

# Economic problems of northeast india



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## **ABSTRACT**

This paper attempts to examine the reasons for the failure of the North East to catch up with the rest of India in terms of economic growth even though it has done fairly well with respect to human development indicators. The paper shows that the government has proposed policies for development of this region but various factors such as insurgency, geographical factors and infrastructural constraints have hindered the expected outcome of the policies. After analyzing these reasons we conclude our paper by suggesting various measures that can be adopted to overcome these problems and accelerate the development process.

## **INTRODUCTION**

North-East India consisting of seven states: Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura; occupies a distinctive place primarily due to its social, cultural, political, geographical and historical features resulting in lack of uniformity, integration and assimilation. As unified it is in conflict ridden issues like ethnic unrest, insurgency, and illegal immigration; there exist wide intra-regional disparities in socio-economic issues.

Since the colonial period it has been a witness to highly inequitable rates of economic growth. For the British, the North-East was a storehouse of raw materials such as coal, natural oil, forests and tea. There was a mass extraction of these resources which were then exported to other parts of the country for processing. This region however did not benefit from this process as the British did not set up processing and manufacturing units, neither did

they pay any attention on the development of transport and communication facilities in the region. With the partition of India, for a long period of time trade with Bangladesh (East Pakistan) came to a stop which seriously damaged the economic and growth potential of the region. Government of India brought about several developmental packages for the region but these policies and programmes were not evaluated at appropriate times. This widened the gap between the region and rest of India. Thus all the socio-economic and political problems of these states were put under one unit, i. e., " north-east region" and a North Eastern council was created to address these as a whole[1], thereby ignoring the inter-state disparities.

In recent times the picture has got somewhat better. The north-eastern region has performed reasonably well in comparison to all India average situations in respect of human development indicators for both the sexes but it has failed in bringing commensurate economic growth. In spite of being a tribal belt and, in some cases having matrilineal society women still need to come at par with men. If these problems are not properly addressed the region may fall into the trap of vicious cycle instead of moving to a virtuous one. (Nayak, 2007)[2]

The objective of the paper is to review the general claim that the North-Eastern states have done relatively well as compared to the all India average situations in terms of human development indicators; but the region has still not been able to achieve corresponding levels of economic growth. To this end, we have undertaken a comprehensive literature review comprising of various government reports and research articles. The data sources are RBI, NEDFi Databank. The paper is structured as follows: We begin by analysing <https://assignbuster.com/economic-problems-of-northeast-india/>

the human development indicators and economic growth scenario in the region and also discuss the presence of intra-regional disparities at the disaggregated level. Next we look into the past and present policies introduced by the government for the economic and social upliftment of the region. We then state the recurrent problems prevailing in the North-Eastern states and we conclude with a discussion of potential policies and measures that can be undertaken so that the region is able to tap its true potential.

## **Human Development and Economic Growth in the region**

### **Disparities in Human Development Indicators and Economic Growth**

Human development indicators have been consistently high for the North-Eastern states on an average. A look at the Human Development Report (2002) reaffirms this fact. However as apparent there are huge inter-state disparities. The HDI value during 1981 in the region varied from the lowest figure of 0. 242 in Arunachal Pradesh to the highest of 0. 461 in Manipur as against the national average of 0. 302. Similarly in 1991 the lowest and highest figures were 0. 328 (Arunachal Pradesh) and 0. 548 (Mizoram) as against 0. 389 at the national level (Nayak, 2009). Thus on an aggregate the region seems to have done well but there exist wide rural-urban and gender disparities. We now separately present an overview of the various human development indicators.

### **Literacy**

UNDP's national human development report (2003) studied the region and concluded that the region has done well in the social sector and more so in the spread of literacy. The overall literacy rate of the region in 2001 (65.

