

# EMERGING PATTERN OF NORTH-EASTERN ECONOMY

EDITED BY

V.S. MAHAJAN



## The Book

The North-Eastern region of India consisting of seven States of Assam, Meghalaya, Mizoram, Nagaland, Arunachal Pradesh, Manipur and Tripura, is a remote but strategic part of the country, rich in minerals and forest wealth.

For the past over two decades the Government of India has been devoting its special attention for the quick economic development and all-round advancement of the North-Eastern region. In this outstanding book the learned authors deal with a variety of areas of the regional development and bring out the main issues that have emerged or are likely to emerge as a consequence of such development.

This important book will be of great use to scholars and students of economics and regional development and also to planners and policy-makers.

Rs. 175

## The Editor

Dr. V.S. Mahajan had been teaching Economic Development and Planning, International Economics, History of Economic Development and Advanced Economic Problems to the postgraduate and honours school students in the Department of Economics, Panjab University, Chandigarh, for over 18 years. Subsequently he was visiting Professor at the North-Eastern Hill University, Shillong and Mizoram campuses. Currently he is Director of Centre for Indian Economic Development Studies, Chandigarh.

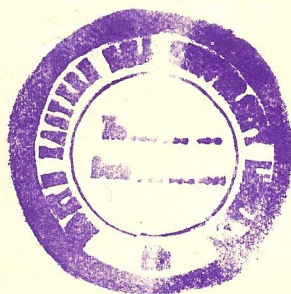
He was educated at Lahore and London (London School of Economics), and is alumnus of the Indian Institute of Management, Ahmedabad. He was associated with the Government of India in their Central Statistical Organisation. He was also associated with the Planning Commission in their R.P.C. Project, Regional Transport Survey of Panjab, Haryana, Himachal Pradesh and Delhi. He was a visiting Expert in the Central School of Planning and Statistics, Warsaw. He has frequently participated in national and international seminars and conferences.

Dr. Mahajan is a member of a large number of national and international associations and is associated with academic bodies in several universities and professional organisations. He has contributed a large number of articles and book reviews. He is author of 14 books and editors of three volumes.

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*Edited by*

**V.S. MAHAJAN**

Director

Centre for Indian Economic Development Studies, Chandigarh



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Dedicated to the people of the North-East  
to whom the people from the rest of the  
country wish best luck in their efforts for  
transforming their economies

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## PREFACE

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The North-Eastern region of the country consisting of seven units of Assam, Meghalaya, Mizoram, Nagaland, Arunachal Pradesh, Manipur and Tripura, is a remote but strategic part of the country, rich in minerals and forest wealth. Most of the area is still thinly inhabited and is either steeply mountainous or thickly covered with forests. Both sparse population and difficult terrain stand in the way on economic development of this region. Despite this, some tribes, like Mizos and Nagas, are quite progressive and have made encouraging advance. The rate of literacy among them is very high—quite close to the best literate parts of the country, and one hardly notices any distinction between the rural and urban life, unlike in other parts of the country. This is indeed a unique feature.

Further, for the past over two decades the Government of India has been devoting its special attention for the quick advancement of the North-Eastern region. For ensuring planned development the North-Eastern Council was created by an Act of Parliament in the year 1971 with the sole aim of developing the whole of this region. With the oncoming of this august body the whole of this area has been undergoing social and economic transformation. And yet the tribals here are quite conscious of preserving their unique identity and racial and cultural features. Such traits are particularly found among Mizos and Nagas, the two most powerful tribes who have opposed outside interference and have managed their own economic system—trade, business, industry and construction. Both Mizoram and Nagaland and as well as Arunachal Pradesh are governed by the Inner Line permit system which restricts the entry of outsiders who are not allowed to settle down or buy land or engage in business, etc. in these areas. Lately these restrictions have also been extended to other parts of the North-East, e.g. Meghalaya with the main objective of preserving the ethnic character of the local population.

