

CHAPTER VI

SUMMARY, CONCLUSION & SUGGESTIONS

6.1 Summary of Findings

This chapter presents summary of findings, conclusion and suggestions in connection with our study on the economic structural change of northeast India since 1980.

The process of human civilisation started with cultivation and the cultivable lands are the gifts of nature. Being the mother of other sectors, the primary sector gradually gave birth of secondary and tertiary sectors. The growth of non-agricultural sector was the result of ever ending demand for varieties of consumption goods and services. Although there was continuous increase in the consumption of industrial and service sector related products, the importance of agriculture sector was never reduced. Because food is the basic need of human being.

The sectoral dynamics is also accompanied with the continuous change in the occupational structure. Normally, any individual worker will change his occupation in search of higher wage or higher productivity. Rising average productivity has another importance. It prevents the reduction of aggregate output level of any sector during structural transformation and labour transfer from that sector to another sector.

Ups and downs in the income and employment shares of different sectors are two essential parts of the structural change of any economy. It has been observed that all the pure economic or socio-economic parameters maintain close relationships with changing dimensions of income and employment shares. Development in a true sense comes through all these structural changes towards a positive direction in the long run.

A number of conceptual frameworks or fundamental works on structural changes are presented by several economists. We emphasised on the works of Lewis, Rostow, Fischer and Clark, Chenery and Kuznet. All these works basically confirm through empirical evidence that there will be gradual expansion of primary, secondary and tertiary sectors and occupational pattern too will follow the same direction i.e. along with growth the workers will have a tendency to move from agriculture to non-agriculture sector. A typical structural progression must be accompanied with rising per capita income, which in turn will enhance the opportunities for more and more people to achieve a decent standard of living in terms of development indicators.

No doubt per capita income of northeast India is continuously rising but this is not exactly the reflection of structural change. Statistical tests have shown that per capita income is highly correlated with the per capita allocation of central resources in north-eastern states. Besides, the performances of these states are highly disappointing in terms of income/expenditure ratio, buoyancy of own tax, own tax/total tax ratio etc. compared to any other general category states. It is easily understandable that economy is basically a dependent economy and can not sustain in the long run without external assistance.

Apart from providing research techniques literature reviews in our thesis have also provided the development experiences of other economies inside or outside India based on which we can compare the experiences of northeastern states. A number of economies have been identified in which we have got similar characteristics with respect to northeastern economy. Some of those similar characteristics may be highlighted – a) income share of agriculture sector is falling but employment share in this sector is not significantly falling, b) secondary sector is dominated by construction sector, c) absence of resource-industry interlinkage and d) regional disparity through urbanisation and massive growth of service sector

Development experiences of northeastern states raise different research questions and accordingly we have formed different hypotheses to answer these questions. Thus we have been able to examine whether the parameters in our thesis follow the expected behaviors suggested by fundamental theories or not.

To test the hypotheses different research techniques are applied on the relevant data. These relevant data for northeastern states comprising of eight states have been collected from different secondary sources over the reference period 1980 – 2003/4 as far as possible. The major research techniques what we have applied in the thesis are trend analysis, regression analysis, principal component analysis, Granger causality test etc.

In our view examination only of the pattern of structural change of any economy may not be the objective of any research work. So, after detecting this pattern we have studied whether the detected structural change has considered the development with human face or not. **(Chapter – I)**

Annual growth of per capita income at 1980-81 price level over 1980-90 is not much different from the same over 1990-97 for all states of northeast India. This means these states have failed to increase their growth of per capita income in post-reform period. Similarly, at 1993-94 price level in the post-reform period successive per capita NSDP growth rates are highly fluctuating giving high value of standard deviation for all states and the trend of these successive growth rates have been proved statistically insignificant except in Assam. Though, NSDP and per capita NSDP trends are statistically significant (rising) either at 1% or at 5% level of significance. Thus, even if NSDP is rising, growth rate of NSDP is almost stagnant and even if per capita NSDP is rising, growth rate of per capita NSDP is not rising significantly.