83%) was marginally higher than the national average (64.8%). States such as Mizoram, Tripura, Nagaland and Manipur had literacy rates higher than the national average, whereas other states like Assam kept pace with the national average. Starting from relative backwardness in 1971, by 2001 Meghalaya and Arunachal Pradesh closed gaps with the country average. Considering that Arunachal Pradesh had a literacy rate of only 11.30 per cent in 1971, the attainment to 54.34 per cent by 2001 constitutes a huge progress in just three decades. There were considerable improvements in the field of female literacy too. Female literacy for all the states is higher as compared to the all India average except for Arunachal Pradesh. In spite of these positive trends there are questions about the quality of undergraduate, postgraduate and vocational education available here.[3]

### **Infant Mortality Rate and Nutritional Status**

Some states have continuously lagged behind in terms of several important economic indicators. For instance, states such as Assam and Arunachal Pradesh have higher infant mortality rates (66 and 61 respectively) whereas other states in the region have done well for example Mizoram (34). The poor state of infant mortality rates in Arunachal Pradesh and Assam can be attributed to poor utilisation of antenatal healthcare units, lack of proper healthcare infrastructure, limited access to healthcare facilities due to geographical constraints. The region is marked by the prevalence of diseases such as diarrhoea, parasitic infestation, hepatitis and enteric fever. Mizoram's high levels of literacy and urbanisation are reflected in the better than average utilisation of reproductive and child healthcare services (RCH); 20%

of its mothers make use of antenatal check-up (ANC) services. Moreover more than 35% of its children are immunised.[4]

The National Family Health Survey 3 (NFHS) 2005-06, which defines nutritional status of children as percentage of children under age 3 born to ever married women classified as under-weight, shows Mizoram with the lowest percentage of under-weight children at 14.3 which is way below the national average of 40.4. Most of the states lie way below this national average the only exception being Meghalaya with a percentage of 42.9. The reason for the dismal performance of Meghalaya can be attributed to inadequate food intake, chronic illness and low levels of immunisation. Only 33% of the children aged 12-23 months are fully vaccinated as against the national average of 44%.

### **Gross-State Domestic Product (GSDP)**

The standard of living of the people in the region, as measured by the per capita gross state domestic product (GSDP), has lagged significantly behind the rest of the country. In 2004-05, the GSDP of the region at Rs. 18027 was less than the overall state average of Rs. 25968. In the post-independence era the growth rate of per capita GSDP started lagging behind the rest of the country and by the late 1960's, the per capita income in the region had declined substantially. With the introduction of market based economic reforms this difference in the growth rates increased further. During the period 1990-91 to 2004-05, while the aggregate GSDP of all states increased at the rate of 6% per year, the corresponding figure for the region was 4.4%. Also, the region's growth rate of per capita income at 2.5% was significantly low as compared to the national growth rate of 4% during the same period.

The reasons for low GSDP such as geographical inaccessibility, insurgency, and infrastructural bottlenecks and will be discussed later in the paper.

## **An Overview of Government Policies**

### **Industrial Policies:**

NORTH EAST INDUSTRIAL AND INVESTMENT PROMOTION POLICY (NEIIPP), 2007: It was an extension of the NEIIPP introduced in 1997. The earlier NEIIPP did not cover Sikkim, but under the new NEIPP Sikkim was also included. Under this scheme all new units as well as existing units which go in for a substantial expansion (‘ an increase by not less than 25% in the value of fixed capital investment in plant and machinery for the purpose of expansion of capacity/modernization and diversification) will be eligible for incentives for a period of 10 years from the date of commencement of commercial production. In addition to this firms will also be given other incentives such as interest subsidy, capital investment subsidy, income tax exemption, excise duty exemption and comprehensive insurance.[5]

NEDFi (North-Eastern Development Finance Corporation Ltd.): North Eastern Development Finance Corporation Ltd. (NEDFi) was incorporated under the Companies Act, 1956, on August 9, 1995 with its registered office at Guwahati, Assam, for the development of industries, infrastructure, animal husbandry, agri-horticulture plantation, medicinal plantation, sericulture plantation, aquaculture, poultry and dairy in the North Eastern states of India. NEDFi has been promoted by All India Financial Institutions - Industrial Development Bank of India, ICICI Ltd., Industrial Finance Corporation of India, Small Industries Development Bank of India, Insurance Companies - Life Insurance Corporation of India, General Insurance Corporation and its

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subsidiaries, Investment company - Unit Trust of India and Bank - State Bank of India.

