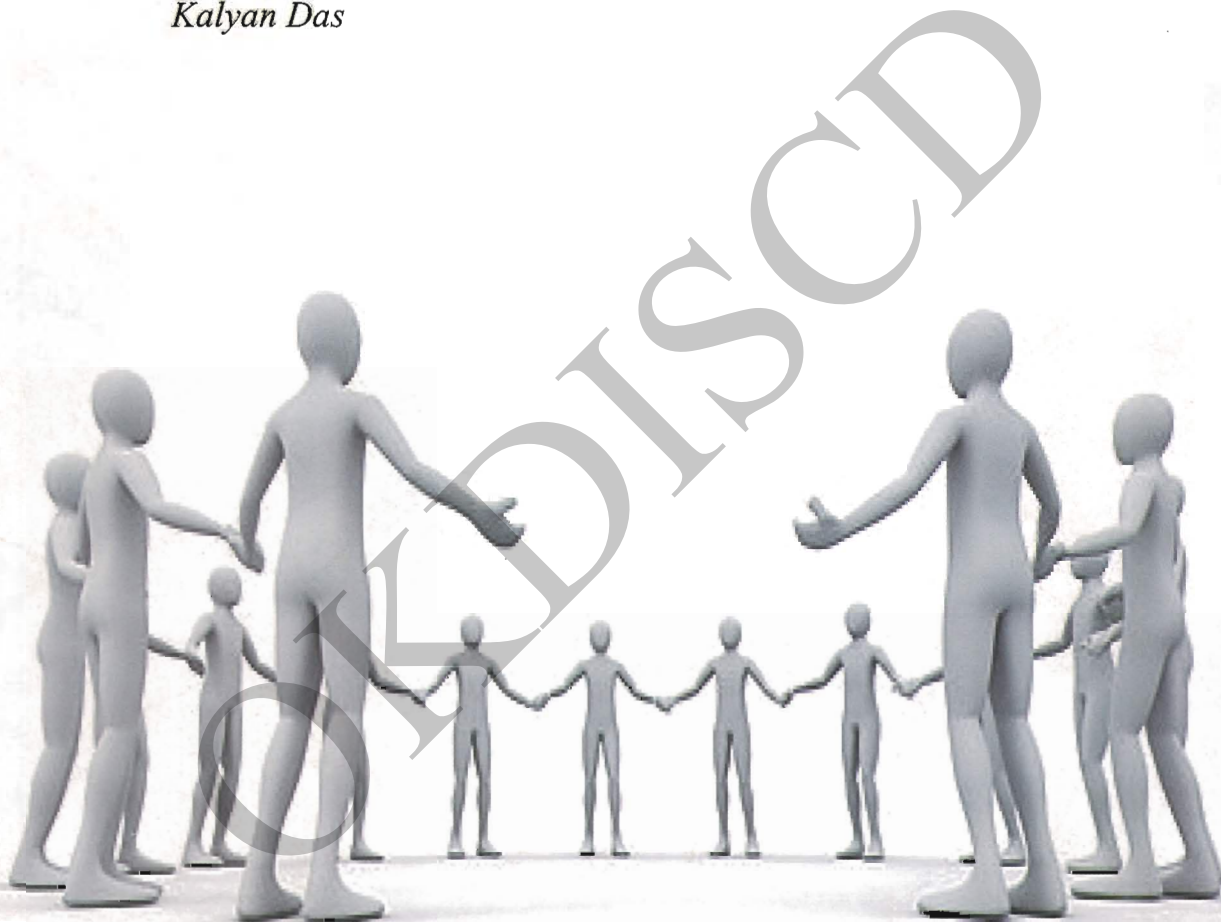


Research Paper Series 02/2012

UNDERSTANDING SLUGGISH INDUSTRIALISATION PROCESS IN NORTHEAST INDIA: How the Industrial Policies Help?

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Understanding Sluggish Industrialisation Process in Northeast India: How the Industrial Policies Help?

I. Need of state intervention in ushering industrialisation process in northeast India

The National Sample Survey Office (NSSO) data shows that the job sectors in the states of northeast region of India in recent times show a clear shift towards petty tertiarisation¹. The data reflected that livelihood opportunities are being squeezed in the constrained and depleted primary sector of the region². The sectors, which show an increasing trend in offering opportunities to the people, are the construction, trade, hotel and restaurants and transport sectors. One could see that during the period 1993-94 to 2009-10 (NSSO 50th and 66th rounds) rural areas of most of the states of the region show declining opportunities for regular employment, even though regular employments constitute a smaller proportion of the rural work force³. The significant proportions of self-employed in rural areas in context of the declining agriculture sector reveal a constrained and critical situation. On the other hand, the urban areas too show rising trend in self- employed in all states, except Meghalaya which indicates the challenges undertaken by the people to ensure their own livelihood. The rising trend of casualisation in all the states, except Assam and Nagaland, reveal that the states have much more tasks at hand to ensure regular and decent jobs for the citizen.

