ Field Offices of Rubber Board are base level extension offices, stationed at remote villages of rubber growing regions of the country manned by a single Field Officer.

3.1.2 Natural Rubber cultivation in India

The total area under rubber cultivation in India was 8.22 lakh hectare (March 2020). Based on agro-climatic conditions, the rubber growing areas in India are classified into two regions viz., (i) Traditional region⁵ (69.60 per cent) and (ii) Non-Traditional region⁶ (30.40 per cent). The status of natural rubber production by major rubber producing countries is given in **Annexure-XXVI**. Natural rubber production in India, when compared to the global production, had fallen from 9.3 per cent in 2000 to 5.13 per cent in 2019. The production of natural rubber could cater up to 83 per cent of the domestic consumption in 2010-11 and the same fell down to 63 per cent in 2019-20. The shortfall of 20 per cent was met through import of block natural rubber⁷ from Indonesia, Vietnam, Thailand and Malaysia.

3.1.3 Financial Status of the Board

Grants received from the Government of India were the primary source of funds for the Board. During the period 2010-11 to 2019-20, the Board had received a sum of ₹1,872.80 crore through Ministry of Commerce and Industry as Plan, Non-Plan and Medium Term Framework⁸ grants and also earned a revenue of ₹222.97 crore from internal and extra-budgetary resources during the same period. The Board utilised the said funds for implementation of schemes and operational expenditure. The operating/ non-plan expenditure of the Board had increased from ₹91.87 crore (52.88 per cent of the total expenditure of ₹173.73 crore) in 2010-11 to ₹208.55 crore (91.79 per cent of total expenditure of ₹227.18 crore) in 2019-20. The high operating expenditure was mainly due to the large number of staff in the Board. Men-in-position in Rubber Board as on March 2011 was 1,894. The sanctioned strength was reduced from 1,977 posts to 1,649 posts in 2017-18 and further to 905 posts in November 2019 by the Ministry of Commerce and Industry. The abolition of the posts was to be done in a phased manner by 2022-23.

3.1.4 Audit Scope, Methodology and Criteria

Audit assessed the overall functioning of the Board, outcome of various schemes and utilisation of manpower and funds for the last 10 years i.e. 2010-11 to 2019-20. Audit findings in the Report are based on review of the Board Minutes, Scheme guidelines, financial statements, records pertaining to implementation of schemes, data analysis, inspection of various units, discussion with key management personnel and survey using questionnaire. The audit criteria used included Rubber Board Act, 1947; Rubber Rules, 1955; scheme guidelines; XII Five Year Plan; Medium Term Framework; the General

⁵ *Confined to Kerala & Kanyakumari district of Tamil Nadu*

⁶ *Confined to Karnataka, Goa, Konkan Region of Maharashtra, coastal Andhra Pradesh & Orissa, the North Eastern States and Andaman & Nicobar Islands*

⁷ *Natural rubber processed in form of blocks (instead of rubber sheets) adopting cost effective and modern processing methods. This is the preferred type of processed rubber due to consistency in quality.*

⁸ *from 2017-18 to 2019-20*

Financial Rules; Delegation of powers and guidelines on selection of beneficiaries for subsidies; and allocation of funds/ grants issued by Board/ Governments.

The draft Audit Report was issued to the Board (January 2021) and Ministry of Commerce and Industry (March 2021) and their replies (February 2021 and April 2021) were duly considered in finalisation of the Audit Report.

3.1.5 Audit objectives

The objectives of the audit were to ensure whether:

1. the Rubber Board achieved its objectives through various schemes, and
2. the schemes were implemented economically, efficiently and effectively.

3.1.6 Audit findings on achievement of its objectives by the Board

The Audit findings regarding achievement of objectives by the Board are enumerated below.

3.1.6.1 Board's role in expansion of cultivation area and enhancement

One of the main objectives of the Board was expansion of cultivable area and productivity enhancement through various schemes like granting subsidy, critical input supply, training, opening new Regional offices and field offices in North East and other non-traditional areas etc. The Board had incurred an expenditure of ₹1,011.87 crore for implementing various schemes during the last 10 years up to 2019-20.

In this regard, Audit observed that, though the overall rubber cultivation area had grown from 7.11 lakh hectare (March 2011) to 8.22 lakh hectare⁹ (March 2020) over the decade, the yearly growth rate had fallen from 3.65 *per cent* in 2010-11 to 0.04 *per cent* in 2019-20. Further, out of 8.67 lakh hectare¹⁰ potential area identified (2015) for natural rubber plantation in North East & other non-traditional regions, the Board could achieve plantation only in 2.50 lakh hectare area (29 *per cent*) till March 2020.

