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Growth and
Human Development in
North-East India

edited by **P. NAYAK**



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Preface

It took centuries to realize that people are the real wealth of a nation. They produce goods and services for their own welfare. The development and growth of a nation depends upon the proper utilization of natural and cultural endowments available to it. To utilize these endowments, human participation is required. Human participation, on a sustained and autonomous basis, cannot be expected without enhancement in the capability of the population. Thus, self-sustained growth cannot be ensured without human development. Further, since the basic objective of development of a nation is to improve the well-being of the people, every nation strives hard, not only to increase her wealth and productive resources, but also to ensure a better standard of living for its citizens by providing them with adequate food, clothing, housing, medical facilities, education, etc. In fact, governments of various nations, at different levels, take the initiative to create an enabling environment for their people to enjoy healthy, long, and creative lives. However, technical considerations of the means to achieve human development and the use of statistical aggregates to measure national income and its growth have, at times, obscured the fact that the primary objective of development is to benefit the people. Of course, people want higher incomes as one of their options, but income is not the aggregate of human life and, hence, not an end in itself.

The human development approach of looking at development differs from conventional approaches to economic growth, human capital formation, human resource development, human welfare, and basic human needs. Gross National Product (GNP) growth is treated as being necessary but not sufficient for human development. Human

progress may be lacking in some societies despite rapid GNP growth unless some additional steps are undertaken to improve the same. Human welfare approaches look at human beings more as beneficiaries of development processes than as participants in it. They emphasize only the distributive policies rather than production structures. Recent development experience has once again underlined the need for paying close attention to the link between economic growth and human development for a variety of reasons. Many fast-growing developing countries are discovering that their high GNP growth rates have failed to reduce the socio-economic deprivation of substantial sections of their population. Even industrial nations are realizing that high income is no protection against the rapid spread of such problems as drugs, alcoholism, AIDS, homelessness, violence, and the breakdown of family relations. At the same time, some low-income countries have demonstrated that it is possible to achieve high levels of human development if they skillfully use available means to expand basic human capabilities.

Human development also encompasses elements that constitute the critical issues of gender and development. There are four major elements in the concept of human development—productivity, equity, sustainability, and empowerment. People must be enabled to increase their productivity and to participate fully in the process of income generation and remunerative employment to achieve higher economic growth, which is a subset of human development models. Productivity is not the only means to achieve welfare in a society. People must have access to equal opportunities. All barriers to economic and political opportunities must be eliminated so that people can participate in and benefit from these opportunities. These benefits also need to be distributed over generations. Access to opportunities must be ensured, not only for the present generation but for future generations as well. All forms of capital such as physical, human, and environmental should be replenished. Besides, empowerment is a necessity. People must participate fully in the decision-making process that can shape their lives. Human development is impossible without gender equality. As long as women are excluded from the development process, development will remain weak and lopsided (UNDP 1995).

Development should increase peoples' choices. While enhancing the choices of one individual or a section of a society, it should not restrict the choices of another. It calls for equity in human relationships. It should not mortgage the choices of future generations while

improving the lives of the present generation (UNDP 1991). In other words, the development process must be sustainable.

Literature in this regard is vast and varied. It reveals that a large number of studies have been undertaken in India and abroad on various aspects of human development. While some literature dealt with concepts of human development, some have dealt with methods of measurement, construction of Human Development Index (HDI) for various states and sub-states, and for different sections of society. There have been numerous efforts over time to remedy the defects of traditional measures of development, and to create composite indicators that could serve either as complements or alternatives to this. There are studies relating to debates on the selection of variables to be included in HDI and weights to be assigned to different variables under consideration. While some studies dealt with disparities in human development between rural and urban areas and between males and females, some others concentrated on trends of human development. There are some studies that concentrated on finding the two-way relation between human development and economic growth of nations. Available evidence reveals interesting insights relating to the impact of economic growth on human development, and vice versa, with different time lags. Some scholars have also tried to examine the link between poverty and human development. The factors responsible for low levels of human development are also identified in some studies. While some authors prescribed increased allocation of resources on social sectors for improving human development, some others put emphasis on the aspects of implementation of programmes relating to social sector development. There are some authors who believe that high growth could lead to high human development, while some others opine for achieving high growth through the achievement of high human development. There are also some studies that argue in favour of a balanced path of development that combines the strategies of growth and human development with appropriate weights.

Since 1990, United Nations Development Programme (UNDP) has been publishing *Human Development Reports (HDRs)* at the global level for various nations and every year a report is published to this effect with emphasis on a different theme. The Planning Commission of India has also undertaken a similar exercise and has published the *National Human Development Report (NHDR)* for the years 1981, 1991, and 2001. The reports for the years 1981 and 1991 include data on HDI for all the states and union territories of India. But in the 2001

report, the index has been constructed only for fifteen major states due to non-availability of required data for smaller states, including the states in the North-East.

If we take a look at the *NHDR 2002*, we get some idea on the status of human development in the North-East, though data is somewhat dated. The report reveals that the region comprising the eight states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim (the last to be included in the region), and Tripura constitutes a land surface of 262,230 square kilometers with a population of 38.9 million belonging to different ethnic and cultural groups. Topographically, the region is a mixture of hills and plains. While Arunachal Pradesh, Meghalaya, Mizoram, Nagaland, and Sikkim are almost entirely hilly, about four-fifths of Assam is plains. Manipur and Tripura have both plains and hilly tracts. The hills account for about 70 per cent of the area and accommodate about 30 per cent of the population of the region while the plains, constituting the remaining 30 per cent area, hold about 70 per cent of its population. A wide variation in altitude coupled with abundance of rainfall has given rise to a wide variation in climatic conditions within the region, which in turn has endowed the region with rich biodiversity. The richness of biodiversity of the region is almost matched by its ethnic diversity. The region is a meeting place of large number of races, creeds, cultures, and languages. The impingement of the diversity of physical and cultural environment is naturally found in the organization of economic life of the people of the region.