From an overall analysis of sectoral dynamics in the pre-reform period, it is observed that the decrease in the share of primary sector has not necessarily

increased the share of secondary or manufacturing sector in every state. Share of service sector is continuously rising from the very beginning. Though the share of manufacturing sector is expected to increase in the post-reform period, it has actually reduced in all states except in Manipur. Because of the huge growth of construction sector, the secondary sector has got a rising trend in northeast India. That is why the trend equations of manufacturing sector in post-reform period have provided negative and statistically significant coefficients, where as the same in the trend equations of secondary sector are positive and some time statistically significant also. Thus secondary sector is heavily dominated by construction sector rather than manufacturing sector. Apart from falling income share, negative trend of agriculture sector can be reflected from the falling productivity of food grain, fruits and vegetables. Ecological adversities and decreasing share of outlay are responsible for this negative trend.

Income share of service sector is always rising from our reference period of thesis. Surprisingly this enhancement is accompanied with fall of income shares of agriculture and manufacturing both sectors. Thus, in a sense this is a violation of traditional stage theories of development. Because these theories suggest industrial sector will have sufficient growth at first and after that service sector will grow at the cost of decline in the income share of industries not of agricultural sector. The trend equations of service sector in post-reform period were significant with positive coefficient in case of Arunachal Pradesh, Assam, Sikkim and Mizoram. Though the coefficients in the trend equations for Meghalaya, Nagaland and Tripura were negative, the constant terms were so high. It seems in Meghalaya, Nagaland and Tripura service sector has already touched its maximum limit. The question is what service sector we are talking about? In this modern world service sector is multi-dimensional with various fields whereas, this sector in northeast India is dominated by government jobs only. As per report of 12th Finance Commission at all India level growth in the number of the

government employees over 1994-2003 is negative (-15.2%). This figure is +23.91% for Arunachal Pradesh, +5.33% for Assam, +37.62% for Meghalaya, +22.79% for Sikkim and +8.94% for Tripura. The World Economic Forum has formed network readiness index based on which northeast Indian states have been identified as least achievers (Mathew 2004). So, a big income share of service sector does not ensure a real growth of any economy based on this sector and its diversities.

Looking at the disappointing role of manufacturing sector the strength of linkage between industry and huge resource stock of northeast India is doubtful. Researchers have got many reasons behind this "weak linkage". Those are - a) lack of investment. Planned outlay on infrastructural development is continuously falling, b) inappropriate technology, c) insufficient demand and market structure, d) restrictions on property right, e) lack of local interest in entrepreneurship, f) socio-political status and above all g) ecological factors such as hilly terrain which is not suitable for heavy industries.

Credit-deposit ratio is a good reflector of industrial scenario in any economy. Higher the value of this ratio higher will be the strength of industrial sector. The values of this ratio in northeastern states are always much lower than all India figure. Subject to three reference periods 1982, 1992 and 2002 the gaps between these ratio values of northeastern states and all India are found statistically significant. It has been done with the help of 'one sample T test'. The result proves much lower proportion of total deposit is channelised for investment purpose in the northeastern region compared to all India level.

We were interested to examine the strength of inter-linkage within the sectors. We have done that by two ways. Firstly by regression analysis among the income shares of different sectors during post-reform period. Secondly, we have

taken help of Granger Causality Test within the sectors. Regression results between income shares of agriculture and manufacturing sector in Sikkim, Arunachal Pradesh, Assam and Mizoram show positive coefficients (statistically significant for Sikkim and Arunachal Pradesh). The results are peculiar and in reality both sectors are falling by their own shares in these states. Our conventional stage theories do not support this fact. For Manipur, Meghalaya, Nagaland and Tripura we received negative coefficients what are expected to be. But only in Manipur the coefficient is statistically significant indicating manufacturing sector has been flourished significantly at the cost of decline in the share of traditional sector.