All these in brief indicate that the states of the northeast region of India have unaccomplished tasks to usher industrial development accommodating more regular jobs for its people. Workforce data as revealed by the broad industry division of

¹ The NSSO 66th round (2009-10), however shows reversal of the trend of tertiarisation. This is primarily because decline absorption in public administration, education and commercial services jobs and shift of workforce to the construction sector.

² The NSSO 66th round shows decline of workforce compared to previous rounds in primary sector in all 7 states of the northeast region. In Meghalaya the share of workforce in the mining sector however has shown noticeable rise.

³ Recent data of 66th round shows some improvement in the share of regular employment in rural areas of Arunachal Pradesh, Meghalaya and Mizoram.

NSSO during the 50th and 66th rounds, in both rural and urban areas show not only insignificant share of industrial workforce to total workforce, but also a declining trend is visible in the states of the region except Tripura (Appendix Table 1). The industry sector, except in Tripura (13.99 percent), Assam (8.94 percent) and Meghalaya (5.92 percent); contribute a very insignificant share to the respective NSDP (2008-09) of the other four states of the region. It may be noted that half of the contribution of the industries in the NSDP of Tripura comes from the unorganized sector, whereas in Assam the larger share of contribution (82 percent) of the industries comes from the organised sector. The trend bespeaks of a situation where it is difficult to seek a job and get absorbed in industrial activities in the region. We find reflection of this in the numbers of distressed job seekers and high youth unemployment rates. Youth unemployment rate in urban areas was as high as 22.3 percent in Assam, 40.3 percent in Tripura, 19.6 percent in Manipur and 50.6 percent in Nagaland, much higher than the country average during 2009-10; and the situation has worsened over the years with the increasing pressure of population. Moreover, poor attainment in human development⁴ has made the task daunting for majority of the people to shift to certain upper end jobs that boomed in the new liberalized environment. It is now evident that working class of the northeast region move into the informal sector activities where entry is considered to be easy⁵. Considering the rate of poverty and unemployment situation of the region, (these two indicators have variations in the region) and consequent abundant labour supply in the lower end job market, particularly in the relatively densely populated states of Assam and Tripura, one can expect prevalence of subsistence wage rate and earning in such activities. One now finds that rural non-agriculture wages in Assam and Tripura is much lower, compared to the other thinly populated states of the region⁶. The poor wages, particularly in Assam and Tripura are also reflection of incapability to cultivate a vibrant source of

⁴ School dropout rates causing concern in many north eastern states. Dropout rates for classes I-X are as high as 64.9 % in Arunachal, 77.6 % in Assam, 56.8 % in Manipur, 77.9 % in Meghalaya, 62.9 % in Mizoram, 74.9 % in Nagaland, 62.9 % in Tripura; all were much higher than the national average of 52.9 % in the year 2009-10 (Indiastat data sourced from Ministry of Human Resource Development, GoI).

⁵ NSSO 57th round of 2001-02 reveals involvement of about 758,000 persons in the unorganized services in the states of northeast India. There is scope to explore that unorganized services in different categories boomed in this constrained region compared to involvement in organized services and industrial activities.

⁶ Average earning received by regular waged and salaried persons in rural areas are Rs. 527/ in Arunachal, Rs. 208/ in Assam, Rs. 344/ in Manipur, Rs. 305/ in Meghalaya, Rs. 356/ in Mizoram, Rs. 348 in Nagaland and Rs. 231/ in Tripura (NSSO 66th round). It may be noted that public services support a large section of people in the hill states of northeast India. The states of Assam and Tripura largely consist of plains.

growth backed by its primary and tertiary sectors⁷. It is however, not true that there are lack of opportunities to add value to the region's resource rich products, develop market and thereby create more avenues for decent livelihood. The region's resourcefulness in terms of certain natural resources is well evident, based on which the British had pushed the industrialization process in this region. Moreover, there are also efforts of the present governments both at the Centre as well as in the states for promoting industrialisation in the states of the region. Despite all these, industrialization process in this region is not vibrant. Very often, the poor industrialization of the region is ther linked to the unstable political situation and shying away of the investors. There are other plausible explanations as well: entrepreneurial efforts to a desirable extent are not present among the first generation entrepreneurs of this region, and poor governance affects the efforts towards this end.