Keeping all this in view, it was thought to bring out a volume on growth and human development for the region by inviting papers from academicians from within and outside the region. The present book is an outcome towards achieving that end. While every effort has been made to bring analysis and discussion on the issues of human development, touching upon various states in the region, the study is constrained due to non-inclusion of the newly included state, Sikkim. It must be borne in mind that although Sikkim has been included in the north-eastern region for administrative and developmental considerations, it is geographically non-contiguous to the rest of the states in the region. Its cultural background is much different from the other states. This sociological, cultural, and geographical difference gives a different character to Sikkim.

The book has been broadly divided into three sections on three different themes:

1. Concept and measurement issues;
2. The national scenario; and
3. The issues at the level of the north-eastern region.

The first section deals with the concept and measurement, and has three chapters. The first chapter titled 'Human Development: Concept and Measurement' contributed by the editor discusses in detail not only the evolution of the concept of human development but also its measurement. The author provides an account of change in the methods of measurement of human development proposed by UNDP, the Government of India, and individual academics.

The second chapter 'Concept of Human Development: A Critique' contributed by P.K. Chaubey, critically examines the literature on the concept of human development and its measurement. He points out that the motivation for UNDP, under the advice of Mahbub-ul-Haq, to bring out a report on human outcomes of economic, social, development, and welfare activities in the public, private, and other spheres in different countries emanated from the fact that wide failures were noticed in terms of reduction in poverty and infant mortality, enhancement in longevity, education, improvement in health, and the like. Contributions from economists like Amartya Sen, on capability approach as against the commodity approach, provided the right kind of theoretical support to define 'human development' in terms of enlarging people's choice through enhancement of capabilities. However, everything is not hunky dory with the idea of human development as it is too individualistic in approach, and shorn of communitarian ethos. Again, when it comes to measuring human development, it is not in terms of capabilities but in terms of attainment and performance, which is possible only when capability space interacts with commodity space. The author, in this connection, tries to delineate the history of evolution of the idea of human development and its contribution in shifting the focus of the development debate, and the weakness it inheres.

The third chapter 'Construction of an Index: A New Method' has been contributed by Sudhanshu K. Mishra. In this paper the author argues that composite indices are often constructed by a linear combination or weighted sum of indicator variables. While constructing indices, weights are either subjectively determined on the basis of expert opinion, or mathematically determined by the Principal

Components Analysis (PCA). By its very logic, such composite indices are elitist—assigning large weights to highly correlated variables and negligible weights to poorly correlated variables. The author proposes to construct a composite index by maximizing the sum of absolute correlation between the composite index and the indicator variables. In the first part of this chapter, the author shows that such a composite index is inclusive—duly weighting the poorly correlated variables. Thus, composite index does not undermine the importance of an indicator variable merely because it is not well correlated with others. In the later part of the paper, the author, by adopting the proposed method, has constructed HDI with equality in income distribution for 125 countries. The study reveals that while the traditional PCA assigns poor weight to the measure of income inequality, the proposed method ameliorates its position by assigning reasonable weight to it.

The second section of the book which deals with growth, human development, and other related issues at the all India level, has seven chapters. In this section, Saundarjya Borbora in the chapter titled 'Economic Growth and Human Development: Chain Relationship' discusses the relationship between economic growth and human development, and opines that they reinforce each other. He argues that development of social sectors, such as education, health, and good governance, is a major precondition for achieving economic growth with the help of effective government policy and appropriate public expenditure. This in turn would help the states to move above the threshold level in human development. He also admits that it is necessary to identify the weak links between growth and human development, and that appropriate policies are required to be formulated and implemented to strengthen the links; and that such policies must be dynamic in nature with changes in the development process. He suggests that in the early stages, priorities might be given to education and health, and at a later stage higher education, technology, and better health facilities might assume a greater role. He concludes by reiterating that the view of *grow first and worry about human development later* is not supported by evidence and, hence, focus on human development must be targeted at the beginning of the growth process.

Santanu Ray, in his chapter 'Transformation of Economic Growth to Human Development: A Long-Run Study of Indian States' states that the role of income growth in determining the level of human

well-being has become a topical issue in recent literature. Indian performance in this regard has been far from satisfactory. Using disaggregated data for the country over a long period of time, Ray examines the relationship between growth and human development. He also addresses the question whether the economic growth achieved by Indian states in the last three decades has any significant influence in determining the level of human development. Using the latest formulation of UNDP, he not only computes HDI for each of the major states of India, but also makes an analysis of HDI over time and across states. His study reveals that per capita income levels of Indian states play a positive role in determining the non-income component of human development in the long-run. He expresses his concern over huge regional variation in income levels and disparity in human development indicators across states.

The chapter titled 'Effect of Structural and Conditional Rigidities: A Case Study of a Poverty Reduction Programme' has been contributed jointly by Arindam Banik and Pradip K. Bhaumik. In their paper, the authors are very critical about the previous studies conducted on poverty reduction programmes, most of which concentrated on evaluation of the effectiveness of government interventions in meeting the stated programme objectives and targets, gaps between desired and actual targeting of beneficiaries, and adherence to programme guidelines. In their paper the authors have made an attempt to analyse the effect of structural and conditional rigidities, on moving a beneficiary of poverty reduction programme from passive to active state, with the help of micro-level field data comprising a fairly large sample of poor beneficiary artisans collected under SITRA programme. Using ordered logistic analysis, they have provided an analytical characterization of the beneficiaries in a situation of structural and conditional rigidity, where all beneficiaries do not move from a passive state to an active state and are able to take advantage of the government intervention despite their having access to the benefit. The authors view that identification of ageing artisans as beneficiaries of the programme might not bear much fruit as they are unlikely to become economically active due to their conditional rigidities. Therefore, they opine that a thorough understanding of the conditional and structural rigidities and their impact on economic behaviour of beneficiary artisans is required, which perhaps would go a long way in helping to design and implement poverty reduction programmes.