Relevant data for Granger Test are taken since 1980. In no state we have got total serial causality supported by our conventional stage theories that is agriculture sector → industrial sector → service sector. However in Assam and Tripura primary sector has provided inspiration to the growth of secondary sector and in Arunachal Pradesh only secondary sector has shown Granger cause to tertiary sector. Besides, except in Arunachal Pradesh service sector Granger causes to industrial sector in all states. This is a striking result. Since the income share of manufacturing sector over the period is continuously falling we can assume service sector actually has become helpful for the growth of construction sector. Otherwise, Granger tests have confirmed that no state in northeast India has experienced the expected sequential growth on sectoral dynamics, i.e, agriculture → industry → service. **(Chapter – II)**

Taking into consideration three reference periods 1981, 1991 and 2001 worker population ratio in terms of main workers are continuously falling. Besides, employment elasticity for main workers subject to GSDP growth in the post reform period (1991-2001) is lower than the same over 1991-2001 except in Sikkim and Nagaland. So, growth did not play role in favour of employment

generation even in the post-reform period. Though the worker-population ratios for rural area are higher than the worker-population ratio of urban area, most of the rural workers are engaged in agriculture sector of which the contribution in total NSDP is steadily falling for all states. Naturally it has gone against the uplifting of economic status of rural people. Similarly, most of the urban workers are engaged in flourishing service sector.

Across state regression results in 1981, 1991 and 2001 between proportion of urban workers absorbed in service sector and percentage of urban population are found significant with negative regressor coefficients. This means to augment employment in service sector in urban area percentage of urban population has to be reduced.

Sectoral employment share has not maintained balance with sectoral contribution in total SDP. For example, decline in employment share of primary sector is much less than the decline in SDP share of the same. In the same way the rise in employment share of tertiary sector is also less than the rise in the SDP share of this sector. These are clues of structural retrogression. The cumulative shares of SDP under primary, secondary and tertiary sectors and corresponding employment shares subject to 1981, 1991 and 2001 (for agricultural and non-agricultural sectors only) are computed to measure Gini Coefficient. This coefficient is rising for all states except Arunachal Pradesh over 1981-91. On the other hand, except Nagaland and Manipur this coefficient value is rising for all states over 1991-2001. Assam and Mizoram are excluded in this analysis due to data unavailability. So, during 1981-91 the concentration of SDP has taken place in favour of non-agricultural workers in Manipur, Meghalaya, Nagaland, Sikkim and Tripura. Again during 1991-2001 we notice rising economic concentration in favour of non-agricultural workers in Arunachal Pradesh, Siikim and Tripura. Across state Pearson correlation coefficients between Gini coefficient and

primary sector employment share are significant in all three reference periods 1981, 1991 and 2001. That means if we can reduce the primary sector employment share, inequality among the workers of different sectors will be reduced.

In the last section of this chapter employment elasticity and growth of labour productivity in different sub-sectors, viz., agriculture, manufacturing, construction, trade, hotel and restaurant and other service sectors are calculated for the post-reform period (1993-2000) with the help of per thousand distribution of workers under usual status (PS + SS) absorbed in those sub-sectors prescribed by NSSO reports (50th and 55th rounds). It is observed in the post-reform period too, that growth of labour productivity under manufacturing sector is negative in all states except Tripura. Rather, construction sector has provided positive growth of labour productivity for all states except Arunachal Pradesh and Sikkim. It is the other service sector, which has achieved maximum benefit in terms of labour productivity in all states with positive growth trend. This sector includes banking and insurance, real estate, dwelling and business services and public administration. Tripura is the only state, which has experienced rising labour productivity during post-reform era in all sub-sectors. **(Chapter III)**

A number of pure economic or socio-economic parameters are directly or indirectly dependent on the per capita income status. Per capita income status in northeast India maintains a balance at all India level with other states. But the impression will be exactly opposite if we look at the trends of pre devolution non-plan deficit, fiscal deficit, own tax-GSDP ratio, own tax-total tax revenue ratio, income expenditure ratio, debt-GSDP ratio per capita central allocation and so many. This economy has no capacity to circulate their own money into their own area. Non-plan revenue deficit is also reflection of low credit deposit ratio, low manufacturing profile and high import intensity of expenditure to buy goods and

