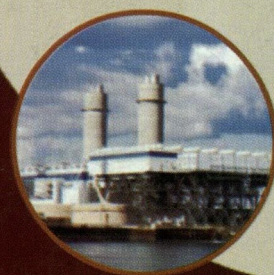


Edited by
Amalesh Banerjee



Economic Reform and Vision of North-East India

East India economy is an amalgam of the economies of advance state like West Bengal and the backward states like Bihar, Orissa and Assam. The North-East tribal states are under the Sixth schedule of the constitution but are not extraordinary in terms of progress which they should have been. Food insecurity and supply-side bottlenecks in Orissa, agricultural stagnation in Bihar, Assam and some other states are examined. Along with the sick tea industry of Assam, the new dimension of industrial progress in Arunachal Pradesh and Tripura are certain fields of upcoming research which are included in the volume. Sustainable high rate of growth of West Bengal economy and the financial repression are also important issues of study. Compared to other regions, the east zone economies is, on average, marching ahead only slowly.

The implicit classification of the researches are such:

- Section-I deals with the macro aspects of planning models growth and the character of the civil society.
- Section-II attempts to make an incisive analysis of the food security of Orissa and the agricultural progress of Bihar and other states.
- Section-III presents the industrial progress in eastern states and the financial repression of the east zone economy.
- Section-IV gives the Demographic transition of the region.
- Section-V upholds the land mark progress of democratic decentralization of West Bengal and the women empowerment in several other states.
- Section-VI opens up the Vision of North-East.

The East Zone Economy thus provides the present state of the economic conditions of the region—its reform attempt, instability, stability and its advance to new directions and sectoral transformation.

Dr. Amalesh Banerjee is a distinguished Scholar with his teaching experience spanning over more than four decades. He served as Professor and Head of the Department of Economics of Rabindra Bharati University and as Guest Professor of Jadavpur University. As a specialist of North-East economy he made important contribution. He has published a dozen books and 150 research papers at National and International level. The main thrust of his research are macro-economics and development economics. He was a Fellow of Moulana Abul Kalam Azad Institute of Asian Studies, a Central Govt. Research Centre. He was the President of Bengal Economic Association and also the Vice-President Indian Economic Association.

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Vision of North-East India**

Edited by
Dr. Amalesh Banerjee

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Introduction

AMALESH BENERJEE

India's Growth strategy initially based on the Second Five Year Plan was later boosted by the New Agricultural Policy of Gadgil in Fourth-Five Year Plan in 1969, Public Sector— based industrialization and then private sector— based agricultural transformation were the two straddles of Indian's Growth engine. How these two strands kept Indian economy in balance or led to unbalance and how the macroeconomic policies have been successful in guiding the economic programme are the story of subsequent years. At least in one respect that policy has miserably failed to come to the grip of the situation. It is the regional imbalance, a legacy of colonial economy which has been intensified resulting in social discontent. Inter-state differences and inter-regional differences within a state are widening with serious implications for socio-political and economic structure. None of the two components of growth strategy did work strongly in any of the East Indian states. As such in some areas colonial stagnation has been aggravated and in other areas rural-urban differences have widened.

Against this perspective we embarked on neo-liberal reform agenda which is based on global market forces dominated by advanced countries. WTO is the latest addition to that capitalist dominance in trade and development. In this third phase of development strategy based on liberalization, privatization and globalisation (LPG) agenda the same problem of distributive inequality and regional imbalances persisted. The industrial programme of fifties, Green Revolution of seventies and the liberalization of nineties could hardly eliminate the inequalities and regional imbalance. East India, comprising twelve states: Bihar, Orissa, Jharkhand, West Bengal, Sikkim, Assam, Andhra Pradesh,