It is true that certain constraints prevail in certain environment. What is required is to make the ways for sustainability of the efforts. Effort of the government of India and the respective states of northeast region is visible in this context⁸. The present environment though show withdrawal of the state from direct involvement and investment, the policies for industrialization have put effort to attract private investment in the industrially backward areas. The industrial policies of the respective states, as well as the Comprehensive Industrial Policy for the northeast region offer a host of subsidies and concessions (Appendix Table 2).

The interventions for ushering a vibrant industrialization process in the northeast region is further supplemented with the initiatives made by the government of India in the past few years that the region need to serve as an economic bridgehead to South East Asia promoting trade with its immediate neighbours⁹. The expectation is that trade interactions through this region would stimulate the economy and provide new opportunities to firms and individuals. This necessitates identifying the internal sources of growth in the region based on the strength of the labour intensive livelihood and production sectors and creates the congenial climate so that these sectors remain

⁷ Labour supply in these two relatively densely populated states is more compared to other sparsely populated states of the region, which push the wage rate down. However, it is also evident that job creation and thereby supply of jobs is also poor in the primary and secondary sectors of this resource rich region.

⁸ Industrial policies adopted by all the states of the region since the late 1990s are good reflection of the initiatives for industrialization. See Appendix table 2 for more detail.

⁹ Since 1991 Govt. of India is initiating Look East Policy, marking a strategic shift in India's perspective of the world. It is anticipated that India's future and economic interest are best served by greater integration with East and Southeast Asia. Look East policy is an attempt to forge closer and deeper economic integration with its eastern neighbours, evident now in India's foreign policy.

competitive at least in the regional circuit. The importance of this has been well perceived by the government of India and state governments of the region the industrial policies, testifying to this.

II. Does northeast India lack a legacy of industrialisation process to carry forward?

The poor status of industrialization and recent emphasis of the governments for industrialization in the northeast region raises one question- did the region lack legacy of industrialisation to carry it forward? Evidences show certain indigenous industries of the region namely cotton and silk weaving, clay and metal industries, industries connected with agriculture and food processing, were present and vibrant even during the pre-colonial times. The fineness and exquisite workmanship of wide varieties of manufactured products from this region earned wide acclamation (The Gazetteer of Assam State, 1998). These indigenous industries though mostly catered the basic day-to-day needs of the people in the region, had also traded with Bengal state to an extent.

Overall, the economy of the region was self sufficient without any dependence on foreign supply. Data on involvement of people in these traditional industries during the pre-colonial period is not available. Moreover, even during the early phase of census enumeration of the colonial period, it was difficult to make a clear distinction between the cultivators and the artisans because almost every people got some land and grew some crops (Barpujari, 1996: 263). However, most of the artisans, blacksmiths, braziers, potters, mat makers and ivory workers followed their hereditary pursuit. Whatever the industries the region had passed through many upheavals, but continued to assume importance as caterer to certain basic needs and as generator of livelihood opportunities, even at present times. However, these activities as of prime source of livelihood opportunities started to assume importance only in recent times. Abundant land resources available in the region took care of people's necessities, agriculture remained as the main occupation for people, and even the artisans had abundance of land to take care of their needs. This precisely explains why the industries have had a secondary role as livelihood generator. Occupational classification of 1931 census captures this aspect. The 1931 census had brought in classification of each occupation in three categories – the earners, working dependents and the earners following an occupation as subsidiary to the others. The proportion of total earners from industries in the region was just 1.4 percent of the total population, whereas the proportion of working dependents in the industries was 3.4 percent of the total population in 1931. The 1931 census, the last comprehensive census of colonial period show that cotton spinning and weaving, sawing, carpentering, making of households articles from forest products, blacksmithing, brass work, pottery, bricks

making, rice pounding were some prominent industrial activities in the region, basically to serve the local needs of the people. It would not be out of context therefore to assume that as long the primary sector supported comfortable levels of livelihood opportunities, livelihood in the other sectors had secondary importance particularly in early 20th century where human as well as technological development were in rudimentary stage. Moreover, no class of workers was hereditarily attached to any particular trade (Goswami, 1999:28). In such situation, the development of the guilds of artisan entirely devoting to their tasks was minimal. However, in certain pockets certain clusters developed - the weaving hub of Sualkuchi, ivory works of Barpeta, copper works of Sarthebari, iron works of Sibasagar to name a few, but these were not significant to assume importance in the economy of the region. These industries have carried forward their legacy as well as their needs to the present times though their importance has been restricted with emergence a hosts of modern industries in the country in recent times. These traditional industries generate limited primary livelihood opportunities and have possibilities to carve out the niches in upper end markets with certain supportive regulations and provisions from the state.

