

# ECONOMY OF THE NORTH EAST INDIA

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## **ABSTRACT**

North east India which comprises of eight states i.e Arunachal, Assam, Nagaland, Meghalaya, Manipur, Tripura, Mizoram and also the Himalayan kingdom of Sikkim. It shares 90% of boarder with other countries plus it is only gateway to Bhutan.

The share of industrial sector increased more than share of agriculture and allied activities. Employment in rural areas is higher than urban areas.

The literacy rate of Mizoram is 91.85% and Tripura has 87.75%. The India's oldest and largest paramilitary forces are Assam Rifles in India is from north east India. It is India's biggest tea production.

According to National Institute of Rural Development (NIRD), the intensity of poverty in north east states is higher than others.

Mawsynram which is in Meghalaya have highest annual rainfall i.e 11,873mm and Mawlynnong is Asia's cleanest village. It is also identified as one of 7<sup>th</sup> richest biodiversity area and 70% of world orchids are found here in north east. The world largest river island is situated in north east India i.e. majuli and world's smallest river island is also situated in north east only i.e. Umananda. This paper discusses various economic prospects of the North East India.

**KEYWORDS:** Employment, NIRD, Industrial Sector, Literacy rate.

## **INTRODUCTION**

The North East region is well endowed with natural resources, like oil and gas, agro horticultural resources, s mineral deposits, immense hydroelectric potential and significant forest resources. However, despite the abundance of resources, the region has lagged behind many Indian States in vital development indicators. Today the region occupies 8% of India's land area, has 3.77% of its population and accounts a little over 2.5% of India's GDP. Economy of the region is largely agrarian in nature with over 70% of the population engaged in agriculture for livelihood, service sector comes next and the manufacturing sector is still at a nascent stage. Partition in 1947 played a detrimental role in transforming the economic landscape of the region, which was till 1947 at the forefront of development. The immediate impact of partition on the North East was that it was cut off from rest of the country. With the earlier frontier routes with Myanmar and China having

died down, the region became landlocked in the true sense of the term. The lack of economic opportunity and myriad other reasons gave rise to insurgencies which in turn played a role in exacerbating the economic situation thus creating a vicious cycle that fed on the region's isolation. The Government of India has been making concerted efforts for economic development of the North East. The first north east Investment Promotion policy announced in 1997 provided a number of incentives for industrial investments in the region. Following the limited success of the NEIP a much more comprehensive North East Industrial and Investment Promotion Policy (NEIIPP) which provides a host of incentives at unprecedented levels, for investment in the region was announced in 2007.

### **OBJECTIVES OF THE PAPER**

1. To provide an overview of the economy of north east India.
2. To study the physical infrastructure of north east India.
3. To study the various schemes launched by the central government.

### **DATA COLLECTION**

The paper is based on the secondary data and the information is retrieved from the internet via journals, newspapers and research papers.

### **AGRICULTURE**

The region is endowed with a varied topography and agro-climactic conditions which offer vast potential for agriculture, horticulture and forestry. But still this region is sluggish in agricultural development; the reasons behind this lagging is lack of appropriate strategies which is needed for the development of available natural resources, inadequate availability of infrastructure facilities and low adoption of improved technology which is needed for the development of agriculture sector. There are many regions in north east, which are only dependent on the agriculture sector, they need a green revolution which will help in reducing poverty and boost our economy more. But this green revolution must be adequately lacked by our financial institutions, marketing functionaries and Research & Development.

#### **Current scenario**

Agriculture provides livelihood to 70% people of this region's population. In Mizoram also, there are 51% people in rural areas who are practically dependent on agriculture. The figure in Sikkim is high at 89%. However, we can say the pattern of agricultural growth is uneven across all regions. These states even continue to imports food grains even for their self-consumption.

## **OPPORTUNITIES FOR INVESTMENT IN AGRICULTURE AND FOOD PROCESSING**

- Rubber and bamboo are among the important agricultural produces which can attract a lot of investment opportunities. Even Tripura is also the chief production hub of rubber and bamboo and also got declared as the 'second rubber capital of India' right after the Kerala state by the Indian Rubber Board.
- The region's comparative advantages in producing fruits, vegetables and other horticulture products can be tapped by setting up small-scale processing units for the local market which will also boost rural employment. This set-up is economically viable as well as doable as a small processing unit requires little capital.
- The region already produces a large amount of spices such as chillies, gingers, mustard seeds, fruits and vegetables which can be processed and marketed locally.
- There is also scope for dairy processing and poultry, fishery processing in the region. The processing of fishery is not even capital intensive, and there is huge of dried fish also in that region. The National Dairy Development Board (NDDB), which has lots of experience in grabbing this opportunity i.e. mobilizing producers in milk, vegetables as well as other product too. NDDB could play a key enabling role in this process which may help in development of this region. Increase in milk production activities will also encourage others too i.e. the butter and cheese processing industry in the region.

Private entrepreneurs of other regions should also need to be encouraged more to set up storage, distribution and marketing infrastructure facilities such as from the cold storage chain along with major fastest and shortest highways. This will help explore the horticulture potential of the north east region and which bring perishables goods speedily to other marketing hubs or region. For setting cold chain operations, a public-private partnership (PPP) or lease could be explored more. Similar initiatives can already be seen in Meghalaya and Mizoram where flowers are being distributed outside the region by a private distributor, Zopar, which also supplies seed varieties to farmers.