Manipur, Mizoram, Meghalaya, Nagaland and Tripura with one-fourth of population more or less determined outside these waves of sectoral transformation. The N-E states received minimum public investment. Green Revolution did not come to his zone. The present liberalization has not yet made any dent in the stagnant pool of N-E East economic firmament. Obviously the north-eastern states remained backward in all respect. Only one state Tripura is making rapid progress in recent years. The other side of the East Zone economy is comprised of West Bengal, Bihar, Orissa and Jharkhand. With a long spell of political stability West Bengal is now making rapid progress and has become one of the country. With successful agrarian reform and decentralized planning West Bengal is now having around 8 per cent growth. With liberalization of industrial policy, a new industrial prospect has emerged. In the states with hudge mineral deposits such as Orissa and Jharkhand, industrial progress is unsatisfactory. Their present policy is to sell off the mineral deposit at the cost of local people. Thus industrial liberalization results in indiscriminate mineral extraction by multinational firms without any consideration of the welfare of the local poors. Bihar remained at the lowest rung of the human development index as well as economic progress. This has degenerated to agrarian unrest and further reterdation of progress.

If we consider the aspect of planning and progress in the region, some serious issues come in the front. The north-eastern states are special category states with more or less dependent on the central resources. The small states donot show better efficiency in governance. Even though the natural resources are abundant in the region lack of appropriate planning for productive utilization of resources resulted in the persistence of poverty in the midst of plenty. Senseless insurgency engineered either domestically or externally has totally discouraged profitable private investment. Extortion and apprehension has become the order of the states. Internal resources generation and extension of employment on that basis has become almost negative. Being in special category the entire expenditure of these states are from the central pool. It is a paradox that even with the 25 years of existence of North-Eastern Council, no worth will infrastructural improvement has taken place on the basis of comprehensive appropriate planning. Except Assam all the newly born small states were more or less

pockets in the hill terrain confined in their own socio-cultural traditional grove with limited interaction with the rest of the country. These tribal states are now making their slow and hesitant journey from their traditional mooring to the extended world of modernity. It requires a passionate and bold political leadership to lead the fractured political and social frame work of this region to develop into viable and credible political force to stand effectively in the national scenario.

On the other hand the east India was the theatre of colonial power. Even with the advantage of past colonial industrial enslavement, West Bengal suffers a number of drawbacks in respect of human resource development. Although the progress of the poorer regions are rapid the state has serious lapse of intersectoral linkage. Where agricultural output has increased considerably since Barga Operation in 1978, the secondary industry has not developed simultaneously. It is only since the Ninth Five Year Plan that some modern industrial expansion has picked up. By the turn of the century intersectoral balance made some progress. In the entire east India West Bengal has now the highest rate of growth and agriculture is the kingpin of that growth. In the neighbouring states of West Bengal there was no such agrarian transformation. Rather, a feudal agrarian relation persists and agrarian unrest intensified with the growth of population and absence of alternative job opportunities. Agrarian reform has brought about stability and growth of West Bengal economy, whereas agrarian unrest has intensified instability and stagnation in the neighbouring states. Bihar, Orissa, Jharkhand and entire north-eastern states are under the spell of that unrest of different complexions. Efficiency in governance and democratic decentralization of power in West Bengal, Tripura have yielded substantial progress and these states are in the process of sustained take-off process of growth.

Now the neo-liberal economic reform has started working and the states which have developed better infrastructure, good governance and political stability are likely to have better attraction of private investment. States must develop social sector and physical infrastructure and higher productivity of the agriculture so that investments in the secondary and tertiary sector are attracted. Eastern states, except to some extent West Bengal do virtually lack these pre-conditions. Benefits of

economic reform therefore are not sufficiently making any impact in these states.

Major ailments of the eastern states are as follows which impede the benefits of reform to be transmitted to the lower level, and poorer segments of the population. (a) Poor people, about fifty per cent, are not empowered with their civil rights, property rights; as such they are at below poverty level. (b) They are socially despised upon and segregated or deprived and alienated from their homes and hearths. (c) They are mostly labour class, marginal peasants and small farmers. They have little literacy and no political power. (d) Village conditions are very poor and have little accessibility. Hundreds of villages in all the states of the region are simply in isolation with little connectivity. (e) Natural resources are simply exploited indiscriminately, such as coal and forest resources. (f) Public investment for improving the irrigation and other infrastructure has been negligible. (g) The production and marketing conditions are primitive and the modern system is hardly available. (h) The financial system in the remote areas of the countryside are simply not sufficient and helpful. As such the middleman and moneylenders persist.