To explain why the region failed to construct vibrant industrial clusters unlike other parts in the country, three arguments are forwarded. *One*, as indicated there was no dire need to sustain livelihood so long livelihood from the primary sector was secured. *Two*, the provisions made by the welfare state after the independence created more opportunities for the service sectors in this relatively less populous region, relieving and helping the educated people not desirous to continue in the farm sector to shift and at the same time also reliving them from putting effort to start something from own endeavour¹⁰. *Third*, the legacy of the skills of the important manufacturing and crafts of this region found space only to produce goods for niche markets and these have occasional as well as culture based requirement and not for day to day need of mass consumptions as machine made cheap goods began to be imported. The region thus shifted from primary to tertiary sector in occupational diversification process pushing the secondary sector to sideline. The relative resourcefulness had placed the people of the region in an environment that required little effort for survival, and this affected entrepreneurial push for a vibrant industrial process at the later periods. This situation largely prevailed until the liberalization of the economy in 1990s.

With the passage of time livelihood in the primary sectors not only got constrained with increase in population size; it also became unremunerative with the challenges posed in the liberalised economy. At the same the withdrawal of the state from many

¹⁰ Data reflect that a large section of people in urban areas of the northeast India still absorbed by the public services. This is more particularly in the thinly populated hill states where eligible people from agriculture households find space a public service job.

sectors of the economy, put break on job creation in the service sector that had flourished in the region. For example, during 1991-2010 jobs in the organized public sector in Assam had increased by just 26,000 whereas jobs in private sector had increased by about 39,000. During the period 1991-2011 population in the state however increased by 8,754,950 indicating that people were compelled to get engaged in unorganized sector including agriculture for livelihood. Those who tried to stick to traditional industries faced constraints to earn a remunerative return. The constraints are not only due to invasions of cheap, attractive and affordable industrial goods but also due to absence of certain regulatory supports from the government. Survival of all traditional industries now depend not on comparative advantages of price with the machine made cloths and apparels, but on maintaining their exclusiveness producing culture based and unique products capturing the niche markets. This requires altogether different kind of entrepreneurial initiatives supported by the state. Prior to discussing to the initiatives taken by the states in the region it is necessary to have an understanding on the British initiated industrialization process in the region and to what extent this momentum could be maintained!

III. British initiated industrialisation in northeast India: Why it failed to assure sustainable livelihood in recent times?

The British after taking over the administration of the northeast region slowly started capitalist form of industrialisation process. Oil, coal, timber and tea were the industries initiated with massive investments based on exploration and exploitation of local resources. The exploitation thesis of the British colonial policy targeted at extracting maximum gain from these local resource based industrialization, and for this there were liberal investments. The British fulfilled a double mission in India: one is 'depleting' in terms of exploitation of resources and other was 'creation' of infrastructure built with foreign capital (extract from the notes of Roy, 2000). The positive point was that all this created an environment for industrialization in the region particularly in the plains presently under jurisdiction of the state of Assam. How British had used the resources of the region, how much wealth was drained out and what were impacts in these invested sectors on industrial employment generation in this region is not the scope of this paper. The use of indentured labour brought from the mainland India in tea plantations indicate that the crisis for livelihood was absent among the people in the region. Coming to the present context of crisis in livelihood what is relevant now is to understand the reasons for failure of the governments in the post-independence period to carry forward the industrialization process? The nature of the industries reveals that resources of some (coal, oil) are not perennial, whereas resources of some (tea, timber etc) are renewable requiring planned approach to sustain.