The chapter titled 'Public Distribution System: An Instrument for Improving Human Development' has been contributed by R. Gopinath. The author states that the PDS is a major component of public delivery system in India that started functioning during the 1930s and, subsequently, was replaced by the Targeted Public Distribution System (TPDS) in the 1990s. The programmes were mainly designed to play an important role in improving human development, particularly among the rural masses and the poor people. The paper revolves around the discussion on the loopholes in operational mechanism of both PDS and TPDS, and strongly argues for addressing the problems associated with their implementation.

Taking a careful look at the HDI estimates for the various districts in Orissa, P.K. Tripathy and Bhabagrahi Mishra, in the chapter 'Status of Human Development in Orissa', make a few intriguing observations. They point out that the districts of Kalahandi and Deogarh, two of the least developed districts by conventional yardsticks, turn out to be ranked as high HDI districts in the *HDR* of Orissa. Keeping this paradoxical result in mind, they raise some important questions on the suitability of the concept of HDI while assessing the economic status of a region. They observe that the implication of high literacy in developed economies is not the same as that in backward economies. In backward economies, mere literacy without employment opportunities neither turns out meaningful educational attainment nor estimated higher life expectancy, and that lower infant mortality reflects sound health conditions of the majority of the population in general, and agricultural labourers, marginal and small farmers, and poor artisans, in particular. In the light of the above observations, they argue that there is a need for inclusion of alternative variables for health, education, and standard of living in the index that can lead to a more realistic ranking of a region based on such indices. For example, a composite index of property ownership (land and other resources), per capita income obtained on the basis of income accrual method, and the average man days employed for the working population shall capture the standard of living index more accurately than mere per capita income. Similarly, education index could be a composite index of literacy as well as its linkage with employment opportunities and the health index as a composite index of anthropometric measurements and pattern of mortality.

The chapter 'Good Governance: The Force behind Human Development', contributed jointly by Ashutosh Dash and Paohulen

Kipgen, reveals that human development cannot just automatically happen without economic development. The authors argue that growth oriented economic progress alone cannot bring progressive human development without good governance which demands greater transparency. That is why social activists are increasingly paying attention to governance, both at the macro and micro level. The authors conclude by laying stress on the importance of governance in the process of human development.

The last chapter in the section, titled 'Politics of Human Development', has been contributed by Apurba K. Baruah. The author brings out the politics involved in the issues concerning human development. Citing the example of poverty, he explains that in Contemporary Development Theory, poverty has been basically reduced to an issue of measurement, and the important issue of the mechanism of its generation is often overlooked. He also pleads that the economic efficiency is in its top gear only when the state takes control. Whether the state controls or leaves the market in private hands is a matter of politics to which the nature of human development is inalienably connected.

The third section deals with the issues of human development in the context of North-East India and has fifteen chapters. M.P. Bezbaruah, in his chapter 'Socio-political Transition, Growth Trends, and Development Attainment in the North-East in the Post-Independence Period', reviews the development experience of the region in the context of its political-administrative transformation in the post-Independence period. He points out that development experience in the region has been mixed and uneven. While there are periods of high growth for individual states, the region as a whole has been increasingly lagging behind the country in terms of per capita income. He believes that the rapid post-liberalization growth of the country is a far cry for the region. While the recent service sector led growth of the country is propelled by expansion of frontier areas like information technology, public administration and other services are the faster growing services in the region. He argues for enhancement of the rate of economic growth in the region based on its inherent strength and endowed resource base. Though funds required for building up the necessary infrastructure to activate the inherent growth potential of the region are no longer a constraint, disruptions caused by insurgency and the *bundh* culture make deployment of such investments difficult and add to the cost of any business venture, reducing the competi-

tiveness and economic viability. However, he is optimistic about the future of the region in the globalized era.

The editor of the book, in the chapter titled 'Human Development in North-East India' highlights that India, in spite of pursuing the policy of liberalization and globalization since the early eighties and witnessing higher growth rates, has not been able to achieve much on account of human development and welfare in comparison to many countries at the global level. Human Development Index in the country was as low as 0.56 in 2001. While some states in the region have performed better than the national level, some others have lagged behind. Rural-urban disparity, gender disparity, and uneven human development across the states in the region are quite significant. The disturbing trend of increasing gender disparity in Nagaland and the escalating rural-urban gap, particularly in the states of Assam and Meghalaya, is a matter of concern. The author, while highlighting some of these issues, stresses on the urgent need for taking appropriate action in this regard.

Nirankar Srivastav analyses the poverty status in the region using three conventional measures of poverty in the chapter titled 'Severity of Poverty and Status of Public Services in North-Eastern States'. His study reveals that poverty, in most of the states in the region, has declined. It has declined more in the hill states and in urban areas. The access to public services is observed to be very poor in the poverty-stricken states. The author states that there is a positive and strong relationship between poverty levels and access to public services in the region and recommends a target-oriented and region-specific poverty reduction programme.