services from outside. The story of central assistance firstly starts looking at the figure of non-plan revenue deficit and these figures are excessively high in northeastern states compared to general category states. For instance range of non-plan revenue deficit as percentage of GSDP during 1987-2000 are -6.76% to -13.9% for Assam, +14.97% to -51.19% for Arunachal Pradesh, -22.19% to -28.48% for Manipur, -16.1% to -21.08% for Meghalaya, -22.08% to -59.81% for Mizoram, -24.28% to -54.87% for Nagaland, -21.0% to -27.99% for Sikkim and -25.12% to -39.93% for Tripura. Even for some low income states this figure is much lower compared to northeastern states. In Bihar the range is -3.92% to -12.25%, in Madhya Pradesh this is -1.95% to -6.09%, in Orissa this is -5.08% to -10.47% and in Uttar Pradesh -3.66% to -8.92%. The entire system of structural change would have been perished without continuous injection of external resources.

Northeastern economy is heavily dependent on continuous injection of central assistance. As per the recommendations of Finance Commissions, central assistance takes place mainly under two broad items, viz., union tax transfer and grants-in-aids. Union tax transfer to any individual state is very much dependent on per capita income status, population or on development index based on health, education, banking, administration, agriculture, electricity and transport and communication status. After the union tax transfer grants-in-aids are given to the states through non-plan revenue deficit, upgradation grants, special problem grants, local bodies' grants and relief expenditure.

With a low manufacturing base northeastern economy has continuously experienced much higher fiscal deficit to GSDP ratio and debt-GSDP ratio compared to any other general category states. Some other facts that prove severe weakness of internal economy are low own tax-total tax ratio, statistically insignificant trend of buoyancy of own tax, low income-expenditure ratio, weak

correlation between growth rate of state income and growth rate of aggregate expenditure. To overcome all these internal drawbacks northeastern states have shown rising and statistically significant trend of union tax transfer, grants-in-aids and debt-GSDP ratio. Apart from these the grants-in-aids + tax transfer to NSDP ratio was too high for each state over 1994-2003.

Per capita central allocations for northeastern states are much greater than any other general category states and with reference to Eleventh Finance Commission recommendations it has shown statistically significant correlation with per capita income across the states. **(Chapter – IV)**

Index of per capita GSDP is constructed subject to its maximum and minimum figures at all India level. Mizoram and Tripura only among the northeastern states have experienced increasing per capita GSDP index.

The extent of inequality in monthly per capita consumption expenditure is much higher in urban area compared to rural area. Besides, this inequality among the urban people is rising over the period 1993-2004.

Some of the northeastern states have occupied respectable position in terms of Human Development Index value at all India level. But, in terms of Economic and Infrastructural Index values suggested by 10th and 11th Finance Commission reports, the performances of these states are disappointing at national level.

We have formed composite scores on development status for all northeastern states subject to thirteen selected factors. The selected indicators are: percentage of urban population, percentage of literacy, worker population ratio, share of non-agricultural employment, share of rural non-agricultural employment, percentage of enrolment in higher education, infant survival rate, percentage of people who live above poverty line, credit- deposit ratio, per capita

NSDP, rural electricity, GSDP/debt ratio and income share of secondary sector. According to the obtained composite scores, Manipur only has shown remarkable improvement during 1991-2001. The composite score for Manipur has increased from 1.712 (1991) to 8.237 (2001). (**Chapter – V**).

6.2 Conclusions

In the history of development the geographical location “North takes a representative role of developed region (Hirschman 1981), where as “East is a reflection of sub-ordinate and hegemonised identity (Said, 2001). Butola (2005) has identified the socio-economic and political status of Northeastern India as “the negation of Hirschman’s north and extreme case of Said’s orient (East) “

Throughout our thesis many parameters like per capita income, sex ratio, literacy rate, worker- population ratio, infant mortality rate in northeastern states maintain a balance with the national level figures. Some are higher than national status. But the confusions arise looking at status of some other variables representing financial or internal economic strength like credit -deposit ratio, fiscal deficit, debt GSDP ratio, own tax/ total tax revenue ratio, per capita central assistance. Here the problems are fundamental since the dependencies on center are rising or at least not showing any falling trend. We have mentioned that tribal people dominate the northeast region. These people have “superstitious belief and irrational outlook, lack of competitiveness and ambition, reverence for the past and fear for the new, submissiveness to authority and exploitation”. So psychologically they are not eligible enough to welcome modern economic process. Secondly, British people had brought capitalism and imposed it on the indigenous social system of northeastern tribal people. Thus there is “clashing between imported social system with an indigenous social system” (Boeke,

1963). A true development comes step by step and at every step there is something to learn. Under this dual system, youth people have been inspired by consumerism without having any base. Thus the entire economy has become a borrowed economy, which can not sustain in the long run without massive external assistance. However, discussion of sociological or socio-cultural constraints in detail is beyond the scope of our thesis.