It would be pertinent to examine the present status of the industrial establishments initiated during the colonial period, and how the states at present have been able to carry forward with consolidation and expansion of these industries. The legacy of these industries established by the British is still dominant in the industrial scenario of the region, particularly in the state of Assam. The abundant non-renewable resources, coal and oil are still the leading industries. The northeast region accounts for 25 percent (156 million tones) of the proven and balance recoverable reserves of crude oil, 32 percent (209 billion cubic meters) of natural gas in the country as per the information released by Economics and Statistics Division of the Ministry of Petroleum and Natural Gas in the year 2000. However, at the current annual rate of exploitation (5 million tones of crude oil and 2279 million cubic meters of natural gas) the present explored resources of crude oil shall be exhausted in 20 years, though natural gas reserves could last for another century. However, increasing consumption of crude oil and petroleum products (40% and 17.4 % respectively during 2006-7 to 2010-11) in the country is a major cause of concern for fast depletion of this resource. The north east region has four refineries with capacity of refining 5.7 million metric tones of crude oil. Annual Survey of Industries reflects that during 2009-10, 10278 people were involved directly in the industry group of manufacturing of Coke and Refined Petroleum products with per worker investment of Rs. 7.9 million¹¹. Information reveals that only 80 percent of the capacity of the refineries is utilized, per capita NVA of the workers involved in this sector is much higher than the other industries in the region¹² and even with larger investment this sector failed in generating employment opportunities. Evidences drawn from the enterprises in the unorganised sector of manufacturing of coke, refined petroleum products in the region show a much lower value added compared to the country as a whole or in the states where such industries are concentrated. For example, GVA of all combined sectors of unorganized manufacturing of coke, refined petroleum products in Assam per enterprise was just Rs. 58,488/ and GVA per workers was Rs. 14,622/ in 2000-01 as compared Rs. 77,582 and Rs. 24,173 respectively in the country as a whole and Rs. 221,572 and Rs. 35,723 in the Gujarat¹³. This is an indication only how the region has lagged behind in the sectors where it has advantages

¹¹ This information is however related to Assam state only. Other states of the north east region do not have industries in coke and refined petroleum products in the organized sector, as revealed by the Annual Survey of Industries data.

¹² Per worker NVA of coke and refined petroleum products was Rs. 1.8 million in Assam during 2009-10. This value is however much lower than the country average of Rs. 6.5 million.

¹³ NSSO data (2005-6) shows GVA in unorganized manufacturing of coke and refined petroleum products in Assam show zero return. GVA per worker overall in the unorganized sector is just Rs. 21529/ in Assam compared to Rs. 34133/ in Gujarat and Rs. 24030 in overall country context.

of own resources.

The estimated reserve of coal in northeast region is estimated at 1492.64 million tones (90.23 million tones in Arunachal, 315.4 million tones in Nagaland, 510.52 million tones in Assam and 576.48 million tones in Meghalaya (Geological Survey of India source as on April, 2011: source www.coal.nic.in/reserves2.htm). Production of coal in the region though just 1.7 percent to the country's total and at the present rate of exploitation the coal reserves could last for several hundred years. The question that arises is how are these resources effectively used? Coal produced in the country is mainly used by power sector. About 70 percent of the total electricity produced in India is generated by burning coal and more than 70 percent coal produced in India is used by the power sector. In northeast India there is natural advantage of generating power through the hydro power and thermal power assumes less importance. Moreover, the units generating thermal power in the region are gas based and coal of the region is being used for domestic or commercial uses catering to market demands outside the region¹⁴.

On the other hand, tea and timber industries have had more spatial expansions and created ample livelihood opportunities. In subsequent years, however, unplanned uses of these resources have reduced the scope livelihood in these sectors. There are evidences that the tea sector in the region has paid inadequate attentions to the factors, which are essential to get a competitive yield leading to more avenues of employment. The estate sector of tea plantations in the region do not use their tea areas in full extent and there is deficiency in fertiliser use, non-maintenance of the replanting norms (yearly re-plantation rate in this age-old sector is about 0.4 percent than the desired 2 percent of the total acreages); all crucial to raise the yield. All these have contributed to comparatively low yield (1593 kg/ha in 2007 as compared to 2098 kg in Kenya and 1864 kg in Sri Lanka) and high cost of production, making the sector less competitive in the global market. Inadequate attention to the tea sector has not only reduced its yield and competitiveness, it has affected labour absorption as well. Moreover, data reflects rapid casualisation of workforce in the tea plantations in the post 1998 period. The proportion of casual workers in estate sector of tea plantations stood at 15.6 percent in 2006 (Tea Board of India data quoted by the Statistical Handbook of Assam, 2010). A recent study (Das, 2012) shows the extent of casual workers at 31 percent. On the other hand, the emergence of tea smallholdings in the region only helps the estate sector to use them as a source of outsourcing, restricting employment generation in the organized estate sector. The smallholdings do not come under any labour laws and operate with casual labour without any

provisions of benefits as per plantation labour Act of 1951. All have pushed the tea sector to a low road regime of poor yield and poor labour standard.

