Problems, Prospects, Opportunities and Challenges in North East India

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ABSTRACT

This study analyses data from the year 1980 to 2006 and some data for the latest years in respect of 8 states in order to find out the problems, opportunities and challenges of Socio-economic development of North East India. It is, therefore, felt necessary to make a deeper analysis for socio-economic indicators for evaluating the prospects and imbalances of development in the north east region of India.

In our analysis various secondary sources have been used, namely, EPW’s Domestic Product of the States in India, 51 and the 61st Rounds survey of NSSO, Census of India, North Eastern Development Finance (NEDFi) Data Bank.

Wide disparities are obtained in the level of development among different states. Rich economic resources of the region cannot be exploited due to lack of proper infrastructure. It would not be wrong to say that the region’s mass agitations and other forms of arm conflicts are the result long neglected attitude towards the region by India government.

Communication and transport, health and sanitation, power production and supply, agricultural modernization, flood control, erosion and land slide, technical education, employment generation, industrialization, social unity, terrorism are problems of this region which are to be realized by both of governments to solve population and workers problems.

The trends primary sector or more specifically agriculture has fallen to nearly a quarter of the Net State Domestic Product yet the workforce engaged in this sector has stagnated at about 75 per cent in this area. On the other hand, there has been an increase in the workforce engaged in this sector in the urban areas.

The secondary sector shows a marginal rise in its contribution to NSDP. But in terms of workforce employed there is hardly any significant change both in rural and urban areas. Moreover, whatever improvement that occurred in terms of contribution of this sector has come from construction. Manufacturing has shown a declining trend both in terms of state income and employment.

The contribution of the tertiary sector has grown by more than 7 percentage points but it has failed to create additional employment opportunities. Among the youth, the rate of rural unemployment is higher among males other than in Assam and Tripura while for youth females outnumber males except youth, female unemployment is substantially higher in urban areas.

I. INTRODUCTION

Development is a dynamic concept and meaning of development goes on changing from time to time and place to place. Few decades back rise in per capita income was considered as adequate parameter for measuring development, but that is not the case now. Now development is measured in terms of people’s accessibility to clean drinking water, education, road and electricity. In short what we have today is called ‘inclusive and holistic’ development. The North East Region presents a picture of opportunities amidst challenges.

II. PROBLEMS TO BE SOLVED FOR SPEEDY ECONOMIC DEVELOPMENT:

The North East India is, by and large, hilly in nature characterized by curves and terrains. Lack of developed transport (i.e. roads and bridges), communication facilities makes the region inaccessible and intensifies its geographical isolation. Provisions for economic and infrastructure overheads are poor. None of these states has been able to generate adequate funds to meet the budgetary requirement for their respective governments and, thus to a great extent, depends on the flow of financial resources
from the central government under the provisions of Special Category States in which out of the central assistance to the state a 90 percent accounts for grants and remaining 10 percent are loans.

With lack of productive investment, basic infrastructure facilities and prevalence of unskilled labour force, these states remain economically backward and reflect the character of agrarian economies with two-third of its work force dependant on agriculture. Still the region is not self-sufficient in agricultural production. Industrially, the region is almost marked by non-existence of industries or manufacturing units. Only a few large and medium-scale industries have come mostly in Assam, Meghalaya and Arunachal Pradesh. The types of industries that prevail are tea, plywood, jute, petrochemical, paper mill, and fertilizer industries. Some agro-based and forest-based small scale units have come up and scattered in different states, about half in Assam followed Tripura and Manipur. The traditional industries in which production is carried out at substance level are handicrafts and weaving industries. The swelling tertiary sector is the result of an arbitrary arrangement in which a lion’s shares of states’ outlay are used in paying salaries and maintaining the huge army of unproductive government employees. Naturally, financial resources of the states including central transfers are directly used to meet consumption needs of the employees that otherwise could have been used for productive investment, escalation of assets, infrastructure, etc., which are so essential for industrial as well as economic growth and overall economic development.

Low level of human development in north-eastern states of India only reflects the high human deprivation among its populace. Mizoram, of course is an exception with moderate development. Two crucial factors responsible for a dismal performance are low per capita income and paucity of medical facilities revealed through number of population served per hospital bed as well as high IMR. The low level of economic activity and dependence on central dole is responsible for low level of human development in the region. There is tardiness in economic growth. Health care facilities are in a gloomy state. Along with these features, there remains the alarming problem of scarcity of water in the region. This is mostly due to the physical and climatic features of the region - being hilly and tropical in nature and at the same time, failure of government to make provisions for safe drinking water to the average citizens. Baring Arunachal Pradesh and Assam which has its many river tributaries and streams, availability of safe drinking water is in a meagre position with more than half of the population being deprived of this organic need of life. There is also the trace of high incidence of poverty which only speaks about the high volume of shortfalls in human development. However, the single area which shows considerable progress in the region is literacy rate. Can it really catalyse the process of development in the region? Time will say.

