



INDUSTRIALIZATION IN THE NORTH EASTERN REGION THROUGH REGIONAL PLANNING

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Abstract: Industrialization plays a vital role in economic development in underdeveloped and developing economies. The North Eastern region is full of natural resources and this region is ideally situated to produce spices, fruits, vegetables, flowers and herbs. The region is enrich with various types of natural resources like coal, crude oil and forest resources. Due to its' identical geographical location and different socio – economic structure the national planning may unable to function properly. In such region regional planning may be a very effective tool for the development in collaboration with national planning. Regional planning is one of the most pertinent technique to reduce regional disparities which leads to greater development of the entire region. Despite of having rich natural resources, the region is not able to utilize the all resources it properly. This is an attempt to analyze the problems and prospects of industrialization in the North Eastern region. This paper also provides some suggestive measures for promoting industrial sector in the region through regional planning.

Keywords – Industrialization, Regional planning, Development, Economic growth.

Introduction:

The economy of the North East India has got its definite identity due to its peculiar physical, economic and socio cultural characteristics. In spite of having huge development potential, the economy of the region remains underdeveloped as it is characterized by the poverty, underutilized manpower and untapped natural resources. There are differences among the eight states in North Eastern region with respect to their resources endowments, level of industrialization as well as infrastructural facilities. Industrially, the NER continues to be the most backward region in the country. The pace of industrialization in the region had not been satisfactory. The industrial sector in the region had been centralized around some particular sectors like tea, petroleum, coal, jute and forests. Regional planning is a technique to evaluate the potential of regions and to develop them to the best advantage of the nation as a whole. Regional planning cannot perform a positive role in the economy unless it is properly integrated to economic and social development at the national level.

Therefore, in order to attract and promote conducive investment environment in the North Eastern region of India, regional planning as well as national planning are the proper way to accelerate growth in industry sector in this region.

Objective: The objectives of the paper are as follows

- a) Analyse the extent of Industrial development in the north-east India
- b) To study the various industrial policy for north eastern region.
- c) Discuss the various causes of industrial backwardness and provides some suggestive measures to promote industrialization in the north eastern region.

Methodology: The nature of proposed study is descriptive, analytical and it is mainly based on secondary data. Data has been collected from secondary sources like books, research journals, magazines, reports and concerned web sites. Only appropriate secondary data are undertaken for the purpose of the study in order to make the study simple.

Study of the paper:

At present industrialization is at a very early stage in the North Eastern region. The tea, coal, petroleum, paper and cement are the only large scale industries presently functioning in the region and tea industry employs a large labour force. The base for industrial development of the region on the modern line was started more than a century ago, i.e. during the nineteenth century with the establishment of tea plantation and oil industry in the upper Assam area. Unfortunately, despite having such historical background as well as plenty of natural resources, the region could hardly achieve the desired industrial development during the subsequent periods. As a result, NER continued to lag behind many other states of the country in the sphere of development of this sector even after completion of so many decades of planning. Moreover, due to geographical isolation of the region and an absence of large investment of industries during the preceding plans are main reason behind the industrial backwardness in this region. The volume of private industrial investment in the entire region NE region is very low due to risk involved in investment. These risk include both natural risks; arising through natural calamities like flood, drought, land- slides, earthquake, and political risk as the region itself is a boarder region and market risk. Geographical isolation of the entire region inhibits private investment from other regions of the country, which is again aggravated by transport bottlenecks. Industrial development is directly linked with the development of infrastructure and the region also depicts poor picture in respect of infrastructural development. However, of late, efforts are being made for gearing up of all industrial activities with a view to create a strong industrial base and employment opportunities through provision of various growth including factors besides taking steps for removal of existing infrastructure inadequacies. These are expected to provide necessary filling for pushing up industrial growth of the region to a considerable extent in near future.

The North Eastern region is plenty of various resources. On the basis of availability of resources in North Eastern region the industries of the NE can be broadly classified under

- A) Agro Based Industries: It includes tea industry, textile industry, grain mill products industry (rice, oil and flour industry) and food processing industry.
- B) Mineral Based Industries: Mineral industries of north eastern region include aluminium utensils industry, railway workshops, steel work etc. Moreover, the non- metal based industries include petroleum oil industry and natural gas based industry.
- C) Forest Based Industries: It includes plywood industry, sawmill industry, paper industry and hard board industry.
- D) Other industries: It includes power generation industry, fertilizer industry and chemical industry.