Bhagirathi Panda, in the chapter 'Economic Growth, Exclusion, and Human Development', studies the mismatch between economic growth and human development in the region using empirical data. He observes and apprehends that the region, which is witnessing continuous low economic growth accompanied by relatively high human development, is susceptible to social tension. This has to be overcome by promoting a policy of high economic growth by taking some concrete measures. He prescribes accelerating industrialization and putting emphasis on greater value addition. The author also identifies some of the obstacles to industrialization, such as poor physical infrastructure, lack of culture of genuine entrepreneurship, security deficit, and poor governance. He suggests that in order to overcome these hurdles the governments in the region should play a proactive

role along with developmental Non-Governmental Organizations (NGOs) and promote Self Help Groups (SHGs), their movement, and effective participation in development programmes. He also emphasizes the role of civil society, academia, and peer groups towards reorientation in the value-systems for inculcating a culture of entrepreneurship.

Biswambara Panda, in the chapter 'Non-Governmental Organizations and Participatory Development' analyses the approaches of the grassroot NGOs and their role in contributing towards participatory development in addressing issues relating to human development, with special reference to the North-East. The author argues that participatory development can ensure integrated development, where all sections of society would be involved and benefited. This would not only bring about economic growth but would also dissipate social inequality. The micro approaches along with people-centred development objectives can bring considerable dividend by resolving conflicts, avoiding programme uncertainties, and evolving synergy among the key actors of society. He further argues that though participatory development may not ensure development for all the people but it certainly creates confidence among them, and most importantly provides them opportunities to share their ideas and knowledge. He believes that a development plan, armed with indigenous practices and native wisdom, can accelerate the developmental process at the grassroots level. Though NGOs are not the only force within the civil society to work towards inclusive growth, they are certainly a force to reckon with in the development domain. They can inch towards this objective through (various) people-centred approaches and strategies despite so much of apprehensions on their accountability and sustainability.

The chapter 'Inter-District Disparities in Meghalaya: A Human Development Approach' contributed jointly by Purusottam Nayak and Santanu Ray highlights widespread variations in the magnitude of human development across all the seven districts and three hills regions representing three different ethnic tribal groups in the state, between rural and urban areas, and between male and female groups of population. The authors also show that there exists a significant level of disparity, both in income consumption and in non-income attainments, among these districts. The inequality in economic attainment (income, as well as consumption expenditure) happens to be very high. However, both measures of variation and inequality indices suggest that few non-

income indicators, namely intensity of formal education and infant mortality rates, have disparities over economic indicators, which, according to the authors, are indeed a cause of considerable concern. In addition, they observe that economic inequality is much higher than inequality in overall HDI. Keeping in view a huge shortfall in HDI, accompanied by the existing level of variation and disabilities, the authors feel the need for a redesign of public policies that directly affect the welfare of the people. The study also reveals that the improvement of human development in Meghalaya, on account of better performance in respect of some socio-economic indicators, has been neutralized because of its laggardness in respect of some other indicators over time.

The next chapter titled 'Does Micro Finance Bring Human Development?' contributed by A.P. Pati, explains the success stories of micro-finance through SHGs in different parts of the country and abroad. The author suggests ways for economic empowerment of women through micro finance in the region. However, he concludes by stating that micro finance endeavour in Meghalaya is still at the nascent stage to make any visible impact at the macro level, so as to measure its contribution in attaining higher human development.

P.S. Suresh and Biswambhara Mishra, in their chapter 'Public Expenditure and Human Development in North-East India: A Case Study of Meghalaya', point out that Meghalaya, in the last few decades, has been witnessing a paradoxical and explosive economic growth because of the mismatch between growth rates of state domestic product and public expenditure. Disproportionate growth of the social sector over the years has not only eaten up most of the public investment in the state, but also given rise to a weaker linkage among different sectors. The study explores the nature, extent, and the degree of interdependence between the level of public expenditure and human development with the aim of understanding the cause and effect relationship and the extent to which the public expenditure on social services gets transformed to the end result of a better level of human development. The study reveals that at the regional level there is a positive functional relationship between public expenditure on social sectors and human development. The authors conclude that per capita spending on education and health has a relatively stronger impact on human development than per capita income growth.

Kishor Singh Rajput in the chapter 'Antenatal Care, Institutional Delivery, and Human Development in Meghalaya' highlights some

of the facts and figures on mothers' health with special reference to institutional deliveries of the child. Further, using logistic regression, he examines the role of certain background variables of women like her education and the spouse, work status, place of residence, etc., along with the role of antenatal care on institutional delivery.

E. Bijoykumar Singh in 'Human Development in Manipur' states that in spite of having a low per capita income, the HDI of Manipur for 1981 and 1991 has been higher than most of the major Indian states. In his chapter, he makes an attempt to examine the change in HDI for the state in the post (economic) reform period with available indicators of development like Infant Mortality Rate (IMR), sex ratio, life expectancy at birth, and literacy rate. He also examines the quality of development through an analysis of data on structural change, occupational distribution of work force, employment, and productivity of workers. He argues that though performance of Manipur in terms of IMR, sex ratio, literacy rate, and life expectancy at birth has been positive, low per capita income and continued dominance of low productivity activities in the occupational structure has weakened the link between employment creation and poverty reduction.

A.K. Agarwal in the chapter 'Human Development in Mizoram: An Overview' not only analyses the status of human development in Mizoram, its strengths and weaknesses, but also suggests a strategy for improvement. Through empirical analysis he claims that Mizoram has shown excellent performance not only in the field of education and health but also on Gross State Domestic Product (GSDP) in which the tertiary sector has been playing a dominant role. He also states that one might not notice the relative inadequacy of the state in terms of HDI, Human Poverty Index (HPI), and gender disparity as compared to other states in the region and the country as a whole, but in-depth analysis points towards the need for better services and for evolving an appropriate delivery mechanism with close interaction of various components of human development in the state.