Even though the average rate of growth of NDP (at 1993-94 prices) of the NER (excluding Mizoram, for which data are available at current prices) placed at 6.0 per cent during 1996-97 to 2000-01, was slightly higher than that of 5.7 per cent for the country as a whole, it marked fluctuations in the growth rates over time in different States as well as the sharp disparities in growth rates across the States. Moreover, except in the case of Nagaland, the average per capita incomes of other States in the NER were below the all-India average (Rs.9,643) over the period 1995-96 to 2000-01.

The growth rate of employment for all the States in the NER (except Assam) declined over the period 1993-94 to 1999-2000 as compared to the period 1983-84 to 1993-94. The incidence of unemployment was also higher than the all India average. Of 2.3 per cent during 1999-2000 in respect of Assam (4.6 per cent), Manipur (3.5 per cent) and Nagaland (3.5 per cent).

Even though the incidence of poverty in the NER has registered a downward trend over the years, the poverty ratio was placed lower than the all India average (26.1 Per cent) only in respect of one State i.e. Mizoram (19.5 per cent) in 1999-2000. This is an issue for concern since in 1983, the poverty ratio was placed lower than that of the all-India position (44.5 per cent) in respect of all the States in the NER, indicating that there has been a sharper decline in the incidence of poverty outside the Region, over the years.

The extent of inequality in per capita consumption expenditure as reflected by the Gini coefficient has, with the exception of Meghalaya, worsened in the NER over the period 1993-94 to 1999-2000.
Agricultural performance of the Region remains sluggish on account of a number of factors. For one, the ratio of irrigated area to total area under all crops in the NER has generally remained much lower than the all-India figure of 39.2 per cent (in 1998-99). Moreover, the total area in the NER covered under HYV seeds formed only around 0.25 per cent of the all-India total in 1996-97. Availability of fertilisers is another acute problem; in the absence of transport subsidy, cultivators have to bear large costs for obtaining fertilisers. Nationalised banks seem to have shown a lukewarm response towards financing crop loans particularly in view of the paucity of updated land records. The State level Cooperative Bank which provides credit to Primary Agricultural Credit Societies is also experiencing resource constraints.

The industrial scenario is also not very encouraging as the number of factories as well as the shares of fixed capital, invested capital, net value-added and the number of workers in the industrial sector of the NER vis-à-vis the all India position, have declined over the period 1995-96 to 1999-2000. The power situation in the NER Which had improved to a surplus during 1999-2000 and 2000-01, also deteriorated subsequently to a deficit of 2.4 per cent during 2002-03. I would subsequently take a more detailed look at the infrastructure scenario in the NER.

The financial sector scenario of the NER indicates that much more remains to be done. As at end-March 2003, the total number of bank branches of SCBs (excluding RRBs) in the NER accounted for only 2.4 per cent of the all India level. Outstanding deposits of SCBs in the NER as at end-March 2003 formed only 1.5 per cent of all-India level. The share of bank credit to industry showed a modest rise in some States but noticeable declines in Mizoram and Meghalaya. The share of bank credit to SSI also declined gradually in most States in the NER. The share of bank credit to agriculture declined in all States except Manipur. Strikingly, the C-D ratios of SCBs (excluding RRBs) in the NER varied between 14 per cent (Arunachal Pradesh) and 29 Per cent (Meghalaya), much lower than the all-India level of around 60 per cent as at end-March 2003. The assistance provided by All Financial Institutions (AFIs) to the NER has been an exceedingly small proportion of total assistance to all States. The share of each State in the NER in total sanctions and disbursements by AFIs is less than 1 per cent of the all-India level. The system of co-operative credit dispensation remains limited in the NE with only 27 offices of urban co-operative banks (as against 7,479 at the all-India level) and 18 branches of district central co-operative banks (as against 12,580 at the all-India level) as at end-March 2001. Even though the NER has the largest network (215 branches) of State co-operative banks next only to the Northern Region, in terms of deposits mobilised by these banks, NER’s share stood at a meagre 3.5 per cent of all India outstanding in 2001. On the whole, deposits mobilised by all co-operative banks in the Region accounted for less than 1 per cent of the all-India level mobilised by co-operative banks. The number of NBFCs accepting public deposits has also dwindled steadily in recent years in the Region. While the NBFC sector has undergone a shake-up in the recent past at the all India level, no public deposit-taking NBFCs were in operation in the Region as at end-March 2001.