Despite the backwardness of the North Eastern region, some large and medium scale industries have been developed in this region particularly in Assam and Meghalaya, however, their numbers are very less. In respect of small, cottage and village industries, the condition of this region is not so satisfactory. There are nearly 178 large and medium industrial units and about 41,309 small industrial units in this region. The industries which are mostly developed in this region include tea, petroleum, fertilizer, paper and cement etc. Most of the large scale industries of this region are set up in Assam.

Table 1

State	No. of Units	Percentage
Arunachal Pradesh	17	9.6
Assam	129	72.4
Manipur	12	6.7
Meghalaya	10	5.6
Mizoram	1	0.6
Nagaland	7	4.0
Tripura	2	1.1
Total	178	100.00

Source : NISIET, Guwahati, as reproduced in Basic statistics, NER, 2000.

The table 1 reveals that the total number of large and medium scale industrial units developed in the NE states as on 31st March, 2000 were 129 in Assam, 17 in Arunachal Pradesh, 7 in Nagaland, 10 in Meghalaya, 12 in Manipur and 1 in Mizoram and 2 in Tripura. Out of the total 178 number of large and medium scale units developed in North-Eastern region 72.4 percent of the units were located in Assam, 4.0 percent in Nagaland, 9.6 percent in Arunachal Pradesh, 5.6 percent in Meghalaya, 6.7 percent in Manipur and 4.0 percent in Tripura.

Annual survey of industries of the region gives us a clear picture about the backwardness of industrial development of the NE region as in the following table 2.

Table 2
Share of selected states in the Factory Industries of country (in percent)

State	Number of factories	Employment	Value of production	Net value addition	Contribution of industrial sector in SDP 1987-88
1	2	3	4	5	6
Assam	1.73	1.45	1.40	1.87	11.4
Manipur	0.05	0.01	0.001	0.004	7.4
Meghalaya	0.03	0.01	0.0004	0.01	NA
Tripura	0.24	0.19	0.03	0.04	3.7
Maharashtra	15.46	16.11	22.32	23.77	32.5
Gujarat	10.92	9.10	11.39	10.15	28.3

Source: 1. Economic Information Year Book, 1990-91.

2. Basic statistics of NE Region, NEC.

The table 2 reveals that in 1986-87, out of the total number factories, of India, the shares of Maharashtra were 15.5 percent, 16.1 percent and 23.77 percent respectively as compared to that of only 1.7 percent, 1.5 percent and 1.9 percent for Assam. Moreover, the same share of other NE states like Maghalaya, Manipur and Tripura were quite insignificant. In respect of the share of industrial sector in the state domestic product, the NE states remained very backward. In 1984-88, while the share of industrial sector state domestic product was 32.5 percent for Maharashtra, the same shares for Assam, Manipur and Tripura were 11.4 percent, 7.4 percent, and only 3.7 percent respectively. Thus an idea about the backwardness of NE states in respect of industrial development can be visible from the above statistics of various NE states.

The Northeast India has remained industrially underdeveloped can be understood from a glance at the table 3 showing the shares of industrial sectors in domestic products. While the share of industries taken together in lower in each state of the region than the all India share, in case of manufacturing the share in even less than half of the all India shares. Even for Assam, which has a long history of modern manufacturing, the share was below 10% in 1999-2000 much less than 14.78%, the share for the country as a whole. The relatively small share of manufacturing sector in the NDP of the region indicates that the region has not made much progress in industrialization during the post-independence period.

Table 3
Percentage share of Industry in GDP at Current Price in 1999-2000

State/region/country	Mining and Quaring	Manufacturing	Electricity, Gas & Water supply	Industry total
Arunachal Pradesh	0.86	2.50	2.88	6.24
Assam	7.67	9.04	1.41	18.12
Manipur	0.00	8.22	3.83	12.05
Meghalaya	0.52	1.24	0.71	2.47
Mizoram	0.52	1.24	0.71	2.47
Nagaland	0.00	1.34	1.77	3.11
Tripura	1.08	2.18	1.98	5.24
The Northeast	5.57	6.94	1.84	14.35
India	2.33	14.78	2.49	19.60

Source: Basic data taken from National income statistics, Centre for Monitoring Indian Economy, January 2004 for the states and Economic Survey 2002-03, Ministry of Finance, Government of India.

In a backward region like North-East India, small scale industries are playing an important role. There is ample scope for the development of small scale industries in these North-Eastern states. This development of small scale industries are not only mobilizing local resources but also increasing income and generating adequate employment opportunities to the local people. Cottage and small scale industries have great importance in the agrarian economy of the North-Eastern states. Rural agricultural families of these status are getting subsidiary occupation from these village industries, as these industry require minimum capital and ordinary tools and implements, thus rural families can run these industries.