The chapter 'Facets and Factors of Human Development in Tripura', contributed jointly by Sudhanshu K. Mishra and Purusottam Nayak, synoptically presents an account of different facets and factors relating to human development in Tripura which suffered a brutal blow during partition of the country in the form of maimed infrastructure, severed connectivity, and a debilitating burden of immigrants, with all the needs and no resources. They have also systematically presented the geographical and historical forces that have shaped the resource

base, infrastructure, connectivity, socio-economic milieu, and, consequently, the economy of the state, determining the level of human development. Their study reveals that in spite of a great population burden on her fragile economy, the state has secured an appreciable score in matters of education and health. The authors opine that human development of the state needs to be harnessed to promote economic growth in terms of increased productivity and higher per capita income.

The next chapter, 'Human Development in Assam: An Analysis', is jointly contributed by Hiranmoy Roy and Kingshuk Adhikari. The authors report that the state is lagging far behind other major Indian states in terms of various socio-economic indicators, including the measures of HDI, HPI, and poverty. Their findings also reveal an inverse relationship between human development and poverty on the one hand, and widespread variation of human development across districts, on the other.

Debasis Neogi, in 'Development and Deprivations in Arunachal Pradesh', highlights the extent of development and deprivations in the state of Arunachal Pradesh. While presenting his findings, he states that while some parts of the state are well ahead in terms of socio-economic development, the other parts are lagging behind. He opines that uneven development, across districts and among tribal groups, has given rise to inter-tribe disputes. The large chunk of Net State Domestic Product (NSDP) in the state is observed to be contributed by the tertiary sector, of which public administration constitutes the major component. This type of development trend, as observed by the author, seems to be untenable in the long run. The author also analyses the role of basic education in bringing empowerment to the society and explains how such capacity building can lead to redressal of deprivation of human beings. Besides, he investigates the aspect of gender discrimination and prescribes mass education in order to remove such discrimination from the society.

The last chapter of the book, 'Human Development and its Correlates in Nagaland', has been contributed by Sudhanshu K. Mishra and Purusottam Nayak. The authors have presented a large amount of data relating to human development in Nagaland, and made an attempt to observe regularities in the same that may be meaningful for devising development policies. Their findings indicate that PCI, HDI, and gender-related development index are poorly correlated with health indicators, but appreciably correlate with educational

attainment. The authors conclude that the reliability of data reported by a socio-economic system is dependent on the level of development of the system. Underdeveloped socio-economic systems report highly unreliable data. This is not only regarding the figures of income but also the measures of attainment in matters of health and education. Official data on these variables is thrown up by a system that is administratively motivated and unsupervised with regard to their economic and developmental meaning. Use of such data, whether it pertains to income or any other measure of development, is not dependable for policy decisions meaningful to fostering development.

An overall analysis of various issues discussed in the present volume reveal the following:

1. There is a need to rethink, not only the choice of variables but also the method of construction of HDI. The proposed alternative method, by maximizing the sum of absolute correlation between the composite index and the indicator variables, might be of some use while overcoming the problems associated with construction of composite indices by PCA.
2. In the recent past, the entire region has been experiencing good human development but poor economic growth. There exist widespread variations in the levels of human development across states, regions (rural-urban), among ethnic and other social groups, and between genders. This mismatch probably has given rise to increased disputes among various social groups and tribal populations leading to social tensions reflected in the form of extortions and other secessionist activities. To overcome this, a determined effort is required to harness human development towards achievement of higher economic growth through increased productivity. There is also a need for specific intervention strategies on the basis of sector/group/class/gender/region/state.
3. Human development is positively associated with the quality of governance. Governance, from the human development perspective, demands greater transparency, accountability, participation, and stringent rules and laws. Judged on these parameters, the quality of governance in the region is not satisfactory and, hence, requires improvement. Besides, local democratic institutions like Autonomous District Councils need to be strengthened and their functioning be made more effective.

4. Revolution of SHGs has not made much headway in the region. SHG as a movement and institution ensures, at the micro level, both economic growth and human development. Further, both these objectives are realized through the method of participation, especially of the poor and the marginalized. There is a need to make this movement more widespread in the region.
5. Besides increased inequality, the quality of public services on the basis of access, use, reliability, and satisfaction are worst in the poverty stricken states in the region. To overcome this, the extremely poor households need up-front intervention through measures such as TPDS.
6. Reproductive health care happens to be an important component of human development. The goal to attain satisfactory human development will remain unfulfilled if the reproductive health needs of married women and children are not properly attended. The situation of reproductive health care in some states of the region is worse than many other in the country. Therefore, immediate efforts are to be made to improve this situation.
7. Higher level of human development is a product of the accumulated benefits that accrue to the society from public investments on social service. Per capita spending on education and health has a relatively stronger impact on human development than growth in per capita income. Hence, public expenditure on social services needs to be continued till the time economic growth itself takes care of it substantially.
8. The country, in general, and the north-eastern region in particular, suffer from the politics of human development. The approach of development theory and practice to poverty has been mechanical. It never goes into the question of the mechanism of generation of poverty. Hence, it is suggested that institutions engaged in development practice should analyse the mechanism of generation of poverty, and based on such analysis should come up with programmes to overcome it.