The fiscal position of the States in the NER has been under strain in recent years. The GFD of the NER increased to Rs.4,897 crore in 2002-03 and is budgeted to rise further to Rs.5,026 crore in 2003-04, mainly reflecting the sharp increase in expenditures (particularly non-development expenditures such as salaries, pensions, interest payments, etc). Low and declining buoyancies of both tax and non-tax revenues and losses of State PSUs have added to the financial strain. Notably, the revenue account of many of these States which were in surplus in 1997-98 turned into a deficit in 2001-02. Some of the States have already prepared a Mid-Term Fiscal Reform Programme in consultation with the Government of India while others are in the process of preparing/finalising the same. Some States have also emphasised the need for institutional reform. For example, Assam has constituted a Committee on Fiscal Reforms (COFR) and has engaged the NIPFP to undertake a study on the prevailing fiscal scenario. Meghalaya has proposed to strengthen power transmission and rural electrification. Arunachal Pradesh and Manipur have emphasised/initiated economy measures. Such measures need to be strengthened in order to make a credible difference to the fiscal situation. While the list of infirmities and difficulties is virtually unending, the most crucial one is the lack of infrastructure.
III. OPPORTUNITIES TO BE USED FOR TAKING ADVANTAGE OF THE GROWTH:

The economy of the region has been disrupted by the forces discussed in the preceding section in spite of her rich natural resources. Besides the natural resources, many new opportunities have also emerged with the changing contour of world economy that can boost the economy of the region. But, the need of the hour is to focus on those areas which would lead to growth of the economy, develop the sense of participation and can extinguish the social and political chasm. The two main areas that can boost the economy are as follows:

a. TOURISM

Tourism is one sector where the region has comparative advantage. This industry is highly competitive where the tourists have a wide range of choices and look for good value of their money. With bountiful nature’s breathtaking scenic beauty, salubrious climatic conditions, extraordinarily diverse rich art and cultural heritage of the people, this region can become a hotspot for eco and adventure tourism.

Tourism industry involves a vast network of business activities relating to attracting, receiving, accommodating, managing and servicing of tourists. These include hotels, restaurants, transport agency and several other related activities. The development of this industry would promote national integration and international understanding, generate employment and revenue and provide prospective buyers for local manufactured products especially handloom and handicraft products—a dyeing industry due to lack of access to market.

Tourism can generate more employment per million of rupees spent than any other activities. It can generate jobs in the remotest corners for unskilled to highly specialized skilled workers which would help in the realization of plan objectives. It would also enlarge the base of locally manufactured products. All this, however, would be possible only when there is well-developed infrastructure like transport and communication and sense of participation of the people of the region.

b. BORDER TRADE

The lack of connectivity and access to market, the main causes for under utilization of resources and weak resource-industry linkages, have set the economy of the region by half a century behind. The region has lost the markets in her neighbourhood, particularly in Bangladesh, due to partition, insurgency and diplomatic strains and tensions.

Due to the peripheral location and stiff competition from mainland industries having better access to critical inputs like finance, technology and management, the base of traditional manufacturing in the region has been eroded leading to deindustrialization. While resource base can support a variety of industries at all scales, the existing industrial structure, dominated by small-scale demand based industries has not been developed proportionately. This has widened the gap between resource base and industrial structure in the region. Further, due to the restriction of free movement of men and material across the border, the notion of isolation has developed in the minds of the people. It is in this context, there is a strong argument to develop border trade.

In this increasingly borderless world, establishment of border trade would not only provide an opportunity to revive the local manufactured units but also serve as a transit corridor for the mainland big industrial units to explore the vast Asian market. This would also bring the centrality and visibility of the otherwise peripheral north eastern region. It is with this vision that ‘look east policy’ was initiated in 1991. Unfortunately, as old habits die hard; the central government still continues to live in the shadow of security obsessed mindset and prefers inward looking approach. As a result, even after fifteen years of implementation of border trade agreement, it has failed to invigorate the region’s trade with their neighbouring countries. As a result, India’s look east policy has, by and large, bypassed the region.