While such restrictions have helped the locals to maintain their identity and isolation but then the development process has taken a low stance. Still the primitive system of cultivation of Jhumming, i.e., shifting cultivation, is widely practised by over 80 per cent of hill tribes, notwithstanding the fact that this is highly wasteful method of cultivation causing a heavy destruction to the rich forest wealth as well as results in ecological disturbances and at the same time this mode of production does not provide enough means of sustenance to the agriculturists. Alternative avenues of employment in industry and trade are few and far between. So there is no surprise that all the units in the North-East are heavily on the receiving end, with very little revenue and income of their own. How long this process of depending on generous assistance from the centre would be permitted is difficult to say. In any case with the current mode of development—mainly though not exclusively with local talent which is very limited—the time lag is going to be fairly long.

While so, this at the same time is not to suggest that the development model of Assam or for that matter of Tripura, with almost unrestricted entry of outsiders which has resulted in low profile of the locals, should be promoted. But this does point out to the fact that for attaining balance between local development and large inflow of resources a limited dose of outside talent and entrepreneurship would have to be encouraged by providing them with special facilities. There is no short cut to this.

The papers in the volume which were mainly contributed for the seminar with the same theme as the title of this volume "Emerging Pattern of North-Eastern Economy" held in Aizawl during April 1986 with support from the North-Eastern Council, deals with a variety of areas of the regional development and bring out the main issues that have emerged or are likely to emerge as a consequence of such development. I was the Director of the seminar and extend my thanks to all the contributors for their papers to the North-Eastern Council for the financial support, to the North-Eastern Hill University where I was the faculty member and to the Mizoram Government for their timely cooperation and help.

Acknowledgments are due to the *Commerce, The North-Eastern Hill University Journal of Social Sciences Humanities and The URJA* for some of the papers reproduced here.

Lastly my thanks to Shri G. S. Bhatia of Deep and Deep Publications for the interest taken in the publication of this volume.

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## INTRODUCTION

(The North-East region has been on the development path for the past over two decades, particularly after the Chinese aggression in 1962.) Here an attempt is made to present its multi-faceted development picture through the contributed papers which have been divided into two parts—Part I dealing with the macro-aspect and Part II with the micro-dimension. It is to be admitted at the outset that in a volume like this it is likely that some areas receive major attention while others comparatively less and still some may be dealt with scantity. It is also that some repetition becomes unavoidable.

This volume, as said above, is divided into two parts: In Part I there are 12 papers. H.S. Dubey in his paper "Planning and the North-Eastern Region" which is slightly revised version of his inaugural address to the Seminar a reference to which has been made in the preface, pinpoints the basic problems faced in the development of the North-Eastern region and has also elaborated the efforts made through planned development to tackle these. In his address he has as well touched on the various shortcomings faced in executing planned programmes and in particular has laid emphasis on evolving an appropriate strategy for accelerating the pace of rural development and essential infrastructural facilities for both these are essential preconditions for sustained development.

Next Shri Prakash in his paper "Development of the Economy of North-Eastern India—Current Status" makes an indepth analysis of the various aspects of growth in the North-East and in particular draws attention of the wide disparities in income found among the different units of the region. He adds that despite higher growth rate in the Gross Domestic Product (GDP) in the North-East compared with the national GDP growth, the effect of high investment in the former has been far lower. Such situation coupled with high population and consumer prices growth had entrenched this area in low equilibrium trap, which in

return has called for still bigger central assistance just to maintain such low equilibrium state.

In the paper "Indian Development Process : Parameters of Development in North-East" that follows R.L. Walli lays emphasis on the fact that despite encouraging growth of the Indian Economy in the Post-Independence period, poverty has continued to grow at faster rate because of high concentration of wealth in the hands of a few members. Thus the Western capitalist model that India has followed with some modifications, is anti-people model with low economic growth and worse income distribution. This as well is the experience of the North-East India.

Moving next to A.K.A. Agarwal's paper on "Efficacy of Planning in North-Eastern Region" with special reference to Arunachal Pradesh it traces out the development process in different units of North-East India as a consequence of recent planned effort. The author in particular dwells on the experience of Arunachal Pradesh and highlights the various shortcomings in the development process like poor land use, lack of industrialisation and infrastructural facilities in particular.