## **PHYSICAL INFRASTRUCTURE**

### **ROADS AND RAILWAYS**

Roads and railways Road is an important mode of travel in the hilly areas as other mode of travel is either too expensive or difficult. There is deficiency of road infrastructure in the NER. But still the region's road density per capita is significantly higher as compared to the other part of the country. With this low density of population in this region and the hilly terrain of the region this is an expected outcome. The road length per unit area of north east India is only higher in Nagaland, Assam, and Tripura.

## **AIRWAYS AND WATERWAYS**

Inland water transport can be a viable, cost-effective alternative in the plain areas of NER given the high cost of expanding other mode of transportation. It will also create employment opportunities, promote tourism and open up inter-country routes for trade and commerce. However, the following needs to be done:

- There is a need to improve facilities for night navigation and mechanical handling.
- Cargo vessels and terminals should be increased to meet the rising demands.
- Emphasis should be on PPPs for the development of fairways and infrastructure in IWT.

## **POWER**

This region is endowed with perpetual rivers and enduring water bodies. Therefore, this region has a huge hydroelectricity potential compare to other region. If this potential tapped well, it can be used to export power to other regions of the country more efficiently. The spill-over benefits will be the development of infrastructure such as roads, communications, and electricity supply to remote hilly areas, resulting in better quality of life. Many states in north east such as Arunachal Pradesh, Sikkim and Meghalaya have huge potential in hydropower generation.

## **SKILL DEVELOPMENT**

According to the study on development and employment generation potential of the north-eastern states, between 2011 and 2021, the region will have only 2.6 million jobs. Even half of the total demand is from Assam only i.e. 1,234,357 jobs. Apart from the low demand, there will also be a supply of 17 million people in 2011-2022, an excess of 14 million people are job seekers.

The north east region will only generate 2.6 million jobs, but the manpower supply in north east region will be around 16.8 million. Therefore, there is a huge need for a twin approach in this region for developing skills of north east people for both who need local employment and for those also who seek to migrate in other region.

## **BORDER TRADE**

With the emergence of globalisation, economic integration among nations has become a necessity. Cross-border trade is the most important medium of the current wave of globalisation. In this process, knowingly or unknowingly the north east economy has emerged into a new dimension of cross-border trade (informal trade) with neighbouring nations and that increases social welfare of the poor masses of the region.

Due to the “Look East” policy of government, India can easily seeks economic cooperation with ASEAN member countries and with other neighboring countries too through the gateway of the north east region. The North East is located at a crossroads between three major economies – East Asia, South Asia and Southeast Asia.

## **INCENTIVES TO INVEST**

The Ministry of Commerce and Industry has been declared north east as special economic zone (SEZ). This is the reason central government has implemented various schemes to attract investors in north east people. These are as follows:

- Subsidy at approx. 90% is given for the transport cost of raw materials.
- Income tax exemption for five years for the new industrial units set up in the region.
- Growth Centre and IIDCs to be converted into total tax free zones for the next ten years. The same benefits will also be given to new industrial units for their substantial expansion.
- Export promotion zones are also set up by the states for north east people.
- Capital investment subsidy (CIS) is also provided at 15% of investment in plant and machinery, with maximum ceiling of Rs. 30 lakh. Eligibility conditions will be same as in case of tax benefits.
- Interest subsidy of 3% on working capital loans will be provided for a period of 10 years. Eligibility conditions will be same as in case of tax benefit.
- A comprehensive insurance scheme for industrial units to be designed, in consultation with GIC and 100% premium to be borne by the Indian government for 10 years.

## **CONCLUSION**

The change in institutional enterprises supporting economic enhancement and growth at a social level also requires economic incentives, which can only be supported by political will. We can see the India is moving into a new era of economic liberation, it means any region should not be left out. The framework for development of the any region can be broadly based upon four crucial components. The first component of any region's development plan should be for social empowerment, which needs to empower rural communities, create sustainable institutions which, helps them to manage common activities around microfinance, livelihoods and natural resource management. The second component of development is economic empowerment. The objective of this component should be ideally to develop or improve the capacity of rural communities which helps them to plan and manage funds for various economic initiatives and common activities for the development of the region. The third component of region's development plan will be partnership development. The objective of this component should be to make partnership plan with various service providers, resource institutions and public and private sector organizations to bring all resources together such as finance, technology, and marketing into the project so that the north east community groups are able to improve their livelihoods which helps in the development of the region. The fourth and final component will be project management. The objective of this component facilitates various help like governance, implementation, co-ordination, learning and quality enhancement of project.

Thus, with the help of some of the changes that this paper tries to attempt to deliberate upon, a process could be set in motion that could support the north east people which help to contribute in the economic resurgence of the home region as well as to the development of the rest of the country. It is vital that this process includes mechanisms for equitably sharing the benefits to be derived from development and focuses not only on the big-ticket items that support broad-based, long-term growth, but also on those complementary activities that have immediate impact on poverty reduction at the community level.

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