The percentage of trade with neighbouring countries have zoom up to 8 per cent of the country’s total volume of trade in 2003-04 from a mere 1.7 per cent in 1987-88. However, over two-third of the total volume of trade with these countries flow via Bay of Bengal while the land borders of the region have been left for transit corridors for illegal trade. The tepidity of the central
government in implementation of the policy has only led to rise in the porosity of these borderlands. An impressionistic assessment reveals that there is a rise in negative activities like cross-border insurgency, gunrunning, smuggling drugs, narcotics and AIDS, money laundering, trafficking women, illegal immigration etc. which further add to the existing multifarious problems in the region.

The NER also boasts of rich natural resources such as oil and natural gas and agro and forest-based products. The Region is a major producer of tea, and possesses one-third of the country’s hydro-power potential. The scenic surroundings also provide an ideal setting for the promotion of the tourism industry. The Region has great potential for exports and there is also considerable scope for regional co-operation. In this context, a major issue confronting the NER is the prevalence of 'informal' border trade. This assumes special significance because of the length of its international borders with Myanmar, China, Bhutan and Bangladesh. India’s official foreign trade with neighbouring countries in the North-East (barring Bhutan) hovers around only 4 per cent of India’s total foreign trade. On the other hand, available estimates show that the volume of informal trade is quite substantial. Several factors have been identified which compel traders to use the informal channel. These include: lack of infrastructure and banking facilities for official trade at borders, shortages of essential commodities at borders, inclusion of limited items in the bilateral/Free Trade Agreements between bordering countries, quantitative restrictions, higher tariffs and higher transaction costs (e.g. delay in realisation of payments, procedural delays, etc.) and exchange rate or price differentials. Strict Rules of Origin requirements also restrict formal trade flows and encourage informal trade. Harnessing of such exports lost through the informal channel provides an important opportunity to step-up the development of the Region. At the same time, building bridges with neighbouring countries under the aegis of Regional cooperative frameworks can also provide a further boost to the exports from the Region.

As against these strengths and opportunities, there are weaknesses and threats to be sure, emanating to a large extent from the difficult terrain of the Region. 70 per cent of the NER is hilly, with forests covering between 42 and 76 per cent of the area of each of the States.

IV. THE CHALLENGES TO BE FACED SQUARLY FOR DEVELOPMENT:

Being one of the most neglected regions of the Indian union, overall state of affairs in the region is quite alarming. The unattended issues and problems of the past are being accumulated, multi-layered and have become multifarious. Over and above, the mounting pressures of emerging challenges of rapid transformation need to be countered. The clock is ticking fast and situation in the region is very delicate which may explode anytime from now if not tackled carefully. At this juncture the old habit of alibis and hinting would only aggravate the maladies of the past and swell negative elements of the globalization. Instead, it is the time to think and act collectively.

The region has more issues to be addressed and challenges to face than any other parts of the country. Of which, the three most important areas which require immediate attention are insurgency, infrastructure and governance. All the other issues are derivatives which would dry up once these three are addressed.

a. INSURGENCY

The problem of insurgency in the region has a long history. The insular politics and Delhi centric approach of the Indian government is at the core of much of the discontent, widespread criticism, feelings of subjugation and notion of being colonized. There is a constant fear in the minds of the people that their identity is being eroded due to the submergence into the vast ocean of Indian humanity. The people of the region started alienating themselves and the feeling of self-determination started to germinate. With the aim of preserving their own identity various ethnic groups inhabiting in the region, undisturbed for centuries, began to differentiate among each other severing the local ties and affinities and started to struggle with arms. Thus, insurgency has mushroomed in the region and the secessionist movements, either for sovereignty or for separate homeland, began to lock horns leading to a vertical division among various ethnic groups.
Therefore, prior to any policy programme to resolve the problem of insurgency in the region, the political processes that has been framed and pursued to convert a breeding ground of insurgencies must be reversed first. Simultaneously, the attitude and security obsess mindsets of the central government should also change and embrace the region with open arms so as to restore the lost confidence of the common people.

Insurgency is the major problem inflicting the region. With the passage of time it has increasingly become more complex and difficult to understand as their objectives, role and activities varied widely. In the name of nationalist movement they were involved and interfered in every state’s affairs including household chores, like a moral police, of their people. Each insurgent group runs parallel government. In a way, apart from Mizoram, Sikkim and Arunachal Pradesh, all the remaining states have multiple governments.

The problem of insurgency has become the stumbling block in the course of development. It foundered every development strategy and hampered all the developmental works. Kidnapping, extortion, killing, bandh, strikes and curfews have become the order of the day. At the same time, the numbers and activities of the plain criminals masquerading as insurgents have also increased alarmingly. Today, the region has become the killing field and specialized in the export to death bodies, if not the manufacturing products. In short, the region has reached the pinnacle of the industrialization of insurgency and criminalization process.