### **Agricultural Policies:**

Watershed Development Project in Shifting Agriculture Area(WDPSCA): The Ministry of Agriculture and Cooperation, GoI launched a programme WDPSCA which is a Special Central Assistance to State Plan Programme for the benefit of jhumia communities. The programme was launched in 1994-95 in the Seven North Eastern States during the 8th Five Year Plan and continues to be implemented during the 9th Plan Period. The Soil and Water Conservation Department of the Government of Meghalaya initiated the Jhum Control Programme in 1974- 75 to control topsoil degradation due to jhum cultivation. The prominent feature of the programme was to support rehabilitation of the communities dependent on Jhum cultivation by improving their socio-economic conditions, enabling alternative livelihood options and food production. The major impact of this policy as evaluated by different agencies has been a decrease of about 30% in the shifting cultivation area due to adoption of settled cultivation. Sustainable increase in productivity of agricultural crops and increased practise of horticulture was also noticed. Moreover, about 25% increase in income of an average Jhumia family was also reported.[6]

National Horticulture Mission (NHM): For the North-Eastern states and hilly areas, the government had launched a centrally sponsored scheme on integrated development of horticulture in the North-Eastern states in 2001-02 which was extended to Jammu & Kashmir, Himachal Pradesh and Uttrakhand in 2003-04. The scheme has been renamed Horticulture Mission <https://assignbuster.com/economic-problems-of-northeast-india/>



for North-East and Himalayan States with effect from 2010-11, which provides higher subsidy than what is available under National Horticulture Mission (NHM) in plane areas.[7]

### **Infrastructural Policies:**

Development of infrastructure has been neglected in north-east India.

According to Nayak, the North-East region which constitutes 7.8 percent of the total geographical area of the country has a meagre of 1,16,551 kms. of road length. Similarly development of railways has been poor. However, the Government through DoNER (Department Of North Eastern Region) has undertaken infrastructural projects in the last few years. The Government has invested substantially in road, air, rail, energy, and telecommunications.

The Eleventh Plan devotes nearly Rs. 50000 crores on road development in this region. Some road development programs include SARDP-NEP (Special Accelerated Road Development Project), East-West Corridor, NHDP-II and programs initiated by DoNER and NEC (North East Council).

Railway network in this region is only 4% of the country's rail system.

Fourteen major railway projects for which Rs. 10000 crores has been allocated include 8 new lines, 5 gauge conversions and 1 doubling of line, is expected to connect the state capitals of Arunachal Pradesh, Manipur and Nagaland to already connected states of Assam and Tripura.

As this region is blessed with rivers, inland water transportation is important for its development. Notable projects include NW-II on the river Brahmaputra from Dhubri to Sadiya and National Waterway -IV on the river Barak from Lakhimpur to Bhanga.

In case of energy there has been an imbalance between the generation and availability of thermal and hydroelectric power. To attain a sustainable growth of this sector emphasis needs to be laid on hydroelectric power where ever possible. The gas based power projects include Palatana project and Monarchak, while Dibang Multi-purpose Hydroelectric Project focuses on hydro electric energy source. One of the programs introduced by the government is Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) which was introduced in 1995 to provide electricity to all villages and rural households. Ministry of Power has been giving assistance to the states in this region to improve power distribution of power under the Accelerated Power Development Program (APDRP). The Annual Report 2008-09 suggests continuation of these measures till the desired results are achieved.[9]

In terms of social infrastructure though the levels of literacy are generally well off, there is a need for improving the infrastructure and facilities of educational institutions as well as improving the quality of education. The North East states have been provided with grants under Non Lapsable Central Pool of Resources (NLCPR) to improve infrastructural facilities. The Sarva Shiksha Abhiyan has also been implemented in these states with positive improvements. The important Central Sector Institutions in the North East Region are IIT, Guwahati; NERIST, Itanagar; NIT, Silchar; Regional Centers of IGNOU; Central Universities of Assam, Tezpur, Mizoram, Nagaland and NEHU.[10]

### **Policies to Combat Insurgency:**

Until the 1970's the Indian government used collective punishment, forcible relocation and military occupation in an attempt to end insurgency in the

North-East. In addition to creating a severe sense of grievance among some groups, this strategy rendered civil and political institutions virtually meaningless by concentrating power over local affairs with the security forces. Even today, the military remains the only Indian institution with any significant presence in parts of this region, which has given rise to anti central government sentiments.