PURUSOTTAM NAYAK

I

Concept and Measurement Issues

Economic Growth, Exclusion, and Human Development

BHAGIRATHI PANDA

INTRODUCTION

The thinking on economic development and consequently, to some extent, the practice to realize it have undergone a sea change over the last seven to eight decades. Although, the idea of economic development can be traced back to the times of the mercantilists and physiocrats, it makes enough sense to search for its initial definition in the capitalist system of the not very distant past. In this system, it was identified with economic growth that is to be brought about by means of increase in per-capita income, governed by the philosophy of *laissez-faire*. It was also thought that economic growth and, hence, development would act as a panacea against all types of ills afflicting and affecting an economy and society. This notion of development was subscribed to by a majority of the countries in the developed world. Came the great depression of 1929, and as a redeeming strategy, the crumbling *laissez-faire*-based capitalist system was supplemented with limited public intervention in economic matters. Hence, emerged a new economic system called 'reformed capitalism', under which the notion of economic development was again essentially the same as under the earlier capitalism. However, during the 1940s and 1950s, when many of the colonies achieved independence in Asia and Africa, it was increasingly felt that the concept of economic development cannot be identified with economic growth alone. On the other hand, problems of inequality and unemployment

surfaced in many of these newly independent countries. Thus, the challenges to development were reformulated and with that the concept of development too. Since capitalism and its subsequent version, 'reformed capitalism', with their institutions and premises, including the outward expansion of capitalism, that is, imperialism were held responsible for this existing situation of poverty, unemployment, and inequality in the developing countries. As a solution, the economic system of socialism was advocated. Subsequently, it took a firm root in erstwhile USSR and many East European countries. For some time, this system was eulogized as the best economic system. However, soon the enchantment with this institution and economic system withered away and the system collapsed because it became too heavy with too much centralization, corruption, nepotism, and false ideology. Then the neo-liberal gospel influenced by Thatcherism and Reaganomics came for a brief period. Eventually, it too turned out to be an unhappy interlude in promoting development. Today, economic development is understood in terms of material and non-material dimensions in achievement and, more particularly and emphatically, expanding the vector of capability of individuals (incremental capability built). In this sense, it emphasizes both effective participation and achievement (income and non-income). In other words, economic development is identified with human development and accordingly the theories and practices in economic development are getting overwritten by the theories and practices in human development.

THEORETICAL FRAMEWORK

Since this chapter deals with economic growth, exclusion, and human development, it would be in the fitness of things to define them explicitly (although, most of us know what they mean) and provide for a theoretical framework for the study of the relationship among them.

Economic Growth, Human Development, and Exclusion

Economic growth, basically, refers to a steady increase in the real national income of a country. It has also become customary these days to express it as net of population growth. Expressed in the second sense, it gives us per capita real income of a country/state/region.

Human development, as mentioned above in the introductory part, is an evolutionary concept. It is an improvement over the concept of economic development, both in its contents and understanding

(whether an end, or a means). Human development has been rediscovered as the ultimate objective of all human activities in a society or economy. This is the ultimate objective of the people, for the people, and by the people. As a concept, it refers to enlargement of people's choices, freedoms, and capabilities, by ways and means that are participatory and sustainable in nature. Although this concept is a rediscovery, in many ways this rediscovery is fundamental, path-breaking, struggle-some, and critical. The genesis of its rediscovery lies as much in the disillusionment and inadequacy of economic growth and its associated institution, market mechanism, as in the urgency of strengthening growth as a mechanism of fulfilling certain dimensions of human development.

Exclusion can be social or economic. However, often both reinforce each other. We can understand exclusion both as a situation and as a process. Exclusion, as a situation, refers to a state of affairs at a point in time. As a process, it refers to the operation of the social, economic, political, and cultural forces that cause, maintain, and accentuate exclusion. Understanding the dynamics of exclusion as a process is much more important than just going by its manifestation or situation. Economic growth and its associated institution, the 'market', excludes sections of people on four counts. They do not have:

- (1) Sufficient income which can be translated into purchasing power;
- (2) Assets, whether physical or financial;
- (3) Capabilities acquired through education, training, or experience, which are translatable into labour and capable of yielding income through wages; and
- (4) they do not share market values (as the case with people in some tribal societies).

Exclusion reinforces concentration of wealth and income. It is both anti-economic development and anti-human development. In the ideal state of human development, inclusion (that is, no presence of exclusion) and economic growth go together. However, in practice, this may not be the case very often. When this synergy/equilibrium is not there, it has its obvious negatives for the economy and society at large. In such a situation, the greatest challenge for human living is: how to ensure this symmetry/equilibrium/synergy.

Human Development and Economic Growth—The Chain

Ranis *et al.* (2004) have identified four categories of situations with respect to the relationship between economic growth and human development, namely, virtuous, vicious, human development lopsided, and economic growth lopsided. Virtuous cycle refers to strong human development leading to strong economic growth, which in turn leads to strong growth. In the vicious cycle, poor human development leads to poor economic growth, which further depresses human development. In human development lopsided, strong human development is associated with weak economic growth. In economic growth lopsided, weak human development is associated with strong economic growth.

Arrangement and Relevance of the Chapter

This chapter discusses the north-eastern situation in the above outlined framework along with its various implications. All these are done using whatever limited data is available from secondary sources. Finally, based on the analysis and its implications, the chapter comes up with some relevant suggestions for policy and debate. Further, in the context of the North-East, not many systematic studies have been undertaken, even at the macro level, examining the issue of human development in a framework as stated above, along with a poignant examination of its implications for the economy and society of this region. In this respect, our endeavour is modest, but critical.

In this chapter we have used the definition of economic growth outlined earlier. To be exact, it refers to the growth rate of net state domestic product (NSDP). As far as human development is concerned, an ideal measurement of it should include its multiple dimensions and indicators. However, constructing such an index would be difficult at this stage, particularly in the context of the North-East where there is paucity of data. Hence, to make the analysis relevant, we have adopted the human development index (HDI) values computed by the Planning Commission and presented in GoI 2002. It is pertinent to mention here that these figures relate to the year 1991. The third concept, exclusion, has been explained and shown in terms of poverty and inequality along with measures of some basic economic infrastructural facilities (that is, roads, electricity, irrigation, banking, and credit).