It would not be easy to find the solution. However, keeping in mind the rising global terrorism, it would be wise to work on a holistic approach for amicable solution sooner than the later. At the same time, what every insurgent group, operating in the region, should realize is that the formation of separate homeland or attainment of more autonomy or sovereignty is not the solution because within itself formation of new group with new demand cannot be ruled out.

b. INFRASETRUCTURE

The rich natural and human resources available in the region could not be utilized to the full extent mainly due to the geo-political condition, including ever-deteriorating law and order, which has a lot of implication on the development of most needed infrastructure. The negligence of the central government in the past and due to the problems of insurgency at present resulted into the gross deficiency of infrastructure in the region. This has crippled the free flow of factors as well as products. In such a situation, it would be hard for the region to accrue the benefits of globalization. It is also not surprising to find the lack of FDI inflow in the region. During January 2000 to Mach 2006 the region received only 9 million US dollar i.e. 0.04 per cent of the total FDI inflow in the country.

The lack of infrastructure, as revealed by the infrastructure index has not only spoiled the prospect of economic development but has also created a horizontal division among various ethnic groups affecting the fabrics of social harmony in the region. All the “constituent states of the region are internally locked–themselves locked and locking out others, unable to connect with each other physically in terms of poor transport links, and more seriously, unable to make connections intellectually and emotionally with their closest neighbours, or even with and among their own people.” It has displaced the common understanding and linkages for peaceful coexistence and regional cooperation.

In order to reconnect the lost connectivity, trade and commerce and more importantly to foster emotional attachment among various ethnic groups inhabiting in the region infrastructures like roads, transports, communications electricity, banking etc. must be developed adequately. Such exercise would not only enlarge the base for the growth of the economy in the region but also enhance the regional cooperation-an engine of growth in this era of globalization.

Underdevelopment breeds insurgency and insurgency retards development. This two are mutually reinforcing. This is a classic case of vicious cycle of underdevelopment-insurgency-underdevelopment. Therefore, any policy programmes either to resolve the problems of insurgency or development of much needed infrastructure should go concurrently and not sequentially as it hampered the progress of one another.
Further, as it has been asserted in the Planning Commission report on *Transforming the North East*, the approach of the central government should change from “planning for the North East to planning with the North East”. This implies that, under the prevailing circumstances mere allocation of funds or implementation of new policy would not suffice to tackle the problems in the region. Considering the emotional sentiments of the inhabitants and sensitivity of the issues, the region must be handled with care. Every developmental programme for the region should have the consent of the inhabitants and needs to be executed with sincerity without delay.

c. Governance

“The state is responsible for the creation of conducive political, legal and economic environment for building individual capabilities and encouraging private initiatives.” It would, however, depend on the quality of the governance—mechanism, processes, systems, structures and institutions that guide the social, economic and political relationship. Good governance exercises its legitimate political power in a manner that is perceived as equitable, non-discriminatory, socially sensitive, participatory, transparent and accountable to the people at large. This includes not only the process of transformation of human and natural endowments to a socially desired ends but also reveals the long term vision and commitment of the state to secure human well being and sustained development of the people.

The state of governance in the region is in pathetic condition. Government machinery is on the brink of collapse. Corruption, squandering of public funds, deteriorating law and order, lack of transparency and accountability, bureaucratic rigmarole, insensitivity and so forth are quite rampant in the region. There is widespread allegation of insurgency-government officials-bureaucrats-politician nexus, including law enforcing agencies, and siphon off public funds. All this has eroded the individual capabilities and institutional capacities to meet the social objectives.

Until and unless the quality of governance has been improved, no matter how much is the fund earmarked for whatever the policy programme initiated would not be successful and only the common people have to bear the brunt. Taking into consideration of the paradigm shift in the development strategy and the amount of funds allocated in recent time, we may no longer be able to blame the central government in the near future. The present state of affairs in the region is past deed of the central government and what the future generation will face would be decided by what our government has done today.

V. Conclusion:

This study analyses data from the year 1980 to 2006 and some data for the latest years in respect of 8 states clearly indicates the problems, opportunities and challenges of Socio-economic development of North East India. Wide disparities are obtained in the level of development among different states. Rich economic resources of the region cannot be exploited due to lack of proper infrastructure. Communication and transport, health and sanitation, power production and supply, agricultural modernization, flood control, erosion and land slide, technical education, employment generation, industrialization, social unity, terrorism are problems of this region which are to be realized by both of governments to solve population and workers problems.

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