In northeast India we have not received any link between agriculture and industrial sector. Income share of primary sector is reduced because of reducing share on agricultural outlay, natural constraints, presence of shifting cultivation etc. Besides, manufacturing sector has not shown any positive trend even in the post-reform period. Actually, in the post-reform period trend equations of manufacturing sector have provided negative coefficients for Sikkim, Arunachal Pradesh, Assam, Nagaland, Tripura and Mizoram. Among these except in Assam and Tripura the coefficients are statistically significant.

The question, which will come, obviously is that why the northeast region with a rich stock of natural resource is industrially underdeveloped? This is our common idea that industries grow through the exploitation of natural resource though there should be optimum extraction of natural resource. In that case production of any good considers augmented marginal cost (amc), which is the sum of usual marginal cost and opportunity cost in connection with the exploitation of exhaustible natural resource in future rather than in current period (Bhattacharyya, 2001). Augmented marginal cost becomes greater than the usual marginal cost and therefore provides less amount of equilibrium output. However, the question arises: Is the extraction of natural resource started at all in northeast region in a scientific manner? A brief account of resource stock and resource based industries in the northeastern states has been given in chapter II. Wood based industries are under threat of ban reducing forest revenue.

Hydropower electricity and tourism are two assets of this region. The general constraints for industrialisation have been discussed. Those are absence of infrastructural facilities, large investment, appropriate technology, sufficient demand, local interest and industry friendly socio-political status. As such planned outlay on infrastructure is gradually decreasing and index values on economic and social infrastructure of northeastern states are much lower than any other developed Indian states. As described before, the primitive ideas, beliefs, lifestyles etc. restrict northeastern people to overcome the problems responsible for industrial backwardness.

In the modern world sophisticated service sector can not exist without a rich manufacturing sector. As per Dasgupta and Singh (2005), a high R square for services may be derived from the relationship between manufacturing and GDP growth. This implies the growth of service sector and growth of manufacturing sector are not independent to each other. But in the last paragraph we argued service sector in northeast India has no diversities. So the interlinkage between manufacturing and service sector is almost absent. While the trend equations in post-reform period have shown negative coefficients, the same for secondary sector have shown positive coefficients in most cases. It has become possible due to heavy growth of construction sector. The heavy influence of construction sector is also visible in the causality tests within the sectors. It is observed that in Assam, Tripura, Manipur and Sikkim service sector has become helpful to flourish secondary sector during 1980-2000. Over the same period income share of manufacturing sector is decreased. For example, in Manipur income share of manufacturing sector has fallen from 4.83% to 4.09% during 1980-98. Similarly, in Assam the same has fallen from 7.31% to 5.86%. Thus service sector actually has become helpful to flourish construction sector not the secondary sector.

Many economies have experienced such positive correlation between construction and service sectors. For instance the development

experiences of Srilankan economy (Rameezdeen, Zainudeen & Ramchandra) and Turkish economy (Bon, Birgonul & Ozdogan, 1999). Maintaining a high standard of building block in a highly competitive market structure is responsible for the connection between construction and tertiary sector. In Turkish economy the “direct and total construction inputs from manufacturing show relative stability and those from services tend to increase in recent years”. However in the context of northeastern economy, where service sector is basically dominated by government jobs, the term ‘competition’ is irrelevant. The values of calculated correlation coefficients between income shares of service sector and construction sector are found as +.553 for Assam (significant at 5% level of significance), +.620 for Tripura (significant at 1% level of significance) and +.251 for Manipur.

