



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

“Impact Of Fiscal Incentives On Industrial Growth In North East India”

Professor DR.Mahesh Deshpande
Research Guide
Principal (CCS)
BBA Department

Mrs. Sushma Ranjan
M.BA(Hr) ,M.Ed., NET
BBA Department

Abstract:

The North-east region of India, comprising Arunachal Pradesh, Assam, Manipur, Meghalaya, Nagaland, Sikkim, and Tripura, shares international borders with China, Bangladesh, Bhutan, Nepal, and Myanmar. This paper delves into the policies implemented by the Government of India and accepted by the North-eastern state governments to foster regional development. The focus is on various sectors, including industrialization, agro-industry, farming, transportation, employment, and the overall economy. These initiatives are driven by state-level administration, highlighting the importance of local participation.

Since 1971, the North Eastern region has been under the purview of the North Eastern Council (NEC), an instrumental organization for coordinating development efforts in the region. The Government of India has also dedicated a special ministry to emphasize its commitment to the area's growth. Financial grants are allocated to all eight North-eastern states to support development projects.

This paper reviews the incentives provided by the Central Government, analysing the evolution of the business landscape over the past two decades. It examines the region's role in revenue generation, explores tax incentives, and encourages investment by both public and private authorities. A central focus of this study is local employability, underscoring the need for job creation and economic opportunities for the region's residents.

The North-eastern region of India, with its diverse cultures and abundant resources, presents a unique set of challenges and opportunities. Effective policy implementation, intergovernmental coordination, and private sector engagement will be crucial in realizing the sustainable economic and social development of this region.

Keywords: India, Central Government, industrial, incentives, north east region, improvement, employment, Investments.

Introduction

The historical and demographic overview of the northeastern region of India, particularly focusing on the Assam region and the respective seven sisters, the government's efforts to promote development and reduce regional imbalances.

The Ahom kingdom existed in the upper part of Burma until the 18th century. The Ahom king sought assistance from the British East India Company during conflicts with the Burmese. In the 18th century, parts of the Ahom kingdom were ceded to the British East India Company.

From 1838 to 1955, the British, along with the Ahom kingdom, worked to improve the economic and social conditions in the northeastern region of India.

Assam was ruled as part of the Bengal province until 1874 and was later part of East Bengal. It eventually became a separate entity, including hill kingdoms like Khasi and Jaintia.

The northeastern region consists of several states, covering 7.8% of India's total area. The population of the region was 4.7 crore (47 million people) in 2002, with Assam being the most populous state, recording 3.13 crore (31.3 million) people in the 2011 census. Arunachal Pradesh: Approx. 0.14 crore, Assam: Approx 3.12 crore, Manipur: Approx 0.27 crore, Meghalaya: Approx 0.29 crore, Mizoram: Approx 0.11 crore, Nagaland: Approx 0.19 crore Tripura: Approx 0.37 crore.

The paper's aim is to study the changes brought about by the state and central governments in terms of transportation and industrialization in the northeastern region. The region faces challenges like regional imbalances, uneven distribution of natural resources, infrastructure disparities, and a lack of skilled manpower. Regional politicians play a crucial role in addressing these disparities.

In an effort to mitigate regional imbalances, the Indian government introduced a new North-East Industrial Policy in December 1997. This policy offered various concessions to industrial units in the region, including infrastructure development, subsidies, and tax exemptions.

The North Eastern Development Finance Corporation Ltd. was designated as the nodal agency for disbursing funds under the scheme.

The Indian government has implemented three different schemes aimed at promoting economic development in the northeastern region. The first scheme covered the period from 1997 to 2007, the second from 2007 to 2017, and the third is still going on.

Review of literature:

1. Aloke Regon (2021) Department of Economics Dibrugarh University Assam, "Industrialization in the north eastern region through regional planning" This paper also provides some suggestive measures for promoting industrial sector in the region through regional planning.
2. Dr. Golab Chandra Nandi(2017) Assistant Professor, Department of Economics, S. S. College , "Regional Variation and Development Perspectives: A Study of North East India" The study provides additional evidence to reinforce the idea that sustained human development in the North-eastern region necessitates not only economic growth but also the expansion of human capabilities.
3. Gurudas Das, "Understanding the Underdevelopment of North-Eastern region of India", Journal of Indian Anthropological Society, Vol. 29, No. 1 & 2. Here Author concentrated widespread insurgency, political turmoil and social tensions, developmental funds are being diverted for the maintenance of law and order which only makes the situation worse. The operation of banking activities, laying of railway tracks, operations of the oil and tea companies, etc., constitute a major challenge for the development process.
4. Sanjib Baruah: Durable Disorder: Understanding the Politics of Northeast India. New Delhi: Oxford, 2005, p. 78. Author concentrates on Assam and national politics; title of the book supports the main arguments of the content of this work which implies that the issues the Northeast as a distinctive region is facing are permanent and persistent in the near future.
5. Dr. L .G. Burange (Department of economics, Mumbai University): A review of India's industrial policy and performance (January 2011) working paper (ISSN 2230-8334): This paper is organized in six sections. The second section briefly reviews and elaborates the important industrial policy resolutions. Section three assesses the comparative performance of the industrial sector over the three major periods of study based on changes in policy Governments. Section four deals with the foreign direct investment in India. Section five briefly examines the performance of small-scale industrial sector.
6. Alokesh Barua and Santosh Kumar Das (2008): 'Perspectives on Growth and Development in the Northeast': This paper critically examines the relevance of the 'Look East Policy' for the industrialization of the northeastern region of the India.
7. Akshay Mathur: 'A Winning Strategy for India's North-East' in his paper concentrated on the ignored region politically and economically for a long time, and partly because the complex social and cultural dynamics have made it difficult to integrate the region with the rest of the country. However, India can never achieve sustained high economic growth or become a powerful integrated nation if it continues to think of developing NE as a rural infrastructure project.

Research Methodology :

Objectives:

1. To conduct an in-depth study of the North Eastern region of India, comprising all eight states, to gain a comprehensive understanding of its geographical, demographic, and socio-economic aspects.
2. To analyse and evaluate the progress of the North Eastern area at the state level, focusing on economic growth, infrastructure development, and key economic indicators.
3. To examine the policies and initiatives initiated by the central government aimed at fostering industrial development within the North Eastern states, assessing their nature, impact, and effectiveness.
4. To investigate the local employment opportunities generated as a result of the implementation of government schemes in the North Eastern region, with a particular focus on job creation and workforce participation.
5. To assess and quantify the role played by the state governments in the North Eastern region in advancing industrial sector growth, thereby contributing to the overall economic progress of the region.

Scope of study: Eight North Eastern states namely Arunachal Pradesh, Assam, Manipur, Meghalaya, and Nagaland, Mizoram, Sikkim and Tripura and policies of Indian Government for industrial sector.

Secondary data: Secondary Data collected from sources such as Central Government Reports, Research papers, journals, Newspapers, and economical reports, various reports from national and international seminars etc.

Data analysis: Secondary data from various resources are collected from authorized reports and analysed for data interpretation.

Limitations of study:

1. This study is only from secondary data.
2. Governmental reports and journals data is taken for explanation.
3. Study is limited to the north east states in India.
4. Only impacts on Industrial sector due to central government schemes have been analysed.
5. Government incentives and employment have been studied from secondary data.

Portrayal. The central government recognizes the economic challenges faced by the states in the North Eastern region due to factors like migration and crises, which have impacted the region's economy.

In response to these challenges, the Ministry of Commerce & Industry, Department of Industrial Policy and Promotion (DIPP), Government of India, announced the "North East Industrial Policy 1997" on December 24, 1997.

The "North East Industrial Policy 1997" was implemented for a duration of 10 years, starting from December 24, 1997, and ending on December 23, 2007.

The policy aimed to address specific development objectives, including:

Development of Industrial Infrastructure Growth Centres (GCs).

Establishment of Integrated Infrastructure Development Centres (IIDCs).

Providing a range of fiscal subsidies and incentives for an extended period, lasting up to 10 years.

Focusing on natural resources and employment-intensive sectors for development.

These initiatives were designed to promote industrialization, create jobs, and foster economic growth in the North Eastern region, particularly in the border areas affected by migration and crises. It demonstrates the government's commitment to addressing economic disparities and promoting development in this region.