The reason for the decline was that the Board could not release adequate planting subsidies for area expansion schemes as nearly 50.51 *per cent* to 93.65 *per cent* of total grants received during 2010-11 to 2019-20 were spent on non-plan activities¹¹.

The Board replied (February 2021) that area expansion is feasible only in 6.25 lakh hectares in North East/ non-traditional regions. The Board agreed that lack of timely financial support through subsidies was one of the reasons for shortfall in area expansion. Unremunerative prices dissuaded the growers from taking up rubber cultivation. The Board

⁹ *Provisional figure*

¹⁰ *In 2015, the potential area in North-East and other non-traditional regions was 3.42 lakh hectare (revised) and 5.25 lakh hectare respectively. The estimation of potential area was also revised (October 2020) for North-East and other non-traditional regions to 4.17 lakh hectare and 2.08 lakh hectare respectively.*

¹¹ *Plan expenditure is expenditure incurred towards schemes/ programmes, whereas non-plan expenditure is expenditure incurred on routine functioning.*

is exploring alternate options for extending financial support to growers for promotion of cultivation in North East region.

The reply of the Board supports the Audit view that the Board could not release adequate planting subsidies for area expansion.

3.1.6.2 Decline in production of natural rubber

The annual production showed mostly a declining trend during the last 10 years being 7.12 lakh metric tonne in 2019-20 as compared to 8.62 lakh metric tonne in 2010-11. Moreover, during the period from 2009-10 to 2019-20, the productivity declined by 15.56 *per cent* (from 1,843.19 kilogram per hectare to 1,556.47 kilogram per hectare) and 1.21 *per cent* (from 1,209.03 kilogram per hectare to 1,194.43 kilogram per hectare) in traditional region and non-traditional region respectively. The reasons for decline in production are as discussed below:

- Rubber, being a perennial crop, has a gestation period (immaturity period) of six to nine years. Growers need financial support during the immaturity phase. Inadequate subsidy discourages rubber growers to cultivate rubber. Countries like Thailand, Sri Lanka and Malaysia provide 1.61 times to 6 times higher¹² subsidy than what is given in India, resulting in availability of cheap natural rubber in international market. Rate of financial assistance/ subsidy as a percentage of cultivation/ development cost fell down from 20 *per cent* (XI Plan) to eight *per cent* (XII Plan) and then to five *per cent* (Medium Term framework) for traditional region and from 34 *per cent* (XI plan) to 15 *per cent* (XII Plan) and then to eight *per cent* (Medium Term Framework) for non-traditional region as noted from Expenditure Finance Committee Memorandum of the Board for the respective plan periods.
- Board's schemes did not reach the targeted beneficiaries as the Board was unable to release funds for the schemes due to high administrative costs. For e.g., productivity enhancement schemes like supply of critical inputs covered only 73,355 hectare area against the targeted area of 1,64,000 hectare during 2012-13 to 2019-20.
- Institutional procurement of rubber, like purchase of natural rubber by State Trading Corporation, was dispensed with from 2001.

The Board replied (February 2021) that low prices resulted in accumulation of senile plantations, irregular tapping and untapped plantations adversely affecting productivity. It further stated that the last two years (2019-20 and 2020-21) had seen a change in this trend with gradual increase of productivity on account of steps taken by the Board. The increase in prices of natural rubber since July 2020 also helped to increase productivity.

¹² *In India ₹25,000 per hectare for traditional area and ₹40,000 per hectare for non-traditional and North East region compared to ₹64,200 per hectare in Sri Lanka, ₹1,57,800 per hectare in Malaysia and ₹2,08,700 per hectare in Thailand*

The fact remains that the production comparatively decreased over the years mainly due to inadequate incentives and lack of adequate support for the rubber cultivation.

Recommendation No. 1

The Board may take effective measures to expand plantation area in North-East/ other non-traditional regions by encouraging tapping and implementing productivity enhancement schemes such as critical input supply.

3.1.6.3 Survey of Rubber growers

Audit conducted an online survey among rubber growers in Kerala to assess the reasons for low production of natural rubber and to understand the problems faced by them. On request, the Board provided email addresses of 1,946 Rubber Producers Societies and 267 rubber growers. The link to the questionnaire was sent to all the above Rubber Producers Societies for forwarding to member growers. Responses from 369 growers were analysed and the outcome was as below:

- 24 per cent growers were unaware of existence of Board's field office in their locality.
- 17 per cent growers stated that field officers have never visited their plantation.
- 63 per cent growers had not applied for subsidy schemes due to lack of awareness.
- 20 per cent growers were unaware of Rubber Producers Societies established to improve marketing.
- 62 per cent growers had not planted 400 series hybrid clones developed by Rubber Research Institute of India.
- 59 per cent growers were tapping once in two days instead of seven days as advised by the Board.
- 12 per cent growers were unaware of Rubber Production Incentive Scheme.
- 85 per cent¹³ were of the opinion that minimum support price of ₹150 per kg was low.
- 66 per cent growers were not manuring the plantations based on soil testing.
- 71 per cent growers were unaware of Rubber Soil Information System developed for fertilizer recommendation.