## **Major Socio-Economic Problems of the Region**

We now examine the problems which have not only existed in spite of the above policies, but also hamper the effective implementation of the same.

**Geographical Factors:** The entire region of the North-East can be broadly divided into two characteristic zones - mountain and plains. While Arunachal Pradesh, Meghalaya, Mizoram and Nagaland are almost entirely hilly, about four fifths of Assam is plain. Manipur and Tripura have both plain areas and hilly tracts. The hills account for about 70 per cent area and accommodate about 30 per cent of population of the region and the plains constituting the remaining 30 percent of area hold about 70 per cent of its population.

[11]The region's accessibility has always remained weak due to geographical reasons and underdeveloped transport links with the rest of India. Also, as the region witnesses floods and landslides in the Brahmaputra and Barak Valleys of Assam, considerable strain is exerted on the economy of not only Assam but other North-Eastern states too.

**Infrastructural Factors:** One of the reasons for the economic backwardness of the North-Eastern states is the poor state of basic infrastructural facilities.

Infrastructure i. e. physical (like roadways, waterways, energy and so on) as

well as social infrastructure (for instance educational institutions, health facilities) plays an important role in human development and economic growth of any region. The region has about 6% of the national roads and about 13% of the national highways (Sachdeva). However, the quality of these roads is not good due to poor maintenance. The Indian planners neglected the development of infrastructure in this region for a long period of time. Only in recent years, serious efforts have been made for the provision of these facilities. However, as infrastructural development entails long gestation periods the recent efforts made by North-Eastern Council (NEC) and Ministry of Development of North-Eastern Region (DoNER) did not have much of an economic impact. The prominent indicators of shortfalls in infrastructure in this region are: increasingly congested roads, power failures, shortage of drinking water etc.

**Constraints on Industrial Growth:** North-East India has remained historically underdeveloped in terms of industrial growth. At the time of Independence, there was a small but significant industrial sector in Assam which was mostly dominated by the colonial capitalists. This sector consisted of plantation and manufacturing of tea, mining of coal and oil, oil refinery, manufacturing of plywood and other forest resource based products. Post Independence, due to the partition of India, the industrial sector in Assam received a serious setback as its trade routes were cut-off with the rest of the country. This in turn hindered economic integration with other parts of India and also reduced the attractiveness of the region as a destination of investment.

The main strength of the region for industrial development comes from its huge natural resource base. For instance, the setting up of National Hydro-

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Electric Power Corporation to harness the huge hydro-electric potential of the region and Gas Authority of India Limited (GAIL) and Oil and Natural Gas Corporation (ONGC) for exploration and extraction of oil and gas reserves. The forest based industrial units have been on decline following the ban on felling of trees, by the Supreme Court of India in 1995. Besides dearth of local capital, marketing and transport bottlenecks hinder the industrial development of this region.

Tea industry is one of the oldest industries in India. Tea industry started well in the beginning of 20th century. Tea established itself as a major manufacturing industry in Assam that heralded a huge potential. One of the major problems facing the tea industry, especially in Assam has been increased conflict between the mainstream Assamese and the labourers regarding the health issues and welfare benefits of the labourers.

Agriculture: Agriculture is the major subsistence occupation of the tribal population of the region. The pattern of agricultural growth has however been uneven across states and between crops. Rice is the major crop of the region (kharif). Other crops (rabi) grown in the region are wheat, potato, sugarcane, pulses and oilseeds. The North-Eastern region produces only 1.5% of the country's total food grain production and provides livelihood support to 70% of the population (Mishra and Misra). The pace of agricultural growth in the eastern and North-Eastern regions has been slower than the rest of the country. The Green Revolution was largely limited to the North-Western parts of the country and has not benefited the North-Eastern region. By and large, the production conditions in agriculture in the North-East are traditional. The agricultural productivity is the lowest, irrigation facilities are

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almost non-existent in some areas and consumption of fertilisers is extremely low in the region. One of the most common agricultural practise in the North-East is shifting or “ Jhum” cultivation. Approximately 1. 7 million hectares of land is under shifting agriculture. This leads to large scale deforestation resulting in soil erosion and loss of soil fertility.