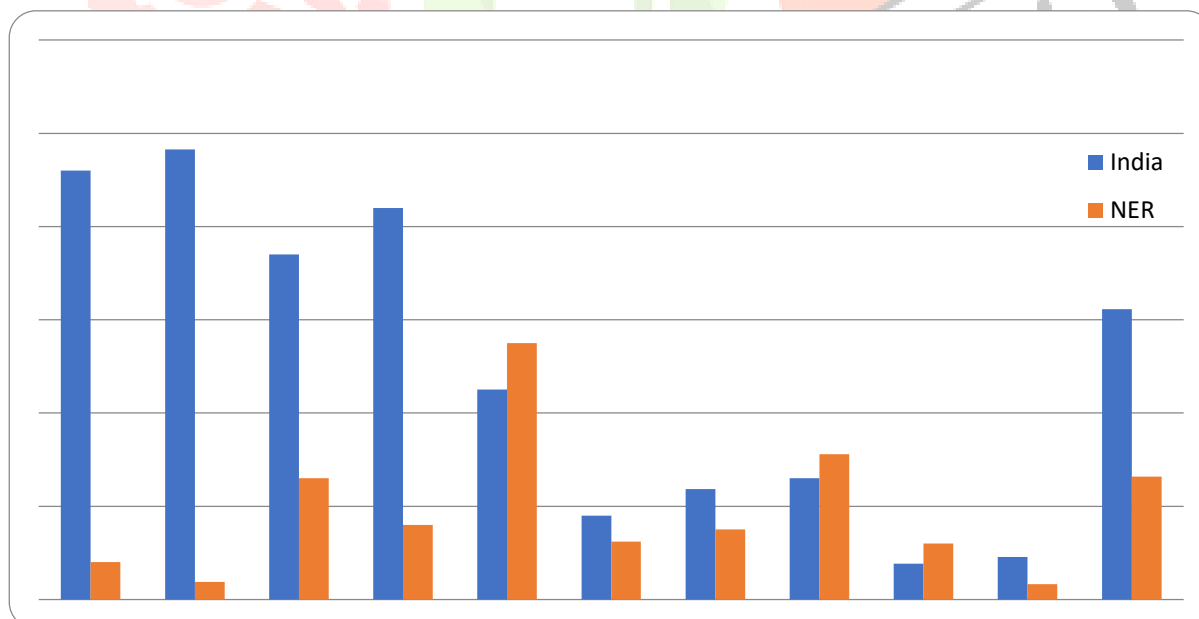


chart no: 1: position of north east region and India for the period from 1997-2007

courtesy: tata economic consultancy services report for NER (FY- 1997-2007)

Interpretation As per above columns chart studied here, percentages of the NER and India have been taken into the consideration. Data taken for chart is authorized data from economical report. Area has no change since 1950. There are positive changes shown in figure after implementation of the scheme.

Tea Production: The central government's incentives have had a positive impact on tea production in the North East.

Tea production in the North East contributed to 16% of the total tea production in India, while the remaining 84% came from other regions.

the North East had a higher percentage of the BPL population compared to India.

After the implementation, the BPL population in the North East decreased to 35%, while the national average in India was 26%. This indicates an improvement in reducing poverty levels in the North East.

Gross Domestic Product (GDP): The schemes implemented in the North East had a positive impact on the region's GDP, which increased by 8.7%.

This growth in GDP suggests an overall improvement in the economic conditions of the North East.

Unemployment: The unemployment rate in the North East is reported at 14%, which is higher than the national average of 9% in India.

Despite the positive changes in other economic indicators, unemployment remains a challenge in the North East.

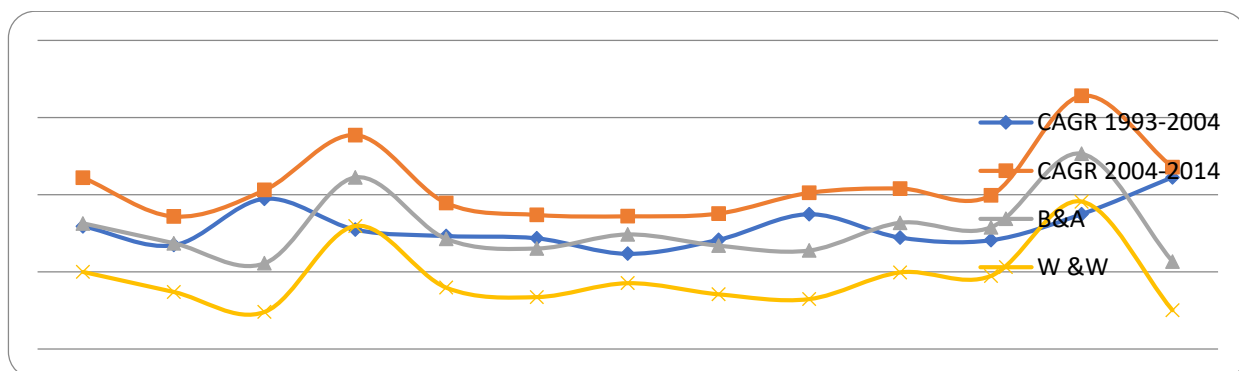
These findings suggest that the government schemes and incentives had a significant impact on various aspects of the North East's economy.