The above results of survey pointed out the deficiencies in realisation of the objectives of the Board for overall development of rubber industry.

The Board replied (February 2021) that it will try to overcome the deficiencies pointed out by Audit, especially regarding lack of awareness.

The reply of the Board is to be viewed in light of the fact that there was no Information, Education and Communication Policy to systematically create awareness about the schemes.

¹³ *Out of the growers aware of Rubber Production Incentive Scheme*

Recommendation No. 2

The Board may frame an Information, Education and Communication Policy to systematically create awareness about the best practices being followed and the schemes being implemented.

3.1.6.4 Rubber Producers Societies and Group Processing Centres

A. Inadequate number of Rubber Producers Societies formed

Rubber Producers Societies are voluntary self-help associations of small growers, registered under the Charitable Societies Act. Rubber Producers Societies are the extension arm of the Board for the rubber plantation extension activities. The main activities of a Rubber Producers Society under the extension functions of the Board also include facilitating transfer of technology, promoting group approach for the advantage of members, ensuring adoption of cultural practices essential for productivity enhancement, implementing development welfare activities by securing financial assistance from the Board and other institutions. It also procures and distributes plantation requisites to the small growers at a reasonable price, ensures adoption of recommended agricultural operations, community processing and marketing of rubber produced by the growers. Rubber Producers Societies conduct trainings for its members and members are aware of various schemes of the Board. Growers' meetings are conducted at frequent intervals, which help them to share their concerns about production and marketing of rubber. The Board formed 2,993 Rubber Producers Societies¹⁴ to promote the above mentioned activities.

In this regard, Audit observed that the Board did not have any mechanism to identify/ bring all growers together under the ambit of Rubber Producers Societies. Only 39.18 *per cent* of the total area was covered under Rubber Producers Societies (March 2020). The average number of Rubber Producers Societies attached with one Regional Office in traditional area was 99 (240 hectare per Rubber Producers Society) and in North-East region it was 32 (370 hectare per Rubber Producers Society) and in respect of other non-traditional region it was 20 (602 hectare per Rubber Producers Society). This indicated that the Board failed to set up adequate Rubber Producers Societies in non-traditional regions. Composite targets were fixed for formation of Rubber Producers Societies/ Self Help Groups (SHGs) and strengthening of existing Rubber Producers Societies and SHGs. The split up details about the total target of Rubber Producers Societies/ SHGs to be formed were not made available to Audit.

Further, as on March 2020 out of 2,993 Rubber Producers Societies, 360 (12.02 *per cent*) were defunct. A field level officer of the Board who is member in the Board of Directors of the Rubber Producers Society under its jurisdiction for monitoring and assistance in the functioning of Rubber Producers Societies was required to discharge its duties and responsibilities properly to save it from becoming defunct.

¹⁴ 2,381 in Traditional region, 510 in North-East region and 102 in other Non-Traditional region

The Board replied (February 2021) that due to geographic isolation and scattered distribution of growers, there is reduced scope for formation of more Rubber Producers Societies. Rubber Producers Societies could be formed in due course of time when more plantations come up in North-East/ non-traditional regions and sufficient numbers of growers are available. It further stated that the extension wing is working with the intention to bring all rubber growers under the ambit of Rubber Producers Societies and this can be achieved gradually by formation of more Rubber Producers Societies and enrolling more members in the existing societies. The Board replied that it was making efforts to weed out defunct Rubber Producers Societies so as to either cancel their registration or make them functional.

The reply of the Board does not adequately explain as to why only 39.18 *per cent* of the total area was covered under Rubber Producers Societies. As rubber plantation sector is dominated by smallholdings hence sector is vulnerable to exploitation of rubber growers by middlemen, fluctuation in prices and also difficulties in accessing technology and information. It indicates that efforts to increase the rubber plantation under Rubber Producers Societies were required to be augmented by increasing membership of growers.

Recommendation No. 3

The Board should ensure adequate efforts by extension wings to increase number of Rubber Producers Societies through wide publicity of their role, activities and its benefits to rubber growers.

Recommendation No. 4

The Board should ensure proper functioning of Rubber Producers Societies by fixing yearly targets for extension activities by each Rubber Producers Society and also monitor achievement of targets fixed.