Given these conditions of the rural system of most of the eastern states what has been the contribution of planning over the decades. Since 1951 to 2002 we completed nine plans and six annual plans and the Tenth Plan is running out. We are now preparing the 11th Five Year Plan. The plan cycle is now complete in the sense that we started with agricultural development as the prime objective in the First Plan and having completed so many plans we are now again taking up agricultural development as the first objective of the 11th Plan. It is now being realized that the overall economic growth rates have little meaning if the sixty per cent of population dependent on agricultural sector are not in good health. Low growth of agriculture and rising trend of farmers' suicide are the dismal picture of the plan outcome. While the first plan, third plan, fifth and sixth plan emphasized on agriculture and eradication of poverty and self-reliance. The impact of these prime objectives of the plans and the plan allocation was seriously unequal and insignificant leaving no major impact on the socio-economic conditions of most of the eastern Indian states. Industrial allocation in public enterprises were determined by bureaucratic forces. In most of the eastern states remained deprived both ways—

neither they received industrial support from the public policy nor could they make agricultural transformation. Except West Bengal, entire eastern states are in a backward state in all respect. Given this state of the economy of the region, the economic reform and development through private capital and market forces can hardly generate desired results in terms of output and employment.

As the objectives of different plans were not achieved to the desired level equally, different regions of the country were unevenly benefitted from the outcome. Rather, there were more or divergent than convergent forces and the diffusion of productive forces is hardly widespread.

Against this phenomenon what should be the shape of reform process in the eastern region. As stated above, the L.P.G. programme aims at a private monopoly-led high-tech economy for global competition. In this programme export oriented programme gets the priority. The fact of the eastern economy is that in most of the states in this zone technological diffusion has not taken place due to lack of infrastructure and technical skill formation. The new strategy of growth is therefore weak in most of the area of this zone. In Bihar, Orissa, Jharkhand, Assam and in all other states of N.E. Only massive public investment can prepare the ground for private investment. Secondly, the technology has to be adopted to the production of small mechanical enterprises (SME) which are consistent with the dominant skill of the region. Thirdly, second Green Revolution is very pertinent raising productivity of land and diversification of agricultural products is the basic thrust of this step of agrarian transformation. Elimination of hunger and human resource development should be the first agenda of reform programme for the eastern zone (for that matter for the whole country). The model of planning we pursued in fifties and sixties and the open economy model that we are now following are far away from the major ailment afflicting the region. As the National Commission of farm pointed out, the food security and sovereignty is the prime objective at present (Swaminathan Commission).

The first part of the volume examines the nature of civil society essential for a market led economy. Anupam Gupta argued that a responsive legal system and social attitude can ensure the democratic society to work consistent with social welfare. He argued for more inclusive development mechanism so that

metropolises are not stretched to unhealthy slums. For that purpose he recommend more investment for small manufacturing enterprises in the unorganized sector. Tapati Sanyal has shown that this has not happen during the early stage of planning when we pursued Mahalanobish Model. The employment potentiality of the plan model has not been properly implemented. It has been stated that share of labour force absorption in agriculture has almost remained stagnant. In the same vein A. Banerjee has pointed that the impact of L.P.G. programme on the eastern states has been dismal. High-tech manufacturing initiated by borrowed technology from foreign countries has not yielded employment expansion. Rather a tendency of jobless growth has set in Indian economy. In the eastern states, reform programme has to be started from agriculture which will accelerate the process of growth of output and employment. It is pointed out that open economy growth has two channels, the FDI channel and the export channel. The east zone economy is not touched by the flow of capital.

Scholars therefore identified the rural sector development as the prime over of the east zone economy and West Bengal is the leading example of that. Therefore to reap the benefits of L.P.G. programme the east zone economy must develop infrastructure and good governance.