Industrial Policy in NER : The various policies taken by government are as follows

- a) The New Industrial Policy, 1997 for the NER has created some impact on the industrialization in Assam. Notwithstanding the fuss over the excise duty exemption, the new policy has resulted in setting up of 461 units with an investment of Rs. 977 crore, generating employment opportunities

for 33,763 people of the entire NER. Out of the total investment generated after the announcement of the new policy, Assam got the highest investment of Rs. 874 crore. Accordingly, 400 units of medium and large units were set up in Assam which provided ample employment opportunities to 30,464 workers

- b) For the first New Industrial Policy, 2007 has included Sikkim within its fold and thereby it would help this small Himalayan state to realize benefit from this industrial policy in the area of industrialization.
- c) Under NEIIPP, 2007, the CENVAT paid on the raw materials and intermediate product going into the production of finished products which is higher than the excise duties payable on the finished products.
- d) The NEIIPP, 2007 has played a very crucial role to boost up the core sectors like IT, service sector, bio – technology and power sector.
- e) However, the NEIIPP has not given adequate incentives so as to boost the micro and small scale industries of the NER.

4.2 Impacts of industrial policy of NER:

The industrial policies undertaken in North East India have impacted on the industrial scenario of the area. Many new industries have been set up in the region. However, the growth is not very encouraging as the number of factories as well as the shares of fixed capital, invested capital, net value-added and the number of workers in the industrial sector of the NER vis-à-vis the all India position, have declined over the period 1995-96 to 2009-10. The power situation in the NER which had improved to a surplus during 1999-2000 and 2000-01, also deteriorated subsequently to a deficit of 2.4 per cent during 2002-03 and the deficit is increasing in recent years.

The state wise growth rate of industrial scenario of the region compared to all India industrial growth rate has been shown in the following table

Table 4

Industrial Growth Rate of North East States

State	2004-05	2009-10	2004-05 to 2009-10 (Annual Average Growth Rate) (%)
Arunachal Pradesh	1112.18	1675.29	10.13
Assam	14705.09	15104.95	0.54
Manipur	188204	2277.49	4.20
Meghalaya	1714.67	2617.61	10.53
Mizoram	445.29	851.35	18.24
Nagaland	752.30	1150.58	10.59
Sikkim	501.54	1288.74	31.39
Tripura	2158.84	288919	6.77
Total NER	23271.95	27855.20	3.94
Total (Industry All India)	829783	1261999	10.42

Source : Central Statistical Organisation. M/O Statistics & Programme Implementation.

N.B.: Figures pertaining to industrial growth rates for North Eastern States are calculated from CSO data on Gross State Domestic Product at factor cost by industry of origin at constant (2004-05) prices – (State series). Figures pertaining to India' s industrial growth rates are calculated from CSO data on GDP by economic activity at constant (2004-05) prices at factor cost.

We find, Whereas the annual average growth rate of industries at the all India level during the period 2004-05 to 2009-10 is 10.42%, it is 3.94% in respect of NER. Therefore, it is clear that the positive impact of industrial policies in industrial growth in NER is Industrial growth.

Large and Medium Scale Industries in NER (1994):

In the North Eastern region nearly 64054 numbers of small scale Industries are working. These SSI are offering employment to nearly 279527 nos. of persons. But unfortunately a significant numbers of SSI units are sick.

Causes of Industrial Backwardness in the North Eastern Region:

The North Eastern region is lagging behind other region in regard to industrial development. This is due to absence of large investments in industry during preceding plans and regions' geographical isolation. Following are the main reasons behind this low rate of industrialization in North Eastern region.