B. Non-functioning of Group Processing Centres

Processing of rubber into marketable form of rubber is very complex, requiring investment of resources for infrastructure facilities, which is often unaffordable by small growers. With the objective of empowering the Rubber Producers Societies in collective processing and marketing, the Board is promoting Group Processing Centres (GPCs) since 1993. GPCs are centralised facility created for the purpose of production of quality rubber sheets from latex. There were 343 GPCs under various Rubber Producers Societies to produce rubber sheets from latex as a centralised processing facility.

In this regard, Audit observed that 122 GPCs were not functioning as of March 2020. Nine GPCs were exclusively engaged in trading of latex instead of producing rubber sheets. Thus, the very purpose of creation of these GPCs was defeated.

The Board stated (February 2021) that some of the GPCs were not functioning due to various constraints like environmental pollution, lack of timely repair of processing centres, labour problems, non-cooperation from growers, high processing cost etc.

The reply of the Board is to be viewed against the fact that the issues highlighted by the Board were controllable and could be avoided by providing subsidy for repair, renovation and infrastructure development for setting up eco-friendly and fuel-efficient GPCs to cut costs and by imparting training to growers.

3.1.6.5 Collection of Statistics

It is the statutory function of the Board (Rule 43 of Rubber Rules, 1955) to collect, compile, interpret and disseminate statistics on rubber cultivation in the country. The database of growers is an important basic requirement for implementation of the schemes.

In this regard, Audit observed that the Board did not have data of growers along with the size of the cultivated area. Data about small holdings was compiled based on the subsidy applications submitted by the growers. In case of large growers, data was obtained from their annual returns. The last extensive field survey in Kerala was conducted in 2002. Further, during 2019-20, only 4,141 out of 7,760 rubber dealers¹⁵ submitted their returns online to the Board. Out of the 4,141 rubber dealers, only 2,650 had submitted returns for all the months. Hence, all the above facts indicate that the data compilation by the Board might not be reliable which is very vital for policy formulation by Ministry of Commerce and Industry and other Government agencies.

The Board replied (February 2021) that the Board ceased compulsory registration of rubber holdings in 1986. After last census during 1996 to 2002, the Board has conducted periodical surveys for ascertaining the changes in rubber area cultivated. Records of new planting and replanting areas are maintained by the Regional Offices. The “Indian Rubber Statistics,” the annual publication by the Board has been relied upon not only by the Government, but also by the industry over the years to plan their functioning.

The reply of the Board is to be viewed in the light of the fact that the collection of statistics is one of functions of the Board and is mandated under Rubber Act, 1947. Statistics related to the rubber industry are gathered exclusively by the Rubber Board and no other agency is engaged in carrying out these functions. The Board did not have the data of the total rubber growers in India. Moreover, the data collection needs to be a systematic and regular activity of the Board.

Recommendation No. 5

The Board should update its database on the total area of plantation, number of growers, availability of tappers etc., either by census or by system of periodic returns for effective implementation of various schemes and programmes for rubber production.

¹⁵ *Rubber Dealer is any person who deals in rubber, whether wholesale or retail or holds stocks of rubber, and includes the representative or agent of a dealer. A dealer has to obtain license from the Board and has to submit online monthly return.*

3.1.7 Other deficiencies observed in implementing the schemes

Audit noted other deficiencies in the implementation of the schemes which are detailed in the paragraphs below.

3.1.7.1 Rubber Production Incentive Scheme

Rubber Production Incentive Scheme was introduced (July 2015) by the Government of Kerala (GoK) to support small rubber growers¹⁶. GoK fixed ₹150 per kg as floor price for rubber and the difference between floor price and Board's reference price was paid to the growers. The Board was the implementing agency for the scheme. The growers had to register themselves in the Direct Benefit Transfer System (DBTS¹⁷) of GoK and a unique ID was allotted to them.

Under the scheme, growers sold their rubber sheet/ latex at the prevailing rate (Board's Reference price) in the open market. After selling the product, the growers had to upload the sales bill in DBTS maintained by the National Informatics Center (NIC). The difference between price at which the grower sold the sheet/ latex (per kg price) and floor price of ₹150 fixed by GoK is the per kg subsidy amount which is multiplied by the total quantity of rubber sheet sold as shown in the bill (subject to the ceiling fixed by GoK as per scheme rules). Such subsidy amount calculated by DBTS in each bill is directly transferred to the bank account of the grower. As per the scheme rules, only sale bills issued by the registered dealers to growers were eligible for the subsidy payment. Rubber Production Incentive Scheme processing involved the following stages:

- Every fortnight, growers submit the invoices issued by dealers for the latex/ rubber sheets sold by them to Rubber Producers Societies.
- Rubber Producers Societies verify the invoices and upload the scanned copy to the DBTS and forward the actual invoice to Regional Office for their verification/ approval.
- The Regional Office verify the details entered by Rubber Producers Societies in the DBTS with the actual invoices forwarded by the Rubber Producers Societies and approve the eligible cases.
- After approval by the Regional Offices in DBTS, GoK transfers the subsidy through DBTS to the bank account of the concerned grower.