The post-colonial period shows rampant exploitation forest resources in northeast region. The Public Interest Litigation filed in the year 1995 against the rampant felling of trees in the forest and the Supreme Court intervention in December 1996 is the clear evidence of this. The ban on felling of trees, however, had a negative impact on livelihood of a large section of people in the region. Hundreds of saw mills and plywood units were closed down since December 1996, affecting livelihood of a considerable section. In the region during 1995-96 to 2001-02 timber units declined from 461 to 136 and employment from 17126 to 1146. Data show that the late nineties, during 1993 to 1999, Assam had lost 820 square km of forest coverage, and in two years during 1995-96 Arunachal had lost 75 square km of forest, Manipur lost 603 square km, Meghalaya 75 square km, Mizoram 292 square km, Nagaland 573 square km and Tripura lost 3 square km of forest (Basic Statistics of NER, 2002, North East Council, Shillong). The region did gain nothing from the massive loss of forest cover as most of the timbers were exported outside the region limiting the possibility to add value. Whatever have happened in the region over the years reduced the scope for sustainable industrialization and livelihood in the region and the loss of more than 15 thousand industrial jobs in just one category of classification. It can be mentioned that the manufactures of paper and paper products, the sector, which largely depends of forest produce, there were lost 4000 jobs during 1995-96 to 2001-02.

IV. State initiatives and policies for industrialisation in northeast India: Subsidies and concessions to usher growth?

The northeast India as a laggard in development process has received centre's attention. At various stages, the Central government has recognized the need to pay special attention for infrastructure development and boost industrialization process in the region. Recommendations from various committees constituted (L C Jain committee in 1990, Borthakur Committee in 1994 and S P Shukla committee in 1997) put emphasis on development of road, rail and power sector development. The fallout of two most important recommendations made by the Borthakur Committee Report in 1994; was creation of a specialized financial institution for the region in 1996, the North Eastern Development Finance Corporation Ltd. (NEDFi) and secondly, the adoption of North East Industrial Policy in 1997 (NEIP, 1997). Moreover, a directive was initiated during the regime of Deve Gowda (1996-97) to spend 10 percent of the total budget of the Ministries of Government of India on north-east region which is known as non lapsable pool of resources. Such initiations further got consolidated during the tenure of Bajpayee government (1998-2004) with establishment of the

¹⁴ High sulphur content in the coal of Assam creates some disadvantages to produce thermal power in Assam.

Ministry for Development of North Eastern Region (DONER) in 2001 to look after and coordinate all programme for the northeast region.

There is need of reviewing how far these strategies have helped to increase the northeast India's new enterprise creation. NEDFi is entrusted with the responsibility for disbursements of subsidies to the industries under the provisions of NEIP, 1997. The status and performances of the industries of the region to an extent would throw light on the efforts of the NEDFi as an institution for the development of the region.

Initiatives for industrial development in northeast India since 1991

Though specific industrial policy for northeast India was adopted in 1997, nevertheless the industrial policy of the country had made certain provisions for industrial development in this region. Considering economic backwardness of northeast India, the Industrial Policy of India, 1991 adopted numbers of concessions and subsidies for the region. With the introduction of the NEIP in 1997, the states have made provisions for concession to industrial units for development of infrastructure, offered subsidies under various components, excise and income tax exceptions for a period of 10 years. One of the main objectives of this paper is to look at the operational aspects of the subsidy components of the industrial policies and to what extent the use of these concessions have been able to make an impact in industrial development and employment generation this region.

The Industrial Policies of India invites Industrial Entrepreneurs' Memorandum (IEM) in the de-licensed sector from intending entrepreneurs. This is to be filled with Secretariat for Industrial Assistance (SIA). Since the inception of New Industrial Policy, 1991 to March 2011, altogether 85,322 IEMs have been filled in the country with proposed investment of Rs. 78,645,620 million and employment of 18.83 millions. In the states of northeast India 1014 IEMs (1.2 percent of the country's total) with a proposed employment of 441,580 (2.3 percent of the proposed in the country) were filled in past 20 years. However, till March 2009 only 130 IEMs could be fulfilled and Rs. 150,900 million were invested to create 11,795 odd jobs in the region. This data indicates that a phenomenal Rs. 12.79 million was spent to create one job in the industrial sector in the region as against Rs. 2.08 million to create a job in the country as a whole. The cost disadvantage argument to invest in the region however cannot explain this huge difference.

