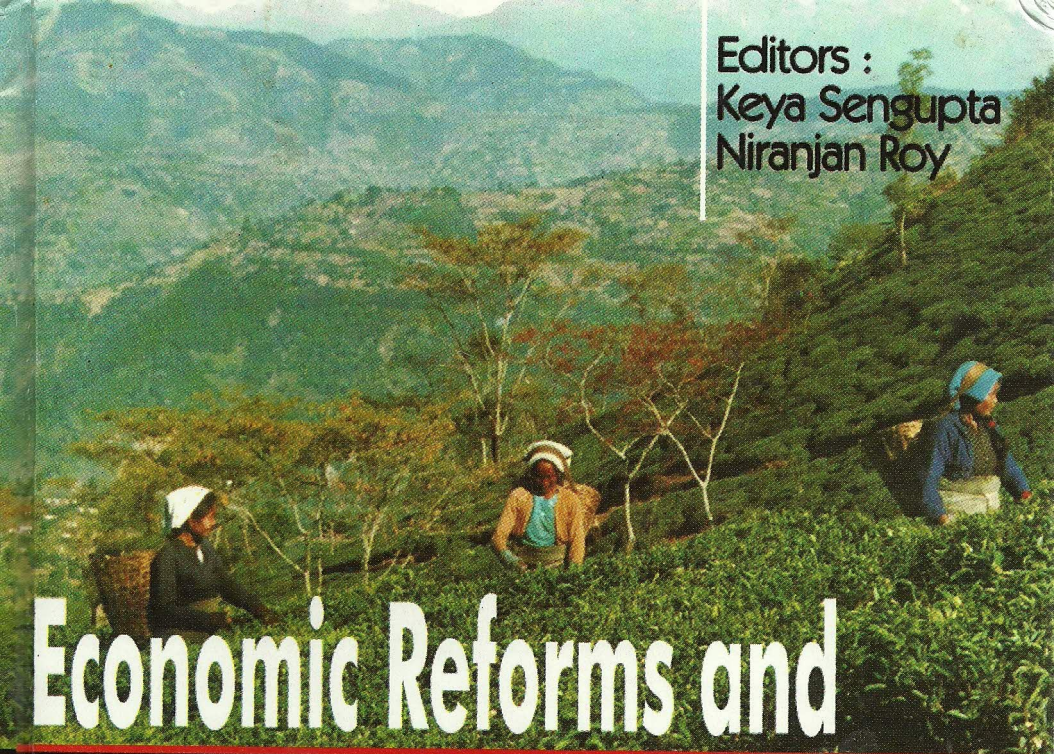


Editors :
Keya Sengupta
Niranjan Roy



**Economic Reforms and
Agricultural Development
in North-East India**



A MITTAL PUBLICATION

Economic reforms in India, with its urban bias and overemphasis on the industrial sector have pushed agriculture totally to the background. The existence of a dynamic agricultural sector is crucial not only for industrialisation of an economy, but for the overall growth and development. In a less developed country like India it is the agricultural sector which plays a dominant role in gearing the country into the desired channels of growth. The strength of the industrial sector of the economy depends, inter alia, on the strength of the agricultural sector. Any kind of negligence towards the agricultural sector will retard the growth of the industrial sector.

The relevance of different issues relating to agricultural development during economic reforms becomes highly significant in the context of development of the agriculturally dominated and industrially backward North-Eastern region of India. This book attempts to trace out such relevance of different issues for North-Eastern region. The research articles contributed by established scholars present a fairly comprehensive account of the agricultural economy of the North-Eastern region, analyse the strength and weakness of the agricultural sector in the perspective of economic reforms initiated in 1991 and work out key policy measures for accelerating agricultural growth.

The book should be of immense use to students, teachers, professionals and policy makers interested in the agricultural economy of the North-Eastern region in particular and India is general.