A total amount of ₹1,612.49 crore was paid to five lakh growers during 2015-16 to 2019-20. Audit noticed the following weaknesses in implementation of the scheme:

A. Difference in quantity of latex/ rubber sheets purchased by the dealers

As per the Rubber Act, 1947 and the Rules made there under every registered dealer has to file monthly returns about the quantity of rubber sheet/ latex procured by them from the

¹⁶ Growers with total area upto five hectares

¹⁷ maintained by the NIC

open market, total quantity of rubber sheet/ latex sold by them and stock of rubber sheet/ latex with them.

In 2016, the Board introduced online filing of return enabling the rubber dealers to upload monthly return in Rubber Board's Unified Business Information System (RUBIS) for quantity of rubber sheet/ latex procured, sold and closing stock held.

Audit cross checked the database of the DBTS (where the registration number of dealers and total number of invoices issued by each dealer and its quantity were available) with the database of monthly returns of dealers available with the Board. Audit found that in the DBTS, the growers claimed subsidy on the basis of invoices of some dealers in certain months whereas those dealers had submitted nil returns in their statutory monthly returns filed with the Board¹⁸ in RUBIS. Similarly, in other cases, the growers had claimed subsidy in DBTS on the basis of invoices in the name of some dealers, but those dealers had not filed the statutory monthly returns.

Further Audit compared the quantity of latex/ rubber sheets as per dealers' invoices uploaded in the DBTS by Rubber Producers Societies with quantity declared by dealers in monthly returns in RUBIS for purchase of latex/ rubber sheets. In this regard, it was noticed that:

- (i) Subsidy payments amounting to ₹300.93 crore were made in DBTS for the invoices issued by rubber dealers who either did not file returns in RUBIS or declared nil purchase in their returns filed in RUBIS during the period 2016-17 to 2019-20. Year-wise estimated quantity and subsidy amount involved are given in **Annexure-XXVII**.
- (ii) Subsidy payments amounting to ₹33.05 crore were made in DBTS for 26,622.82 metric tonne of latex/ rubber sheets whereas the declared quantity in returns in RUBIS in respect of 647 rubber dealers was 11,046.24 metric tonne during 2016-17 to 2019-20. Year-wise estimated quantity and subsidy amount involved are given in **Annexure-XXVIII**. Cross check of these cases by Audit revealed that total quantity in DBTS was much higher than what the dealers have shown in their returns in that particular month.

In the monthly returns of the rubber dealers', consolidated quantity of rubber sheet/ latex purchased by the dealers from various growers was given instead of details of the growers from whom the rubber sheet/ latex procured. Hence, cross checking of each grower wise invoices issued and subsidy claimed was not possible.

The Board in its initial reply (February 2020) stated that they are referring such cases to Goods and Service Tax Intelligence wing of State of Kerala for further investigation.

As such, non-verification of the required details by Rubber Producer's Societies and Regional Offices of the Board makes the system vulnerable.

¹⁸ *not purchased any quantity of rubber sheet/ latex from growers in that month*

The Board replied (February 2021) that the Board is only a facilitator of the scheme, and the rules were framed by GoK. The officers who confirmed the invoice cannot ensure whether the dealer filed the return or not. It further replied that the Board is writing to GoK to place a condition in scheme rules that non-filing of returns by dealer who issues invoice would result in non-payment of incentive.

It was noted (September 2021) by Audit that the Board proposed (March 2021) to GoK to include a condition in RPIS that “the sale invoice furnished by a grower should be from a dealer with valid license and prompt in submitting the statutory returns.” Based on the proposal of the Board, GoK issued an order (August 2021) stipulating that only the invoices issued by the authorised dealers who promptly submit the statutory returns will be considered for subsidy payments under Rubber Production Incentive Scheme.

The reply of the Board may be viewed against the fact that as per the scheme guidelines the Board officials should also verify details of invoices online before approving the transactions though it was primary responsibility of Rubber Producers Society President to ensure that only valid invoices are uploaded for availing production incentive. Substantial variation in quantity of rubber production in two different systems makes it imperative for the Board to probe into both the databases available with the Board. The Board should check on sample basis quantity of rubber sheet/ latex purchase reflected by database of DBTS and RUBIS to ensure genuineness of subsidy payment.

B. Inadequate field verification of registration of growers

The scheme rules necessitate physical verification of at least 10 *per cent* of the cases to ensure correctness of details furnished by the farmers. Only in 2019, the Board conducted field verification of registration of growers for subsidy claims; and that too only for 3,622 growers which was less than one *per cent* of five lakh growers registered in the DBTS. It was found that in 278 cases (7.67 *per cent*) out of 3,622 growers, the cultivated area registered in Rubber Production Incentive Scheme did not match with the actuals and in 87 cases (2.4 *per cent*) out of 3,622, the growers did not have tappable trees though subsidy was claimed.