**Insurgency and Political Issues:** Insurgency or terrorism is a political weapon and is often the result of accumulated anger due to political, economic and social causes. The North-Eastern states have witnessed a rise of insurgent activities and regional movements. These movements derive their roots from differences in language and ethnicity, human rights, tribal rivalry and ethnic resentment, migration, underdevelopment, control over local resources, access to markets and a widespread feeling of exploitation and alienation from the Indian state.

Nagaland has been the epicentre of insurgency in the North-East; however, the problem has now spilled over to the rest of the region. Some of the insurgent groups are United Liberation Front of Assam (ULFA), People’s Liberation Army, National Socialist Council of Nagaland, All Tripura Tiger Force (ATTF), and National Democratic Front of Bodoland. Often these insurgent groups indulge in subversive activities like damaging rail tracks, smuggling, extortion, kidnapping, strikes and curfews and illegal cross-country migration. One of the important targets of the insurgents is the resource-based industries like petroleum and tea which form the core industries in the region.

Assam also faces illegal infiltration from Bangladesh while Arunachal Pradesh faces constant threat from Chinese incursions.

Natural Resource Base: North-East is endowed with rich natural resource base- soil, water, vegetation and hydrocarbons. In spite of having huge natural resources, the North-Eastern part of the country is underdeveloped. The resources are being exploited and mismanaged, thereby leading to depletion of the very assets that are usually highlighted as triggering the greatest potential for growth and development of the North-Eastern region. Resources have been extracted primarily for survival and for further capital formation and also the biodiversity of the region is under severe threat. The bulk of natural resource degradation is being caused by coal mining, fertiliser industry, paper industry, cement industry and militant activities.

## **Conclusion**

In recent years, the government has been trying to put in place policies regarding the economic development and social integration of North-East, however, as we can conclude from our literature review there have been various social, economic, political and geographical problems which have hindered development of these states. It is generally believed that agriculture in the North-Eastern states has a lot of potential. Given the resource endowment of the region, this hypothesis seems quiet plausible. This can be attributed to socio-economic features as well as institutional, organizational and technological constraints. The agricultural policies for the region should thus focus not only on increasing agricultural productivity but also pay attention on eliminating the constraints on agricultural productivity and providing incentives for promoting sustainable agricultural practises and

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setting up of related activities such as fisheries, animal husbandry etc. The need for stepping up of investment in the agricultural sector has been felt very strongly given the fact that this region has been historically capital-starved.

From the point of view of medium and large industry the most promising resources are the forest wealth of the region and the substantial deposits of oil, coal and limestone. The development of horticulture and plantations can assist in the growth of small and medium agro-based industries. The growth of sericulture and the demand for yarn in the handloom sector provide a base for the development of textile industries. These along with a variety of small units for serving local consumption demands can provide the basis for a more rapid industrialisation of the area. To protect the environment and resources it is necessary to implement pollution standards and put in place environmental laws regarding emissions, waste and effluent discharges from industries. There is a need to preserve the biodiversity of the region as livelihoods can be improved by developing forest produce, cultivation and export of exotic fruits and plants and harnessing of medicinal plants.

National programmes and schemes are needed to support indigenous community forestry institutions and practises. Also it can be used to develop the tourism sector which will generate employment opportunities.

The area has tremendous potential for Hydro-Power generation which needs to be appropriately harnessed as it is not only environment friendly but will also provide immense financial benefits, reduced flood damage if storage facilities are a part of Hydro-Power projects, employment generation which in turn would have an impact on sectors such as services, transport and



tourism. The government should strive to resolve inter-state water conflicts and maintenance of dams.

Private investment can play a critical role in fuelling economic growth and is essential to generate productive employment, raise productivity and improve technology and the work culture in areas like infrastructure, industry and agriculture. Incentives can also be given for attracting foreign investment in this region. This can however be done once the basic infrastructure facilities are put in place. These policies to encourage employment would reduce discontentment among the youth of these states thereby curbing the spread of insurgency.

Thus we conclude that the North East has done reasonably well in terms of human development indicators . Also the government has put into place policies for development and integration of the region but in the end it is upto the local people to work hand in hand with the Central and State Governments to ensure prosperity of the region.