Table 1: IEMs Filled in NE States for Industrial Development since NIP of 1991

States	IEM Filled since August 1991 to March 2011			IEM implemented since August 1991 to March 2009		
	Numbers	Proposed Investment in million Rs.	Proposed employment	Numbers	Investment in million Rs.	Employment
Arunachal	53	35630	9123	4	90	474
Assam	610	289430	86657	94	13420	8636
Manipur	5	200	937	1	13	385
Meghalaya	290	121140	37082	26	73	2083
Mizoram	1	270	293	0	0	0
Nagaland	15	163250	302337	0	0	0
Tripura	40	24740	5151	5	720	217
Total NER	1014	634,660	441,580	130	15090	11795
Total India	85332	78645620	18828752	7858	2761930	1325567

* Source: Annual Report 2010-11, DIPP, Ministry of Commerce, GOI

The information on IEMs indicate that concessions, subsidies and other incentives offered in the Industrial Policies of the country as well as in the region have failed to attract initiatives and investment in northeast India. Is industrial investment in the region not cost effective, more particularly in the context of job generation? A look at the subsidy components for industrialisation in the region and amount disbursed in this process would provide some reflection.

Subsidies for industrial development in the states of northeast India

At present four central subsidy schemes - transport subsidy, central capital investment subsidy, central interest subsidy and central comprehensive insurance scheme are operational for the northeast India. From the available data on subsidy disbursed on the first three components, we shall try to assess the industrial investment scenario in the region.

Transport subsidy scheme:

The transport subsidy scheme was introduced in July 1971 for promoting industrialisation in hilly, remote and inaccessible areas. The Scheme is applicable to all the industrial units barring plantations, refineries and power generating units irrespective of size both in public and private sector and the states in northeast India

are eligible under the scheme. Under this scheme, subsidy ranging from 50 to 90 percent is admissible on the transport cost incurred on the movement of raw material and finished goods from the designated rail-heads or ports up to the location of industrial units and vice versa for a period of five years from the date of commencement of commercial production. The scheme has been extended from time to time and at present is valid upto March 2017.

Available data shows that an amount of Rs. 2262.6 million has been released to NEDFi upto December 2004 for disbursement of subsidy. In the country as a whole since inception of the scheme till December 2004 an amount of Rs. 8377.3 million has been released to various states and union territories and the northeast region accounts for more than one fourth of the sanction under this head.

Table 2a: Transport subsidy released for industries of states of northeast India- April 1990 to December 2004

State	No. of Industries	Subsidy for raw materials in Rs.	Subsidy for finished goods in Rs.	Total subsidy in Rs.	Subsidy per unit in Rs.
Arunachal	33	27,187,908	65,209,507	92,397,415	2,799,922
Assam	222	680,027,320	266,699,676	946,726,996	4,264,536
Meghalaya	74	363,428,307	270,048,956	633,477,263	8,560,503
Mizoram	490	110,450,229	-	110,450,229	225,409
Nagaland	177	116,821,881	-	116,821,881	660,011
Tripura	32	21,651,262	-	21,651,262	676,602
Total	1028	1,319,566,907	601,958,139	1,921,525,046	1,869,188

* Source: www.nedfi.com

Table 2b: Transport subsidy released for industries of states of northeast India-April 2000 to March 2011

State	Subsidy amount in Rs.	No of industry availed	Subsidy per industry in Rs.
Arunachal	1,746,308,184	288	6,063,570
Assam	7,733,023,988	NA	
Manipur	69,621,363	14	4,972,954
Meghalaya	5,528,120,647	NA	
Mizoram	587,992,475	2746	214,127
Nagaland	921,155,644	1043	883,179
Tripura	138,716,972	227	611,088
Total	16,724,929,273		

* Source: www.nedfi.com

Table 2a reveals that in 14 year since 1990 Rs. 1921.5 million has been disbursed to 1028 industrial units in the region. This means each industrial unit received transport subsidy at an average of Rs. 1.87 million. Apart from this 70 percent of the subsidies were used for transportation of raw materials from sources to location of the industrial units and only three states namely Arunachal, Assam and Meghalaya had claimed subsidy for transporting the finished goods. Is that the goods produced in such units are consumed locally? What are the types of industrial units utilizing transport subsidies?

The data on transport subsidies also reveal that in past 11 years since April 2000 transport subsidy amounting to Rs. 16,724 million was disbursed to industries in states of northeast India (Table 2b)¹⁵. This is more than 7 fold increase compared to the time period 1990- 2004. Table 2b partially reflects that the amount received by individual industries is enormous.