The Board replied (February 2021) that as per the scheme rules there was no need for field verification before approving the beneficiary. It further stated that there were variances in the cultivable area registered in Rubber Production Incentive Scheme and actuals. Based on survey, the need for renewal of registration of beneficiaries has been recommended to GoK to eliminate ineligible cases.

The reply of the Board may be viewed in the light of the fact that the scheme rules necessitate physical verification of at least 10 *per cent* of the cases to ensure correctness of details furnished by the farmers. But as per the records made available to Audit, it was found that Board did not make any recommendations based on the physical verification conducted by it.

C. Payment of subsidy to different growers against same invoices

During test check, Audit observed that 581 invoices were submitted by more than one grower involving subsidy amount of ₹31.28 lakh of which ₹29.16 lakh subsidy was paid. This indicated that entire database of DBTS need to be reviewed by the Board to check all ineligible cases of subsidy payment.

The Board replied (February 2021) that on verification it found same bill uploaded for two beneficiaries or same bill uploaded in different fortnights for the same beneficiary in 20 per cent cases and in 15 per cent cases invoices issued by dealers have same serial number, but growers and quantity sold are different. The Board further stated that the observation of the Audit is accepted for future guidance and Regional Offices shall be advised to be more cautious in verifying the invoices.

Recommendation No. 6

The Board should take necessary measures to ensure that subsidy payment against false/ fraudulent invoices is not recommended by the Board. The Board may also initiate steps to investigate the cases of ineligible subsidy payments as these indicate corruption/ fraud and accordingly responsibility may be fixed.

3.1.7.2 Market Promotion and Quality Control

The Board undertook promotion of rubber processing, trading and rubber-wood processing companies and spent ₹70.23 crore on market promotion activities during the last 10 years. Audit findings in this regard are given in following sub-paragraphs:

A. Investment in Rubber/ Rubber-wood processing companies

The Board along with the Rubber Producers Societies/ other financial institutions established four rubber processing¹⁹ and two rubber-wood processing companies²⁰ for producing block rubber/ centrifuge latex and value added products like edge bonded planks, doors, etc., in the early nineties. Out of these, three rubber processing companies²¹ stopped processing operations and performed only trading activities and one²² rubber-wood processing company closed its operations.

The Board provided working capital loans (₹17.83 crore) to these companies without conducting any viability study and obtaining collateral security (except one company Pamba Rubbers Pvt. Ltd.). The principal amount of working capital loan and the interest receivable from these companies was ₹17.83 crore and ₹10.47 crore respectively as on 31 March 2020. The scope for recovery of these amounts was remote.

The Board replied (February 2021) that it promoted these companies, which helped the growers to get better farm gate price for their produce and minimize intermediaries. But

¹⁹ Pamba Rubbers Ltd., Kavanar Latex Ltd., Ponmudi Rubbers Ltd., and Periyar Latex Ltd.

²⁰ Meenachil Rubberwood Ltd. and Rubberwood India Pvt. Ltd

²¹ Pamba Rubbers Ltd., Ponmudi Rubbers Ltd., and Periyar Latex Ltd.

²² Rubberwood India Pvt. Ltd.

during the operation of these companies in the past decades, there were times of financial crisis due to drastic price fluctuations in local and international markets. It became imperative for the Board to help these companies during such situations.

The reply of the Board is to be viewed in the light of the fact that the scope of recovery of principal amount of loan and interest receivable was remote as financial condition of these companies has deteriorated due to high accumulated losses.

B. Godown for Export-Promotion

The Board constructed (March 2011) a godown of 1,000 metric tonne capacity on 3.27 acre land leased from Rubber Park (India) Pvt. Ltd. located at Irapuram, Kochi under the Market Development and Export Promotion scheme. An amount of ₹1.31 crore²³ was paid towards land lease and ₹0.72 crore was spent on construction. While considering the location of the godown, it was stated that Irapuram was near the rubber producing centres of Ernakulam and Kottayam. However, the godown was kept idle since its construction due to the fact that the godown was located far away from Cochin port and also due to insignificant export of natural rubber from India. Thus, lack of adequate assessment by the Board about the feasibility of operating the godown had resulted in wasteful expenditure of ₹2.03 crore.

The Board replied (February 2021) that the godown was surrendered to M/s. Rubber Park (India) Pvt. Ltd. for an amount of ₹2.05 crore.

The fact remains that the Board could not utilise the godown for nine years and had to surrender it approximately at the same cost incurred by it. The objective of export promotion was also not achieved but resulted in blocking the scarce funds for nine years.