North East Industrial and Investment Promotion Policy NEIIPP (2007-2017) :

After expiry of NEIP, 1997, on March 31, 2007, the Government of India announced (NEIIPP), 2007 for the seven North Eastern states which were eligible for NEIP, 1997 and Sikkim. This policy was for a period of 10 years from April 1, 2007 to March 31, 2017.

Table: 1: PCNSDP and group (treatment)
courtesy: source: planning commission of India -2014

States/Regions (1)	CAGR for 1993-94 to 2003-04 (2)	CAGR for 2004-05 to 2014-15 (3)	B&A (4)	W&W (5)
G17	2.96	6.11	3.85	NA
J & K	1.74	3.60	1.86	-1.30
Himachal Pr.	4.74	5.31	0.56	-2.59
Uttarakhand	2.74	8.87	6.13	2.98
G8	2.33	4.47	2.14	-1.02
Arunachal Pr.	2.18	3.70	1.52	-1.63
Assam	1.18	3.61	2.43	-0.73
Manipur	2.09	3.79	1.70	-1.45
Meghalaya	3.74	5.13	1.39	-1.76
Mizoram	2.23	5.41	3.19	0.03
Nagaland	2.06	4.96	2.89	-0.26
Sikkim	3.75	11.41	7.66	4.51
Tripura	6.13	6.80	0.68	-2.48



Line of chart: 1: PCNSDP and group treatment G17-G8-north east states.

courtesy: planning commission of India- 2014

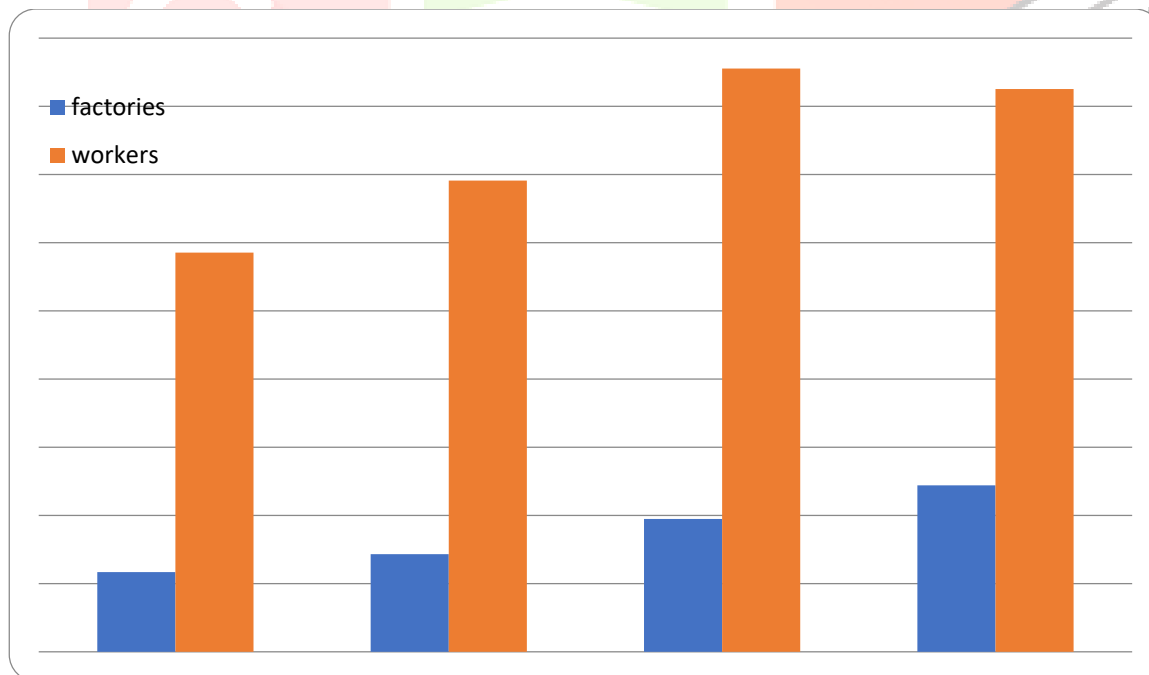
Above table and line of chart shows information about i) PCNSDP: Per Capita Net State Domestic Product, ii) CAGR: Compound Annual Growth Rate, iii) B&A: difference between CAGR (Before and After) frame analysis for pre and post period. iv) W&W: Difference between CAGR of G11 and G17 with and without frame work, gives increase and decrease in PCNSDP as result of policy. G: (group of states recognized under 8-11-17).