As per our traditional idea output is a function of labour and capital. The issue that whether any production process will follow capital-intensive technique or labour intensive technique is much debated since long back. From the socio-economic or pure economic point of view growth can not sustain in the long run without employment creation for one simple reason. The reason is demand side of goods and services produced in growth process are largely dependent on the purchasing power of any economy, which in turn depends on employment or unemployment status of a society. Intuitively human growth process should not jeopardize human existence. Employment elasticity calculated for main workers over 1991-2001 is lower than the same over 1981-91 in all states except Sikkim and Nagaland. In terms of the main workers the worker population ratios are falling during 1981-2001. There is no optimum growth of employment, which will take place due to 1% growth of income. Though, this is a common practice of researchers to find out relationship between income growth and employment growth. We found across state correlation between two are statistically insignificant. This implies growth in north-east India did not take role in favour of employment creation.

Employment pattern must be balanced with income share pattern during the reallocation of labour and redistribution of income within the sectors. Income distribution situation subject to income shares of different sectors and corresponding employment shares has worsened over 1981-91. Taking into consideration agricultural and non-agricultural fields Gini Coefficient is falling in Manipur and Nagaland during 1991-2001. In other states excluding Assam and Mizoram it has increased.

Urban area is the paradise for the growth of service sector and for any region higher the number and size of urban areas higher will be its economic power. Since tertiary activities have a tendency to grow in urban area, these will have relationships with the determinant factors of urbanisation process. Among many such determinant factors two most important factors are urban literacy and percentage of urban population. Across state regression coefficients between urban literacy rate and proportion of urban people engaged in tertiary activities for 1981, 1991, and 2001 have been found statistically insignificant. The results were unexpected but not surprising. Because it is already mentioned that service sector in northeast India does not include modern activities and is mainly dominated by government jobs. Along with high population growth rate public sector has become saturated and insensitive to the urban literacy or higher education. However, across state regression coefficients between proportion of urban population and urban workers engaged in service sector are proved statistically significant with respect to 1991, 1981 and 2001. But the signs of the coefficients are negative. This implies that after reducing proportion of urban population northeastern economy has been able to increase service sector employment share in urban area. In most of the northeastern states percentages of urban population are lower than all India figure and in Appendix I we saw growth rate of urban population during 1981-91 was higher than the same during 1991-2001 for many of the northeastern states. Actually some people who

migrated from rural area to urban area in search of service and better life did not get sufficient inspiration to settle in urban area and went back again to their original places. With only government jobs and the consequent lack of diversities in service sector is responsible for this.

In structural transformation negative growth of average productivity should not take place. Though, during post-reform era (1993-2000) all states except Tripura have witnessed negative growth of labour productivity in manufacturing sector. Construction sector has been identified with positive growth of labour productivity except in Arunachal Pradesh and Sikkim. Other service sector is the only sector in which we got positive growth of labour productivity for all states. This sector comprises of banking and insurance, real estate, dwelling and business service and public administration.

Per capita allocations of central resources to north-eastern states have been proved much higher than any other general category states. Since this per capita allocation has shown significant correlation with respective per capita income of the states we can predict that there is no significant relation between this per capita income of any northeastern state and its own financial parameters. The prediction was very much true. In these states we have got low own tax-total tax ratio, low income-expenditure ratio, high central resource-state income ratio, statistically insignificant trend of buoyancy of own tax, statistically insignificant correlation between income and expenditure growth rate etc. Consequently we have also got statistically significant rising trend of union tax transfer, grants-in-aids, debt-GSDP ratio etc.

Higher inequality in urban monthly per capita consumption expenditure compared to rural area is not any uncommon phenomenon and is visible almost in every society throughout the world. The urbanisation process gives indulgence to the

growth of service sector. Simultaneously it creates educated unemployment and involuntary unemployment. The existence of this unemployed force is responsible for higher income inequality and consumption inequality among the urban people. The possibility of having such inequality in northeast India is higher than any other part of India. In some northeastern states we have noticed negative trend in urbanisation process. For those states growth rate of urban population is drastically reduced for not having sufficient employment opportunity in urban area as, the service sector is mainly dominated by government jobs.