Rs. 450

KEYA SENGUPTA (b. 1957) is the Head of the Department of Economics of Assam University, Silchar. She is engaged in teaching and is in active research for over twenty years and she has published many research papers in national and international journals. She specialises in Price Theory, Social Sector and the North-East Economy, and is currently engaged in major research Projects of UGC and the ICSSR, New Delhi. She is also a life member of at least six professional bodies. Her book entitled *Price Formation Process in the Indian Economy* has recently been published by Mittal Publications, New Delhi.

NIRANJAN ROY (b.1966) is a Senior Lecturer in Economics in Karimganj College, Karimganj (Assam). He is engaged in teaching and research for the last eleven years and has published research papers in national and international journals. His publications preceding this volume also include a book entitled *Agricultural Growth and Regional Economic Development* (Published by Mittal Publications).

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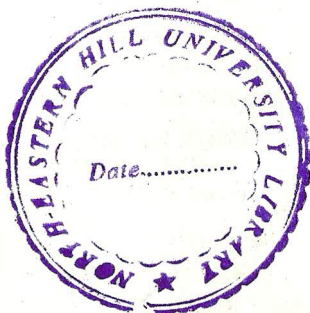
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ECONOMIC REFORMS AND AGRICULTURAL DEVELOPMENT IN NORTH-EAST INDIA

Editors

**KEYA SENGUPTA
and
NIRANJAN ROY**



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FOREWORD

I am happy to write a Foreword to the book *Economic Reforms and Agricultural Development in the Context of North East India*, edited by Keya Sengupta, Head, Department of Economics, Assam University and Dr. Nirranjan Roy, Department of Economics, Karimganj College. The book contains 16 scholarly papers on different aspects of agricultural reforms in the North-East India. All the writers are well-known academics of the North-East India. They have applied the tools of scholarship and research for evolving, different measures for agricultural reforms in North-East India so that the economy of the area may develop and attain the desired rate of progress.

I am sure the book will be useful not only to the scholars in the field but also to the policy-makers because the papers included in the book recommend measures for reforms after a critical study of the historical and social perspective of the agricultural scenario in North-East India.

I congratulate the editors and the writers of the papers on their academic enterprise.

Subhas Chandra Saha
Vice-Chancellor,
Assam University,
Silchar.

INTRODUCTION

The overall growth and development of an economy necessitates a dynamic agricultural sector. This sector can play a dominant role in gearing the economy into desired channels of growth. Even the strength of the industrial sector of the economy depends inter alia on the strength of the agricultural sector. No dividing line can therefore be drawn between the two sectors. These sectors are complementary and not competitive. The difference between the two sectors lie only with respect to optimum allocation of resources. The choice is therefore not between either agricultural or industrial sector but how best the two sectors can be synchronized for the harmonious development of the economy.

Though the two sectors are crucially linked up, yet economic reforms in India, with its urban bias, has pushed the agricultural sector totally to the background. Attention needs to be drawn particularly to the policy makers that any kind of negligence towards the agricultural sector would only be at the cost of the industrial sector. During the early stages of development labour-market relationship initiates the interconnection between the two sectors. Industrial sector draws labour force from a pool of surplus agricultural labour particularly in a labour surplus overpopulated country. Product market too strengthens the linkage between the two sectors. With the growth of industrial employment and increase in per capita income, urban industrial demand for agricultural products, particularly that of foodgrains also increases. Demand for industrial raw materials, a good proportion of which is supplied by the agricultural sector, also calls for a dynamic agricultural sector for industrial expansion.

The correct pricing pattern of the agricultural products may boost up the reform process particularly during the initial stages of economic development. The correct pricing strategy may help

in the creation of an adequate quantum of marketed surplus, which can provide wage goods and industrial raw materials, both of which can play a crucial role during the reform process. A dynamic agricultural sector has the inherent capacity of generating marketed surplus, which in turn can raise rural income. Raising rural income in turn is imperative for creating demand for industrial products. Studies have revealed that a major proportion of marketed surplus comes from small holders. This finding necessitates an indepth study of farming practices and patterns of production of the small scale producers. Raising income of the rural poor is essential for the creation of a domestic market for goods and services produced in growing urban manufacturing sector during economic reforms.