Interpretation:

1. CAGR 1993-2004 shown with light blue line below 5 and crosses 5 at the end with Himachal (4.74), Sikkim, Meghalaya (3.74) and Tripura (6.13) crosses line of G17 and G8.
2. CAGR 2004-2014 is more above than the line of CAGR 1993-2004 compound annual growth rate improved. Jammu Kashmir and now Himachal-Pradesh lag behind in upper group but Uttarakhand is doing well. In lower all states are doing much better but in comparison with Sikkim and Meghalaya CAGR are lag behind.
3. Sikkim is doing well in this chart as well as Meghalaya is ahead in the CAGR but increase and decrease in PCNSDP is negative so there is improvement in industrial sector but CAGR is not doing well for these states.

Table: 3: north east (5) states factories and workers data since 2005-2014
source: statistical handbook of Assam, Manipur, Meghalaya, Sikkim and Tripura,

SL. NO	STATES	2005-06		2009-10		2011-12		2013-14	
		F (10 ²)	W(10 ³)	F(10 ²)	W(10 ³)	F(10 ²)	W(10 ³)	F(10 ²)	W(10 ³)
1	Assam	18.64	110.036	22.47	125.759	30.19	150.065	35.18	157.687
2	Manipur	DNA		DNA		1.02	4.552	1.45	4.988
3	Meghalaya	1.18	7.071	1.20	7.626	1.41	9.320	6.29	2.401
4	Sikkim	DNA		.46	4.854	.61	7.138	DNA	
5	Tripura	3.56	DNA	4.71	DNA	5.77	DNA	5.94	DNA
Total		23.38	117.107	28.84	138.239	39.00	171.075	48.86	165.076



column chart: 2: north east five states factories versus worker

source: statistical handbook of north east 5 state data (total considered)

Interpretation

1. Factories versus worker data considered for study since 2005 to 2014 and five states of north east region were taken from statistical handbook.
2. As per column chart shown in above figure for 5 north east states there is gradual increase in factory numbers with increase in workers due to the schemes applied by the central government since 2007-2017.

In 2005 factories in Assam, Meghalaya and Tripura in all sectors were 23.38 hundred. Skilled unskilled employees were more than 1.17 Lakh. Where as in 2013-14 figure of factory reached to the 48.86 hundred other than Sikkim capacity of worker reached to 1.65 Lakh. Workers of Tripura not added but there is addition in employability due to development in industrial sector.

Causes of Industrial Backwardness in the North Eastern Region:

The North-Eastern region lags behind other regions in terms of industrial development, primarily due to several key factors:

- A. Inadequate Capital Formation:** The region faces a significant challenge in generating capital for industrial growth. The low per capita income in this area results in low savings rates. While there may be additional income in the rural sector, mobilizing these funds proves to be difficult, thus hindering the process of capital formation, which is essential for industrialization.
- B. Reluctance of Capital Investment:** Both local and external investors are hesitant to invest their capital in the North-Eastern region. Geographical isolation and high production costs deter private investments from other regions.
- C. Insufficient Economic and Infrastructure Facilities:** The region lacks essential economic and infrastructure facilities, including power, transportation, and communication systems, which are crucial for industrial development.
- D. Limited Entrepreneurial Motivation:** There is a dearth of entrepreneurial motivation among the local population in the region. The initiative and enterprise required for successful industrialization are lacking.
- E. Limited Access to Credit Facilities:** The absence of adequate credit facilities, especially for small and medium-scale industries, hinders industrial progress. Banks and financial institutions in the region do not readily support the establishment of such projects through accessible credit terms.
- F. High Production Costs:** The cost structure for production in the region is notably higher compared to other Indian states. This increased cost structure reduces the profit potential for industries. It is primarily driven by the higher price levels in the region compared to other states, further exacerbated by logistical challenges and isolation.