Human Development Index maintains a high correlation with per capita income status of any economy. Looking at only per capita income trend, northeastern states should not be considered as underdeveloped states. But we may look at the issue from a different angle. Empirical results have proved per capita GSDP is highly correlated with per capita allocation of central money in these states. This implies that the existing trend of per capita GSDP is not achieved by its own economic strength and self-sufficiency.

Economic and infrastructural Index provided by 10th and 11th Finance Commission report gives a more realistic and elaborate concept on the measurement of development status. Following this index there should not be confusion about the backwardness of northeastern states.

To obtain development indices with the help of principal component analysis we have chosen thirteen indicators. On the basis of the obtained composite scores in our study, Manipur has shown satisfactory performance over 1991-2001. Across state correlation coefficient is calculated between composite scores of development status and each indicator for 1991 and 2001. Some of the indicators have shown positive correlation with the composite score in both the reference periods. In the light of these outcomes we can draw conclusion, the

development level with respect to our selected factors may be uplifted through raising the strength of the following parameters: percentage of urban population, percentage of literacy, percentage of people with higher education, infant survival rate, percentage of people above poverty line, percentage of people having electricity and income share of secondary sector.

6.3 Suggestions

Our study has discovered a number of loopholes in the development policies of northeast India. Here we provide some suggestions hoping that these will rectify the past mistakes and accordingly will fetch better socio-economic status of this region.

1) Socio-economic status of northeast India is heavily influenced by the tribal people and their traditional activities. A drastic action against their activities may bring social unrest. Increasing consciousness through mass campaign, mass literacy, providing alternative incentives in many schemes may solve the problem slowly.

2) Manufacturing sector in northeast India has a little role in the growth of secondary sector. The growth of heavy industries in many cases is almost impossible owing to the ecological constraints. Under this situation the growth of small scale industries should be encouraged. For that, share of planned outlay on this sector has to be enhanced which is actually falling over the planning periods.

3) An organised market structure can create market demand for the products of small-scale industries or the traditional items inside the states. The products can be exported too and for that proper government policy and sufficient

advertisement for the products are required. Thus the governments of respective states have to invest to create domestic and export market for their own traditional goods.

4) A structural transformation in a true sense requires gradual transfer of workers from agriculture to industrial sector. It has not been proved feasible in northeast India due to absence of heavy industries. In the last paragraph we have suggested promotion of small and medium enterprises in the soil of northeast India. This will help a lot to give a true meaning of structural change in this region.

5) Controlling of population growth should be first priority of policy makers. The main benefit of this policy will come from the employment aspect. Worker population ratio in northeastern states is not disappointing in comparison with national status. But the growth of workers is biased in favour of marginal workers, not of main workers. Because manufacturing sector and government jobs based service sectors have not been able to create sufficient employment opportunities. Since the income share of agriculture sector is continuously falling but the employment share of this sector is not significantly falling, economic status of rural people is gradually worsened. Unemployment is the root cause behind the socio-political unrest in many parts of northeast India. Policies on the population control can directly handle this problem in an effective manner. We have described before that directly or indirectly population takes a major role to decide the amount of central resource to be transferred. To build a self-sufficient economy without being dependent on external aids, population control will be certainly a positive step.

6) Northeastern states can be centers for processing of various intermediate services related with developed manufacturing units established in other states.

For that heavy set ups of industries are not essential within the states. The contracts of such services have to be brought at first within the states from other states. Secondly domestic people have to be skilled enough to handle the tasks.

7) Credit deposit ratio has always maintained a low profile in northeastern states. Since the domestic economy does not provide enough scopes, the governments of these states can invest on the projects outside their own territories. In this way the government revenue will be increased along with improved profile of credit-deposit ratio.

8) For many of the northeastern states domestic economy may collapse without the existence of tourism sector. The sources of tourism related income are mixed by nature. Total income is distributed among transport and communication, trade and commerce, hotels, travel agents, government sector etc. A huge number of people are engaged directly or indirectly in tourism related activities. Apart from government sector most are self-employed. The governments of these states should take pro-active measures to improve the prospect of tourism industry in northeast India.