Sufficient and timely availability of credit particularly to the small farmers is of crucial importance for a dynamic agricultural sector. However, poor farmers often lack the accessibility to institutional sources of finance and have to obtain loans from unscrupulous money-lenders at high interest rate. This affects the performance of the agricultural sector adversely. A dynamic agricultural sector, especially during economic reform necessitates rural infrastructure, agricultural research, extension and development of trained manpower. All these factors can create a strong agricultural base, which is extremely important for a strong industrial sector, during economic reform. All these factors have been grossly neglected during the reform period in India.

The relevance of these issues relating to agricultural development during economic reforms becomes highly significant in the context of development of the agriculturally dominated but industrially backward region like the North East. The region as a whole experience one of the lowest growth rate in India and very low level of per capita income. Physical as well as social infrastructure for the purpose of industrialization is extremely inadequate. Meeting the challenges of economic reforms under the circumstances become extremely difficult. Among the few pre-requisites of economic reforms, as highlighted earlier, existence of a strong and dynamic agricultural sector is crucial. Several goals of developmental planning notwithstanding the region continues to be dominated

by rural poor, with a high growth rate of population and extremely low level of urban labour absorption. The semi-primitive shifting cultivation is still a dominant feature of the hills of the region. The difficult transition from subsistence and primitive farming to market-oriented production is yet to be achieved. To expect that economic reforms would solve the problem of rural poverty and underdeveloped rural sector would be extremely naive. Thrusting any policies of economic reforms on the region without adequate knowledge of the rural North-East may be extremely harmful.

It also needs to be noted that wide diversity in respect of economic development social, cultural and demographic diversity characterises the region. Therefore, for the purpose of formulation of economic policies, to consider the entire region as homogeneous would therefore be fallacious. The region as a whole is predominantly inhabited by tribals whose way and outlook of life is in total dichotomy with the mainstream people of the country. Agricultural activities dominate over industrial activities in all these states, with shifting cultivation being the common practice in the tribal areas. The linkage between agriculture and industry is nowhere so important as in this region. The region is characterized not only by a weak industrial base, but also one having an enclave type of industrial sector, in the form of tea, petroleum and plywood. All these industries are either dependent on exhaustible resources or are mainly export oriented. These industries have negligible backward linkage and their forward linkage is also transferred to outside the region. This results in weak multiplier effect, especially with respect to income and employment generation of the indigenous people.

It is therefore only by modernizing the agricultural sector, that the socio-economic problems of the region can be tackled. Participatory management can be ensured only by developing the agro-based industries and allied activities. The onslaught of the market economy due to globalisation and liberal imports can be dealt in an effective manner by modernizing the agricultural rural sector in the North-East.

Keeping all these objectives in view, we have presented sixteen papers in this book, which we believe may be able to capture the essence of the various dimensions of the prospects

and problems associated with agricultural development of the region. We have divided the entire book into three sections. The first section on General Issues Related to the Agricultural Reforms in North-East India, deals with the overall nature of the obstacles preventing the growth of agricultural sector in the region. We have selected eight papers in this section. The second section is devoted to Case Study of Agricultural Reforms in North-East India. In view of the wide diversity of the various states of the region, we have dealt separately with some of the individual states and their special problems in dealing with agricultural development. There are five papers in this section. The third section entitled, Policy Implications for Agricultural Reforms in North-East India, contains three papers. These papers deal extensively with the recommendations and suggestions on the basis of the emerging problems of agricultural reforms.

We hope the papers will enrich the readers who are interested in the development of North-East India, and will go a long way in helping the policy-makers.

**KEYA SENGUPTA
NIRANJAN ROY**

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