C. Closure of Model Rubber Factory

The Board set up (2001) a Model Technically Specified Rubber Factory near Kottayam with an installed capacity of 6,000 metric tonne, with an objective to demonstrate latest technology for processing Technically Specified Block Rubber (main raw material for Tyre industry) in commercially viable manner. Solidified raw latex was the raw material for the factory. However, since its inception, the Board could not get adequate raw latex, as the growers were not ready to supply the same; instead they produced sheet rubber as it was more remunerative for them. Therefore, the factory became unviable due to under-utilisation of installed capacity, high cost of processing and fluctuations in price of raw latex. Finally, the factory was stopped in December 2015, however, the Board continued to pay wages (₹2.30 crore) to workers till January 2019. The objective of setting up commercially viable factory was not achieved, and the Board incurred accumulated loss of ₹8.60 crore.²⁴ The factory was leased out (August 2019) for a monthly lease rent of ₹85,000 plus GST.

²³ *Upfront premium of ₹ 98 lakh was paid in March 2008 and additional payments of ₹ 8 lakh (March 2012) & ₹25 lakh (March 2014) were made.*

²⁴ *₹8.60 crore as on 31 March 2015*

The Board replied (February 2021) that the objective of setting up the Model Technically Specified Rubber Factory was to disseminate the modern technology and effluent treatment systems in Technically Specified Block Rubber processing in India. It also encouraged other Technically Specified Block Rubber factories to manufacture international quality Block rubber so as to export to other countries. International innovations in machinery were incorporated in the Model Technically Specified Block Rubber Factory, which were subsequently adopted by other Technically Specified Block Rubber factories also, which improved their productivity and competitiveness. Moreover, the popularisation of Semi-automatic processing of Technically Specified Block Rubber reduced the drudgery of workers and the ETP system in Model Technically Specified Block Rubber Factory helped to reduce the environment problems to a great extent. While considering the above facts, Model Technically Specified Block Rubber Factory can be said to have fulfilled its objectives even though the commercial operation could not be sustained.

The reply of the Board is to be viewed against the fact that two significant objectives of the Board i.e., to establish commercially viable Model Technically Specified Block Rubber Factory and demonstration of latest technology were not achieved.

3.1.7.3 Underutilisation of Revolving Fund

Revolving Fund of ₹2 crore per year was created in 2004-05 for North East region to provide inputs to growers at concessional rate.

Audit noted that ₹12 crore (@ ₹2 crore per year) could have been utilised by the Board during 2010-11 to 2015-16. However the Board spent only ₹1.21 crore during 2010-11 to 2015-16. The scheme was discontinued from 2015-16. The under-utilisation of funds and subsequent discontinuation of the scheme had defeated the basic objective of providing inputs such as fertilizers, polythene sheet, tapping shade etc., at concessional rate to the rubber growers in North-East region. The amount received from the Ministry of Commerce and Industry for the Revolving Fund (₹2 crore) was yet to be returned and kept idle by the Board (March 2020).

The Board replied (February 2021) that it was unable to utilise the revolving fund due to poor response of growers towards the scheme, poor response to tenders from dealers, difficulty in advance remittance of cost of inputs by growers and high cost of transportation of inputs.

The reply of the Board may be viewed in the light of the fact that the scheme was introduced from 2004-05 onwards, and if found not implementable, the Board should have returned the funds to Ministry of Commerce and Industry.

3.1.7.4 Non-recovery of loans

The Board provided (May 2017) a soft loan of ₹6.17 crore to three Rubber Trading Companies²⁵ to procure inputs with a condition to repay the entire amount with three *per*

²⁵ *Manimalayar Rubbers, Kanhangad Rubbers and Sahyadri Rubbers*

cent interest by December 2017, failing which a penalty of seven per cent on balance loan would be imposed. The Board also supplied (February 2017) inputs worth ₹1.32 crore to two Rubber Trading companies²⁶ with a condition to repay the amount before March 2017. However, soft loan to the extent of ₹1.01 crore and ₹1.21 crore towards the inputs supplied was not recovered (March 2020) even after expiry of three years. Interest and penalty for delayed payment worked out to ₹0.56 crore (March 2020). Thus, Board failed to initiate steps to recover ₹2.78 crore (along with interest & penalty for soft loan) from the above companies²⁷.

The Board replied (February 2021) that the companies are gradually refunding the dues.

The reply of the Board may be viewed in the light of the fact that the Board is yet to recover the full amount even after three years and has not levied penalty on the companies.

3.1.7.5 Non-recovery of project cost

The Memorandum of Understanding entered (2008) by the Board in the Pandirimamidikota region for the tribal plantation was signed by Project Officer instead of Commissioner of Tribal Department, Government of Andhra Pradesh (GoAP) who was the competent authority. Hence, the GoAP did not approve the scheme (March 2012) and the Board could not recover the GoAP's share of ₹0.33 crore under Tribal Rubber Plantation Development Project.