ECONOMIC GROWTH AND THE NORTH-EAST

Table 14.1 clearly shows that both in the 1980s and 1990s, the average growth rates in NSDP for the region as a whole, have been lower

than that of the country. In the 1990s, the situation had worsened further. Whereas, for the country as a whole, the average growth rate has marginally increased from 5.5 in the 1980s to 5.8 in the 1990s, for the north-eastern region, it has decreased from 4.4 to 3.6 during the same period. Needless to mention here, that the 1990s were the period of liberalization, privatization, and globalization. The situation has grossly deteriorated in Assam. Except for Arunachal Pradesh and Tripura in all other states growth rates in NSDP have not exhibited any difference during the last 20 years.

Table 14.1: Average Growth Rates in the North-East in 1980s and 1990s (At Constant 1993–94 prices)

States in NER/ Country	Average Growth Rate	
	1980s	1990s
ARP	9.0	5.5
ASM	4.2	2.6
MAN	4.7	4.8
MEG	5.5	5.5
MIZ	*	*
TRP	5.3	8.5
NAG	8.4	8.5
NE REGION	4.4	3.6
INDIA	5.5	5.8

Note: * Data for Mizoram are not available in constant prices.

Sources: Author's calculations based on data in Domestic Product of States of India, EPW Research Foundation, Mumbai, 2003 and CSO, Government of India.

HUMAN DEVELOPMENT AND THE NORTH-EAST

Table 14.2 shows that in 1991, the HDI value for Manipur, Mizoram, Nagaland, and Tripura has been significantly higher than the all India average. In the urban sector, all the seven north-eastern states are having higher level of HDI compared to the all India level. This situation of low economic growth and comparatively higher human development when put in the framework of Ranis *et al.* 2004 (outlined earlier in this chapter) places the region in the human development lopsided category.

EXCLUSION AND THE NORTH-EAST

One of the fundamental and critical indicators and causes of absolute exclusion is poverty. Poverty cripples human beings in not allowing

Table 14.2: HD Indices for North-Eastern States, 1991

States in NER/Country	Rural		Urban		Combined	
	Value	Rank	Value	Rank	Value	Rank
ARP	0.300	7	0.572	5	0.328	7
ASM	0.326	6	0.555	6	0.348	6
MAN	0.503	1	0.618	4	0.536	2
MEG	0.332	5	0.624	3	0.365	5
MIZ	0.464	2	0.648	1	0.548	1
NAG	0.442	3	0.633	2	0.486	3
TRP	0.368	4	0.551	7	0.389	4
INDIA	0.340	–	0.511	–	0.381	–

Source: Gol (2002).

them to build and improve on their capabilities. It also severely squeezes their opportunities for work and participation. The magnitude and spread of poverty in the region is given in Table 14.3.

Table 14.3: Poverty Incidence in North-Eastern States at Different Periods

States in NER/ Country	Poverty incidence (HCR)			
	1983	1987–88	1993–94	1999–2000
ARP	14.53	26.04	37.10	21.09
ASS	41.51	37.45	41.45	36.82
MAN	22.74	13.11	15.55	10.75
MEG	33.73	31.39	21.26	4.96
MIZ	22.87	2.81	21.26	1.71
NAG	2.97	NA	4.26	0.14
TRI	37.05	22.31	1.69	14.71
NE REGION	38.91	32.96	21.29	29.70
INDIA	45.57	42.14	35.95	25.87

Source: Kharpuri (2004).

It can be observed from this table that the poverty incidence in the north-eastern region, vis-à-vis, the all India level was lower in 1983, 1987–88, and 1993–94. However, in 1999–2000, it is higher than the all India figure. The poverty situation in the rural sector in the region is given in Table 14.4.

From this table, it is obvious that while at the all India level, the rural poverty incidence has been diminishing continuously, in the north-eastern region it has fluctuated. It decreased from 41.46 in 1983 to 35.84 in 1987–88, and then increased suddenly to 39.54 in 1993–94

Table 14.4: Poverty Incidence in the Rural and Urban Sector of North-East India, 1983–2000

States in NER/ Country	Poverty Incidence (HCR)							
	Rural				Urban			
	1983	1987–8	1993–4	1999–2000	1983	1987–8	1993–4	1999–2000
ARP	NA	26.43	41.20	22.50	14.53	16.22	6.05	5.06
ASS	43.30	39.75	45.20	40.18	22.14	11.45	7.93	7.23
MAN	25.61	15.81	18.86	14.11	14.74	6.52	6.89	0.53
MEG	38.52	36.18	24.37	5.96	7.67	2.04	1.81	NA
MIZ	27.67	3.93	6.24	2.85	2.44	0.62	1.81	NA
NAG	NA	NA	2.29	0.21	2.97	NA	NA	NA
TRI	39.28	23.73	23.63	16.67	21.91	11.22	NA	2.16
NE REGION	41.46	35.84	39.54	33.31	18.45	8.89	6.04	4.63
INDIA	46.51	42.40	36.85	26.50	42.32	41.16	31.70	23.98

Source: Kharpuri (2004).

and again fell to 33.31 in 1999–2000. Further, rural poverty incidence in the north-east in both the periods, that is, 1993–94 and 1999–2000, has been higher than the all India situation. This brings out the fact that the North-East, in general, and rural North-East, in particular, reveals increased deprivation vis-à-vis the rest of India. The urban poverty situation reveals a different picture. Urban poverty incidence has consistently and significantly been lower in the north-eastern region as compared to all India. This incidence also shows a continuous fall in this region. Therefore, poverty in the north-east is basically a rural phenomenon.

Inequality in the region, as measured by the Gini coefficient, has increased during the period from 1993–94 to 1999–2000 (Table 14.5). What worries one is the fact that this inequality has increased during this period in all the north-eastern states, except Meghalaya.