The follow up paper on "Consumption Pattern of North-East India" by Raj Kumar Sen lays emphasis on the fact that consumption rather than income is a better indicator for measuring the level of living at a particular time. Using the N.S.S. data, the author concluded (a) expenditure on food in rural areas is higher than in the urban areas, (b) in recent years there has been downward trend in such expenditure which is the consequence of industrialisation and overall growth in the national economy, and (c) the situation found in (b) does not apply to the North-East India where there has hardly been changes in the percentage of income devoted to food. He also relates such situation as found in (c) to the slower growth of industrialisation and urbanisation in the North-East compared with the country as a whole.

"Population and Agricultural Development in the North-East India" is the subject of the next paper. Here the editor points out that higher population growth rates recently in the North-East compared with the national rate has resulted in poor man—(cultivable) land ratio both in flat as well as in steep hill and jungle areas. Such pressure on the existing cultivable land in the absence of modern technology and inputs, has resulted in low productivity in most of crops compared with the national rates. However, he

adds that in some areas like ginger and potatoes where output has been fairly encouraging, further growth is constrained because of the inadequate marketing facilities.

The paper that follows is devoted to "Banking in North East". Here P.C. Barua brings out the various problems faced in the growth of commercial banking in the North-East. Emphasis is laid on the fact that while here the deposit per person is one-third of the national average deposit, the cost of banking operation, however, is far higher. This factor, therefore, acts as a major constraint in banking development in the North-East, which has to be supplemented by alternative less expensive agencies in the private sector.

In the next paper on "Financing of Rural Development in the North-East Region", H. Nabakishore Singh deals with the major sources of financing of rural development and highlights the fact that compared with institutional finance the traditional sources of finance continues to play an important role. In his study of Manipur, it is found that as high as 60 per cent of finance is provided by money-lenders and only 10 percent by the banks. Thus this paper, like the earlier paper brings out the limitations of the institutional finance in the North-East. In other words, there exists considerable scope for utilising the private sector for this purpose, which has to be directly controlled by banks and provided credit facilities for re-lending to the needy persons at reasonable rates of interest.

In the paper "Implementation of Rural Development Programme in North-Eastern Region : Problems and Prospects", B.P. Maithani initially makes the situational appraisal of the area highlighting the various socio-economic characteristics of this area. Subsequently he brings out the problems of implementation of rural development programme and here emphasis in particular is laid on inadequate technical and administrative support to such programme. In the end the author suggests strategy for the appropriate implementation of this programme. The paper carries important policy implications.

In his paper on "Demand for High Level Manpower : A Study of the Pattern of Inter-Occupation Education Industry Variation", T. Lawma digs into the difficult area of manpower planning in the North-East. He points out that education up to matriculation level cannot be treated as terminal stage unless it is

supplemented by appropriate professional or technical education. This has important policy implications.

Moving next to paper on "Transport as Major Bottleneck in North-East India" the editor brings out the keyrole that transport plays in the North-East Region especially in the hill areas. He adds that under different plans in the North-East inadequate attention had been given to this vital sector which had resulted in slower overall development. Therefore, there was an urgent need for adopting a new strategy for accelerating the development of transport facilities.

In the last paper in this part entitled "Energy Development Prospects for North-Eastern India", K.K. Upadhyaya suggests that for solving difficult energy problem in the North-East emphasis needs to be laid on the mini hydel plants because of existance of vast hydel potential and also on windmills and biogas units.

In Part II there are seven papers. Shri Prakash and Dulal Roy in their paper on "Socio-Economic Development of Zeliang-rong Nagas in Nagaland" deals with the socio-economic characteristics of the Zeme Nagas who are spread over 63 villages of Nagaland. This study concludes that the population size and economic development are positively correlated; that is, villages located away from highway were found to be less developed and less populated than those located close to the highway. This clearly brings out the central role of means of communication in opening up of remote areas.

The next paper is by Arun Kumar Gangopadhyaya entitled "The Evolving Pattern of the Economy of Tripura". Here the author brings out the interesting features in the slow sectoral changes in the State income distribution which indicated that very small structural transformation had occurred in the Tripura economy which continued to lean heavily on the primitive modes of production and on low rates of saving and investment and poor industrial growth.

In the following paper on "Emergence of a New Working Class in Mizoram : A Marxist Note", S.N. Guba Thakurta makes a comparative study of the social and economic changes in the Mizo society in the post-Independence period as compared with the earlier period. He notes that a new working class (or middle class) which was absent earlier, has emerged now with more and more asset accumulation. Simultaneously has also emerged

a class of workers, teachers and other employees mostly working in the recently coming up Government Departments. He poses an important question whether this situation would lead to class conflict. However, knowing the Mizo society which is quite tolerant to such asset accumulation, there is no easy answer.