Addressing these challenges and implementing strategies to overcome them is crucial for promoting industrial development in the North-Eastern region of India.

Suggestive steps for Advancing Industrial Growth in Northeastern India

Infrastructure Upgradation: Enhance transportation networks and develop modern industrial hubs with robust utilities.

Financial Incentives: Provide tax benefits, subsidies, and lowered interest rates to attract private investments.

Skills Development: Establish vocational training centres and encourage public-private partnerships in skill development.

Support MSMEs: Foster Micro, Small, and Medium Enterprises (MSMEs) with incentives and cluster development.

Resource Utilization: Promote Agro-processing, handicrafts, and sericulture, harnessing local resources.

R&D Focus: Create research institutions and technology parks to stimulate innovation.

Entrepreneurial Ecosystem Bolster startups with incubation centres and streamlined regulatory procedures.

Export Promotion: Facilitate exports through promotion councils and trade finance assistance.

Sustainability Emphasis: Encourage eco-friendly practices and renewable energy projects.

Policy Reforms: Simplify regulations, establish a single-window clearance system, and enhance the ease of doing business.

Tourism Development: Boost tourism infrastructure to attract visitors and conserve cultural heritage.

International Collaboration: Explore cross-border trade and transportation links with neighbouring countries.

Monitoring and Evaluation: Regularly assess progress and adapt strategies for optimal industrial growth.

These measures collectively aim to advance industrialization in the NER, balancing economic development with environmental preservation and inclusive progress.

Conclusion

In conclusion, the impact of government policies aimed at promoting industrialization in the North Eastern region of India has been mixed. While states like Uttarakhand and Sikkim have reaped the benefits of these policies, others such as Arunachal Pradesh, Manipur, Meghalaya, and Tripura have experienced less favourable outcomes.

Under the previous scheme, the North East Industrial and Investment Promotion Policy (NEIIPP) of 2007, significant progress was made. A total of 27,644 industrial units were established, contributing to the generation of employment opportunities for 2,28,224 people. Additionally, this policy attracted a substantial investment of Rs. 11,466.22 crore into the North Eastern Region by its conclusion on March 31 2017.

Recognizing the importance of continuing efforts to promote industrialization in the North Eastern Region, the Government of India has introduced the North East Industrial Development Scheme (NEIDS). This initiative signifies the government's commitment to further economic development in the region.

While the impact of these policies has varied across different states, the data underscores the potential for growth in the North Eastern Region's industrial sector. It is crucial for policymakers to tailor their approaches to the specific needs and challenges of each state to ensure that the region as a whole can realize its economic potential and improve the livelihoods of its people. The continuation of such initiatives reflects the ongoing commitment to foster industrial growth and development in this important region of India.

References:

Directorate of Economics and statistics, Assam, Economic Survey Assam 2014-2015.

Baruah, S. (2005). **Durable Disorder: Understanding the Politics of Northeast India**. Oxford.

Das, G. (Year). **Understanding the Underdevelopment of North-Eastern Region of India**. Journal of Indian Anthropological Society, 29(1 & 2), Page numbers.

Burange, L. G. (2011). **A Review of India's Industrial Policy and Performance**. Working Paper in Economics Department, Mumbai University, (ISSN 2230-8334).

Government of India. (2005). **Handbook of Industrial Policy and Statistics**. Office of Economic Adviser, Ministry of Commerce and Industry.

Barua, A., & Das, S. K. (2008). **Perspectives on Growth and Development in the Northeast: Margin - The Look East Policy and Beyond**. The Journal of Applied Economic Research, 2(4), 327-350. SAGE Publications.

Dutt, R. (1990). **The Economic History of India** (Vol. 2). Low-Price Publications

Regon, A.(2021) "Industrialization in the north eastern region through regional planning" 2021 JETIR September 2021, Volume 8, Issue 9

Nandi, G C.(2017) India **Regional Variation and Development Perspectives: A Study of North East**" 2017 IJRAR June 2017, Volume 4, Issue 2.