This issue have been examined at the state level and sectoral level. R.N. Tripathy and R.K. Panda examined the case of Orissa where poverty and famine has become seriously endemic. Food demand and food supply often go asymmetrical, because production of food remains in primitive technique and insufficient to the needs. Panda argued that production of non-crop food items should be stepped up. Tripathy has specifically examined the Karaput-Bolangir and Kalahandi (KBK) area which is perennially drought-prone. That is the present food distribution system has many omissions is well-known. He suggested to develop grain bank and to revive the productive resources of villages such as land, water and forests.

Equally economic reform could hardly touch the life of rural people of Bihar. The truncated Bihar is a predominantly agricultural state with hardly any agrarian reform — Baijnath Singh, Ram Bharat Thakur, Mithilesh Singh— all have concentrated on the serious agrarian crisis of Bihar. It is important that in the setting of globalization agriculture has to be reformed so that the

benefits of global market can be reaped. But how can we stop the W.T.O. discrimination. However, as Ram Bharat Thakur pointed out diversification of agriculture is a must both for food security and employment. Rural farmers are in perpetual debt and misery. Mithilesh has emphasized the right issue that to release the rural farmers from indebtedness the formal credit structure has to be more inclusive and extended. It implies that the current reform agenda has to be modified in order to increase agricultural output, ensure food security and generate larger employment. The same situation prevails in the north-eastern states also. In fact the condition of farmers in a backward economy is the same. Apurba Kumar Medhi examined the intensity of rural intensity in the North-Eastern states. Medhi has drawn a dismal picture of the rural economy of north-east. N.E. economy is not open sufficiently to the rest of the country. Uneconomic fragmented holding, Jhum cultivation has aggravated rural indebtedness and poverty problem.

Agrarian reform and democratic decentralization of West Bengal has now become an established agenda for the whole country. Dilip Ghosh has brought out the latest position of Panchayati Raj in West Bengal and this has brought about a quiet revolution in the rural economy of West Bengal. Panchayati Raj Institution in West Bengal is the symbol of democratic decentralization of power. The three tiers Panchayat system has empowered the under privileged section of the people. At present two main track of Panchayati Raj are the universal literacy and the total sanitation programme. The programme has achieved considerable success in the total 45154 gram samsads. In no other eastern states the Panchayati Raj has been so successful.

The Sixth Schedule states of N-E did not accept 73rd Amendment of the Constitution and they did not apply the Panchayati Raj, Nagaland has rejected the Sixth Schedule, R.N. Prasad has examined the functioning of District Councils in the N.E and found that Panchayati Raj is much more inclusive and powerful mechanism of decentralization.

A burning question is why the N.E. states are lagging in industrial development. The Vision 2020 of N.E. is to have a sustained development programme which implies implementation of an action plan aiming to have industrial and agricultural development consistent with environmental protection and well

being of the ethnic groups. Banerjee envisages such a development agenda for the N.E. in the frame work of a regional planning. It embraces development of infrastructure, industry, agriculture and education and skill formation.

States of this region have their own separate character which favours or hinders the development of the state. Mithilesh outlines the Vision 2020 of Nagaland. Nagaland has fairly high per capita income as well as high percentage of population below poverty-line. Nagaland maintains some type of separate administrative identity and now envisages to become a model state by 2020 to achieve that goal the state has to be restructural with an efficient government and with investment friendly atmosphere. Two other states in the region are making progress. Sankar Chatterjee states that Mizoram is marching ahead. With high literacy rate and good governance Mizoram is implementing the central anti-poverty programmes satisfactorily. Assam is a composite state, even after number of partition. The South Assam, consisting of Karbi-Anglong N.C. Hills, Karimganj, Hailakandi and Cachar has a distinct character. With unquiet border line with Bangladesh and Burma, the South Assam is affected by infiltration. Poor communication has kept this area perpetually landlocked. Assam has lost much of its grace due to intolerance. The ethnic groups, the linguistic minorities have to be linked together by fellow feeling and cooperation. South Assam has to be accommodated in the development process of the state by mutual love, participation and equitable sharing of the benefits of development. South Assam should have a regional development council.