The follow up by K.K. Upadhyay on "Alternate Model of Development for Mizoram" divides the post-Independence period in Mizoram into three distinct periods and elaborates the socio-economic structure under each period. The author suggests that for encouraging orderly growth and better income and asset distribution, subsidies which mainly benefited a few individuals should be withdrawn.

In the next paper on "Widening Income Disparities in Mizoram", the editor brings out how the existing mode of development in this territory was leading to heavy concentration of resources in the hands of a few persons which was anti-social and at the same time deprived the Government the resources which would have flowed into it if the system of taxation were adopted like the other parts of the country. The author pleads for appropriate policy measures for tackling such situation.

Thus the three above papers bring out the hard fact that there had occurred fast accumulation of assets and income in the hands of a few persons in Mizoram, which is also true of the other units in the North-East. This, therefore, brings out an important policy implication, that is, the administration in this region should adopt measures which would promote better asset and income distribution and which are also essential for long-term economic development.

Moving to the next paper on "Profile of Agriculture in Mizoram" Thangchungnunga highlights the main features of present Government's land policy and compares it with the earlier Government's land policy.

In the last paper in this part entitled "Profile of Poverty in the Midst of Plenty", Nabakishore Singh brings out the main reasons for the economic backwardness of Manipur, despite its being rich in resources, and suggests policy measures to overcome such poverty.

Thus the above papers cover a wide spectrum of the social and economic issues of the North-East and highlight the emerging social and economic pattern in the North-East as a whole as well



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as in its different units. Important policy measures have been suggested in most of the papers for correcting the emerging imbalance in different areas—the direct result of both planned and unplanned, perhaps more of latter development. The policy guidelines enjoin on the administration of the different units for more planned, balanced and equitable economic development.

## OUTSTANDING BOOKS ON NORTH-EAST INDIA

### **The Nagas of Nagaland : Desperadoes and Heroes of Peace**

*K. Randip Singh*

This outstanding book gives a vivid description about the Nagas, their villages, their tribes, customs, traditions, social life and forces at work after the British left India. The author also describes the emergence of Mr. Phizo as leader of Nagaland National Council and the insurgency that followed. The book also gives a brief picture of ghastly deeds and blood curdling stories about Naga Heroes of Peace who gave their life for the cause of peace in Nagaland.

### **North-East India 2000 A.D. : Perspective for Futurology**

*Edited by B. Datta Ray*

This volume makes a systematic analysis of the total north-east India through a futurological perspective examining the basic issues of ecology, population, physical resources, scientific and technological application, planning management, cultural resources and institutional frame-work. It examines the whole complex of problems taking much more holistic approach. This is an exploratory study to the progress of north-east India and its projected picture in 2000 A.D.

### **Emerging Pattern of North-Eastern Economy**

*Edited by V.S. Mahajan*

The North-Eastern region of India consisting of seven States of Assam, Meghalaya, Mizoram, Nagaland, Arunachal Pradesh, Manipur and Tripura, is a remote but strategic part of the country, rich in minerals and forest wealth. In this outstanding book the learned authors deal with a variety of areas of the regional development and bring out the main issues that have emerged or are likely to emerge as a consequence of such development.

### **Development of Handloom Industry : A Study of Assam**

*Nagen C. Das*

In this outstanding book, the learned author studies in detail the Historical Background to the Origin and Development of Handloom Industry, Handloom Industry *vis-a-vis* State Economy, Organisation of Handloom Industry in Cooperative and Non-Cooperative Sectors, Production-Inputs and Outputs, Marketing, Finance, and Modernisation of Handloom Industry.

### **Cooperative Banking and Economic Development : A Study of Assam**

*Devadas Bhorali*

This book is the result of an indepth research work undertaken on the functioning of the Assam Cooperative Bank *vis-a-vis* its role in the economic development in the post-independence period. The work reflects the performance of a cooperative credit institution in a cooperatively backward region with its accompanying limitations and shortcomings.

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