- (a) **Lack of adequate capital formation:** The region is experiencing a very poor rate of capital formation. As the level of per capital income in this region is very poor so, the volume and rate of savings is very low. Possibly, there are large accruals of additional income in the rural sector. But there are inherent difficulties of mobilizing these incremental rural incomes. Thus this lack of capital formation is a very important hurdle on the path of industrialization of the region.
- (b) **Shyness of Capital:** Shyness of capital is the another reason behind this slow rate of industrialization in the region. Investor whether from within or from outside the region, are not willing to invest their capital in NER. Further geographical isolation and high cost of production of the region inhibit private investment from other region.
- (c) **Inadequate economic and basic infrastructural facilities:** The economic and basic infrastructural facilities which include power, transport and communication facilities etc. are not yet sufficiently developed in the region.
- (d) **Lack of entrepreneurial motivation:** There is lack of entrepreneurial motivation among the of local people of the region. Local initiative and enterprise are lagging behind the requirement necessary for the successful industrialization in the region. Without active entrepreneurial motivation among of the local people the industrial development of the region would be incomplete.
- (e) **Lack of credit facilities:** One of the major causes of the industrial backwardness in the region is lack of credit facilities. The problem is more complicated particularly for the small and medium scale industries of the region. Banks and other financial institutions in the region are not offering helping hands towards the establishment of small and medium scale industrial projects by offering credit on easy terms. It is one of main reason insufficient industrialization in North Eastern region.
- (f) **High cost structure:** production cost structure in the region is very high in comparison to the other states of India. High cost structure always reduce the profit outlook of the industries. This is mainly due to the existence of higher price level in the region in comparison to other states. This is also aggravated by higher unit cost transport which acts a further disincentive to external private investment in state.

- (g) **Investment Risk:** Due to heavy risk involved in the investment arising through natural calamities and political risks as the region itself is a boarder area. NER is unfortunately one of these few states which are every now and then visited by natural calamities such as flood and droughts. Moreover, due various socio political reasons, the law and order situation in the region is not always smooth rather it is often disturbed. These reasons raised the problem of insecurity for the new industrial projects in the region.
- (h) **Lack of market:** Proper market has not yet developed in the region for the marketing of products produce by the industries in NER. This creates problem for the industries to sell their products. Thus both these large and medium scale industries had to depend on the market outside. And there is also lack of efficient administrative system for industrialization.

Prospects of industrial development in North Eastern region:

Although the process of economic liberalization could not create much impact on the industrial development of NER but the region is still maintaining a bright prospect for the development of different industries like, tea industry, tourism industry and sericulture industry etc.

There is huge potential for growing tea in the non traditional areas of North Eastern region. Specially in Assam, tea is the main industry. As of day Assam tea has maintained its' international reputation and commands significant share in the world tea market. So, for the industrial development of NE region, government should give greater importance in the development of this industry.

Secondly, Tourism is a fastest growing industry in the world. Tourism is not only a growth engine but also an employment generator that has the capacity to create the large scale employment opportunity both direct and indirect from the most specialized to unskilled workforce. Tourism in North East is based on wildlife, natural beauty, unique flora and fauna, holy shrines, lush green gardens, turbulent rivers, vibrant and colourful culture festivals. Thus the region has immense tourism potential, which are to be explored as commercial resources.

Thirdly, Sericulture is a major cottage industry in the NE region. Sericulture has been practiced in NE region from time immemorial and continues to be an important labour intensive and agro based areas of NE region. The state of Assam is proud of traditionally producing Muga, Eri and Mulberry. Assam has the monopoly in the world in the production of Muga (Golden silk) as more than 97% of Muga silk is produced in Assam. At present sericulture activities provides employment to 2.8 lakh families of nearly 11411 villages. Therefore, government should provide more importance for further the development of Sericulture.

Remedial measures to promote industrialization in NER:

Although North- East Industrial policy undertake various steps or ways to promote industrialization in the North Eastern region. There are several steps, which could promote industrialization in the industrially backward NER. Thus immediate steps must be taken for promoting industrial development in the NE states. The following are the some of the important remedial measures to remove industrial backwardness in NER.

(a)**Infrastructure development:** Adequate step should be taken to improve the economic and basic infrastructural facilities to develop power, transport and communication facilities in the North Eastern region.

(b) **Implementation of proper market:** For the marketing of products produced by various industries of the North East region steps should be taken to implement proper marketing facility in this region so that large and medium industries had not depend on the market outside.

(c)**Minimum cost structure:** Cost structure in the region should be minimized because high cost structure always reduce the profit outlook of the industries. For this purpose higher price level in the region should also be reduced.

(d)**Policy frame work of the government:** The government should provide effective policy and active support for the promotion of new industries as well as for the expansion of the existing industries in the region.

(e)**Ensuring credit flow:** In order to remove industrial backwardness in this region the various financial institutions should ensure easy flow of credit to promote rapid growth of industrialization.

Conclusion:

At the end of the paper it has been seen that after many decades of independence though there is huge potential for development in the North- Eastern region, the region has not been developed that much in the industrial perspective. Therefore, the government must facilitate all supportive activities suitably in case of investment through regional planning so that it helps in promoting industrialization based on local available resources in the North- Eastern region of India.

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