Deficiency of basic infrastructure is both a cause and manifestation of exclusion. Looked at from this angle, availability and, thus, access to physical infrastructure in the region is limited vis-à-vis all India. From Table 14.6, it is obvious that the availability of four selected basic infrastructure namely, surfaced roads, electricity, irrigation, and banking in the region is much less compared to the country as a whole.

READING AND IMPLICATIONS

Theoretically, there is no conflict between economic growth, inclusion, and human development. Economic Growth (EG) implies

Table 14.5: Incidence of Inequality among the North-Eastern States, 1983 to 1999–2000

States in NER/ Country	Inequality Incidence (Gini Coefficient)			
	1983	1987–88	1993–94	1999–2000
ARP	NA	0.3212	0.2788	0.2907
ASS	0.2609	0.3100	0.2899	0.3125
MAN	0.1901	0.1685	0.1569	0.2190
MEG	0.2830	0.3064	0.2451	0.2126
MIZ	0.2058	0.1992	0.1819	0.2321
NAG	NA	0.1609	0.2010	0.2215
TRI	0.3261	0.2856	0.2829	0.2953
NE REGION	0.2702	0.2940	0.2793	0.2962
INDIA	0.3392	0.3508	0.3414	0.3470

Source: Kharpuri (2004).

Table 14.6: Availability of Selected Infrastructure in the North-Eastern Region vis-à-vis India

Infrastructure	Indicator Value			Indicator Value		
	Year	NER	India	Year	NER	India
Surfaced roads (per cent)	1982	18	47	1997	26	58
Villages electrified (per cent)	1980	19	45	2001	74	86
Net irrigated area as per cent to net cultivated area	1981	23	28	1997	21	38
Average population ('000) per bank office	1981	32	19	2002	21	15

Source: Author's calculation based on data from NEC (1982), RBI (1987 and 2003).

improvement in the material well-being of people that are supposed to promote better health, education, sanitation, and infrastructure to all sections of the society. However, for the above mentioned social and economic development to happen, the economy needs to grow strongly. Sluggish rate of growth, as we have experienced in the region in the last five decades, is unlikely to have a significant positive impact on the marginalized sections of population. The alternative strategy of development is to focus directly on social and economic infrastructure facilities such as health, education, sanitation, roads, power, banking, etc. Such a strategy followed in this region over the last couple of decades, has brought in mixed success. In the front of social development, the region has done well in education and health services. This has helped many of the states in the region to have better HDI ranking vis-à-vis the country. However, on the front of inequality,

poverty, and provision of fundamental economic infrastructure, the region has not been able to deliver as expected.

The interpretation of this situation may be that the conventional measure of HDI, developed by United Nations Development Programme (UNDP) or Planning Commission of India, by default, does not include many of the other variables of human development which could be important determinants of growth in the context of the north-eastern region. For example, security fulfillment is an important challenge in the region. There is absolute security deficit that does not encourage free flow of investment, particularly private investment of significance to the region. Secondly, government failure is widespread and substantial. Government failure and mundane material development sponsored by the state have created a vested interest group in the north-eastern society, which has monopolized the benefits of state-driven investment and developmental works. This is because of this groups' proximity to the political and administrative power centre. This group deliberately has excluded the vast majority of common people from the fruits of growth and development by depriving them socially and economically. This is a case of degeneration in the north-eastern society and is against its trusted age old social capital of community living and sharing. Although, there are cases at the country level which show that social development does not necessarily promote economic growth (for example, Kerala), but what is worrisome for the North-East is the presence of this divergence with the added presence of the institution of exclusion as discussed above.

Further, the region is struggling hard to adjust to its various social tensions and conflicts, including the threat of terrorism and insurgency. In such a situation, human development lopsided category status, along with the increasing social exclusion, does not augur well for the region. When:

- (1) employment generation for the educated youth was very slow in the 1990s because of the sluggish per capita economic growth (1 per cent, adjusted against an average growth of population of 2.6 per cent);
- (2) the capacity of the public sector to generate more jobs sinking because of the imperatives of liberalization; and
- (3) the local youth have the habit of not migrating in large numbers to other parts of the country where jobs are available; all these could bring added tensions into the social fabric of the north-

eastern society, thereby, further aggravating the already stressed situation. This may take away whatever positives have happened in the field of human development. In such an eventuality, the region may fall into the vicious human development-EG cycle.

THE WAY OUT

The above analysis leads us to suggest some measures to be undertaken to ameliorate the state in which the region finds itself embroiled. Promoting economic growth is the immediate need of the hour. This can primarily happen by accelerating industrialization and having greater value addition therein. However, industrialization in the region is held hostage to:

- (1) limited access to and availability of physical infrastructure (credit, transport, communications, power, and irrigation to name a few) including organized marketing;
- (2) lack of genuine entrepreneurship culture;
- (3) security deficit; and
- (4) bad governance.

Now to provide for this infrastructure, governments in the region have to play a proactive role along with developmental NGOs. On the entrepreneurship front, since dearth of genuine entrepreneurs is largely because of certain existing socio-cultural value systems and arrangements in the north-eastern society (for example, system of proxy entrepreneurship, easy money culture, risk avoidance, immobility, etc.) these need to be changed with time. The best way to get it done is to promote Self-Help Groups movement and effective participation. To overcome the third limitation, that is, security deficit, reorientation in the value systems is a must. This is a job to be done primarily by the civil society, academia, government, and peer groups. In the same line, better governance can be provided when governance in the states in the region comes under effective scanning of the civil society, academia, NGOs, and people at large. The argument that 'we need to establish peace first to have growth as a follow up', is gradually becoming elusive. This needs to be reformulated as 'invest first to have growth, without waiting for peace to prevail'. However, this does not exclude the possibility of working simultaneously on promotion of peace and growth in the region.

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