Industrial picture of the east zone economy is not under any drastic change. L.P.G. programme made only little impact in the eastern states. Only some private investment is taking place in West Bengal, Orissa and Jharkhand. Here also extraction of mineral in Jharkhand and Orissa are not the development of the states. In the N.E. the impact of L.P.G. in the industrial front is total black. May be due to terrorism the private investment is not forthcoming at all in this area. Attempts are being made by state governments to develop the small industries. Salam Ibamacha, R.P. Bhattacharya, A.K. Agarwal focuses in this area. Bhattacharya emphasized on the forest-based medium scale industries in Arunachal Pradesh. The state has important mineral resources which has the potentiality of strong industrial structure. Ibamacha for

development of new industrial estates, development of infrastructure particularly railway lines, setting up technical and managerial institutions. The region is rich in herbal and medicinal plants which may be basis of production of cosmetic items A.K. Agarwal emphasized on integrated horticulture development plan for the entire north-east region. Although Meghalaya and Arunachal Pradesh and Tripura have substantial mineral resources, but the industrial development must be consistent with biodiversity of the region. The traditional Tea Industry of Assam is in bad shape. Alok Sen and Pranay Jyoti Goswami gave a disappointing picture of Tea industry in Assam. Sen pointed out that many tea garden in Cachar are sick. This entails the economic depression of Barak valley. As for the whole of Assam, the tea industry is facing keen competition. But lawlessness and terrorism is a serious threat to all industries old or new. In spite of this reckless human behaviour N.E. opens an wide visits of tourism. Sukhendu Majumdar draws our attention to the beautiful natural attractions cultural majesties of north-east.

However the most existing picture of eastern India economy is the heterogeneous complexities of population in respect caste, ethnicity and religion. If Bihar is recalling under caste politics north-east is seriously threatened by infiltration and ethnic violence. Hence the population and the related complexities is an important subject of research in the east zone economy. While Bihar has the lowest literacy rate Arunachal Pradesh has poor sex-ratio. Keya Sengupta, Prabin Baishya, N.C. Roy and Manish Sharma concentrated on this dynamic source of growth. Prabin Baishya and many other, are truly worried of the endless infiltration from Bangladesh. N.C. Roy also confined the issue in case of Arunachal Pradesh. Roy has estimated the relation between crude birth rate (CBR) and crude death rate (CDR) and examinee the positive aspect of urbanization and development of Arunachal Pradesh. As Manish Sharma stated, an important aspect of population policy of the border states rests with the central government. Keya Sengutpa has examined the issue from the growth perspective. Human resource development, particularly labour efficiency, occupational specialization, and education are some aspects of human resource development without which economic development will stagnate. If in respect of human development Bihar is in BIMARU category Arunachal Pradesh and some Areas of Assam also reflect the same

situation. The Kuki Hill Tribes health profile is a case in point. Swarupa Kar, Ruma Paul, Devashis Kar have drawn attention to the dismal socio-economic and health condition of Lohardanga tribe of Assam.

The overall picture of N.E. states in respect of human development is satisfaction. Does it indicate the better gender position? Empowerment of women in Bihar, Assam are examined by Manoj Kumar Singh, Umesh Prasad and Archana Kumari, and Sujata Bhedra. Women entrepreneurship a significant record, as Sujata pointed out in the tribal community of Assam. Women are also empowered through micro-enterprise and micro-finance in Bihar. But the women empowerment in Panchayati Raj, as Umesh Prasad and Archana Kumari pointed out is not as satisfactory. They are right that women are in for a new deal today and steps should be taken to strengthen them to achieve their economic and social rights.

East India economy has the combination of rich and poor states with the same colonial past but under different administrative structure since independence. Partly for historical reason and partly for faulty planning N.E. states are lagging behind. But some of these states are marching ahead. The front runner state, West Bengal is marching ahead with high rate of growth. The current record of the State in creating employment is impressive in 2005-06 the state is second highest in rural employment generation.

But the convergence theory did not work. The neighbouring states— Bihar, Orissa, Jharkhand did not benefit from percolation process. The state government policy is an important factor for pulling the state to the higher level of prosperity. Scholars have given their considered opinion on various aspects and we are grateful to them.