The Board replied (February 2021) that efforts for recovery of the pending dues are continuing.

3.1.7.6 Blocking of funds in construction of hostel building

The Rubber Training Institute had hostel facility to accommodate only 32 students though it had facilities to train about 75 trainees. Hence, to enhance the hostel facility, the Board started construction (August 2014) of a hostel. Though the approval was accorded only for ₹1.49 crore, the Board started construction at an estimate of ₹2.17 crore. Subsequently after spending ₹0.87 crore, it could not complete the construction due to shortage of funds, resulting in blocking up of scarce resources. Construction activity had not resumed since June 2017. Rubber Training Institute hostel was still (March 2021) continuing to function in the old building with limited accommodation facilities for trainees.

The Board replied (February 2021) that the balance work has been entrusted to CPWD and the estimate for construction will be received in February 2021. The work was proposed to be completed in 2021-22.

The reply of the Board may be viewed in the light of the fact that commencement of construction activities without assessing the resources resulted in non-achievement of the objective of creating additional hostel facilities, as the building was incomplete. The funds

²⁶ *Manimalayar Rubbers and Kanhangad Rubbers*

²⁷ *Manimalayar Rubbers: ₹ 1.33 crore; Kanhangad Rubbers: ₹ 1.22 crore & Sahyadri Rubbers: ₹0.23 crore*

amounting to ₹0.87 crore were also blocked on the incomplete building for nearly four years since June 2017. Further, the cost of construction in 2021-22 would be higher than cost of construction in 2017.

3.1.7.7 Labour welfare activities by the Board

Rubber cultivation depended on large number of skilled labour forces. The Board attributed that labour shortage was one of the main reasons for non-tapping of 26.47 *per cent* of the tappable area in India (2019-20). In large plantations²⁸, welfare measures for workers were implemented according to the Plantation Labour Act, 1951. However, 91 *per cent* of rubber plantations in India are small holdings with the average size of only 0.57 hectare. The Board formulated six labour welfare schemes²⁹. Workers with required experience³⁰ could apply for benefits under the schemes through the Regional Offices. The Board had spent ₹23.79 crore during the last 10 years and 2.1 lakh workers had benefited under the schemes. However, the Board did not have a comprehensive database of workers to authenticate the beneficiaries and process their applications.

In this regard, Audit observed that even though there were about 4.51 lakh workers (July 2019) engaged in rubber plantations, majority of the workers in small holdings were not benefitted. Audit further observed that the Board did not continue to implement the Group Life Insurance cum Terminal Benefit Scheme after 2015-16 due to scarcity of funds and only the existing members were renewing their policy every year. Likewise, the Health Insurance Scheme was also not introduced.

The Board replied (February 2021) that it has taken steps to conduct Rubber Area Census in which the details of workers will also be included. The Board accepted that fresh enrolment of Group Life Insurance cum Terminal Benefit Scheme was discontinued since 2015-16.

Discontinuation of labour welfare schemes, non-introduction of envisaged schemes and non-coverage of general rubber plantation workers of small holdings in the schemes resulted in denial of benefits to workers.

Recommendation No. 7

Effective steps need to be taken by the Board to extend benefits of the schemes for promotion of rubber production and labour welfare schemes by enhancing fund utilisation for the schemes.

²⁸ *Plantations having more than 10 Ha*

²⁹ *Educational stipend, Medical assistance, housing subsidy, sanitary subsidy, empowerment of women tappers and insurance*

³⁰ *1 to 5 years' experience for various schemes, based on employment certificate from employer/president of Rubber Producers Society*

3.1.8 Conclusion

Rubber Board is a national level body responsible for overall development of rubber industry in India. However, the Board's efforts to expand the plantation area in non-traditional region and to enhance production of natural rubber were not successful as grants were utilised more for operational expenses than plan expenditure. Due to the Board's failure to promote group approach among rubber growers by encouraging setting up of adequate Rubber Producers Societies, only 39.18 *per cent* of rubber cultivated area was covered under these Societies. Further, the Board also failed in its objective to collect and compile data on rubber cultivation in a systemic manner. Discrepancies between invoiced quantity of purchase stated by rubber dealers in their monthly returns and subsidy claimed by growers using invoices of the rubber dealers' casts doubt about proper implementation of the Rubber Production Incentive Scheme. Moreover, the working capital loans provided by the Board to Rubber/ Rubber wood processing companies may not be recovered due to financial losses suffered by these companies. In addition, discontinuation of labour welfare schemes and inadequate coverage of schemes resulted in denial of benefits to rubber plantation workers.