The capital investment subsidy and interest on working capital subsidy schemes

In August 1971, government of India had introduced the scheme of capital investment subsidy to promote industrialisation in selected district and backward areas. The central investment subsidy scheme 1997 for the northeast region was notified on June 1998, and is effective from 24.12.1997. Under the capital Investment subsidy, there is subsidy of 15 percent of the investment in plant and machinery subject to a ceiling of Rs. 30 Lakh. Since the inception of the scheme, Rs. 432.0 million has been released to Nedfi till December 2004.

Table 3a: Capital investment subsidy released for industries till December 2004

State	No. of Industries	Total Subsidies in Rs.	Subsidy per industry in Rs.
Arunachal	0	-	-
Assam	165	184,001,314	1,115,159
Meghalaya	30	73,026,825	2,434,228
Mizoram	0	-	-
Nagaland	0	-	-
Tripura	32	11,877,977	371,187
Total	227	268,906,116	1,184,608

¹⁵ The comparison of data overlaps the two time periods. This is because data in public domain is not readily available in segregated form. Indication on the trend however is discernible from the tables.

Table 3b: Capital investment subsidy released during - April 2000 to March 2011

State	No. of Industries	Total Subsidies in Rs.	Subsidy per industry in Rs.
Arunachal	32	92,094,219	2,877,944
Assam	NA	1,049,743,350	
Meghalaya	120	682,151,387	5,684,595
Mizoram	7	6,200,010	885,716
Nagaland	119	10,320,130	86,724
Tripura	54	35,722,533	661,528
Total		1,876,231,629	

* Source: www.nedfi.com

In the northeast region till December 2004 Rs. 268.9 million had been sanctioned for capital investment subsidy and these subsidies were concentrated in 227 industrial units in three states of Assam, Meghalaya and Tripura (Table 3a). Data for the period 2000-2011 (table 3b) reflect that all the states of the region except Manipur had availed the capital investment subsidy and number of industrial units and subsidy amount show phenomenal increase over time.

Table 4a: Interest on working capital subsidy released for industries till December 2004

State	No. of Industries	Total disbursement in Rs.	Subsidy per industry in Rs.
Arunachal	-	-	-
Assam	66	23,828,702	361,041
Meghalaya	27	6,623,651	245,320
Mizoram	-	-	-
Nagaland	-	-	-
Tripura	3	416,484	138,828
Total	96	30,868,837	321,550

* Source: www.nedfi.com

Table 4b: Interest on working capital subsidy released during April 2000 to March 2011

State	No. of Industries	Total disbursement in Rs.	Subsidy per industry in Rs.
Arunachal	4	4,324,787	1,081,197
Assam	978	915,199,000	935,786
Meghalaya	392	155,861,672	397,606
Mizoram	-	-	-
Nagaland	-	-	-
Tripura	42	12,541,341	298,603
Total			

The forgoing analysis shows that a disproportionately large number of industrial units have availed the transport subsidy especially in the states of Mizoram and Nagaland. But industries of these states have in general not availed subsidies in other two components. This reflects the non complementarities in the process in the two states. The prime issue therefore is to what extent the states of the region gained out of concessions and incentives in recent times. Can subsidies usher growth? We shall try to address more on these in the next section addressing the industrial scenario of the region based on Annual Survey of Industries and National Sample Survey Organisation data.

V. An assessment on present status of manufacturing sectors of northeast India

Earlier we have mentioned insignificant share of manufacturing sector in the economy of northeast India. In this section we make a detailed analysis on industrialisation process in the region in the post liberalisation period particularly after the initiatives made in the region since 1997.

Progress of industrial development in northeast India since 1990s

Table 5 reflects that manufacturing sector, both the organised and unorganised contributes very insignificant proportion in the economy of north eastern states. The contribution of organised manufacturing sector to NSDP is significant to some extent only in the states of Assam, Meghalaya and Tripura. Same trend is visible in the case of unorganised manufacturing, but Tripura indicates some consolidation in recent times. Compared to the organised sector the presence of the unorganised sector is more visible in the region. From data available on five states of the region it indicates that job opportunity in the organised manufacturing sector is not noteworthy except in Assam and Tripura (Table 5). Table 5 also reflects that number of jobs the organized industrial sector added during past 11 years in the states of the region.

Table 5: Contribution of manufacturing and secondary sector as a whole to the Net State Domestic Product in northeastern states

	Contribution of Manufacturing Sector at 1993-94 prices to NSDP in percentage				Workers in organised manufacturing sector to total workers in percentage		Total workers in organized mfg sector	
	Organised manufacturing		Unorganised manufacturing					
	1993-94	2008-09	1994-95	2008-09	1990-91	2000-01	1998-99	2009-10
Arunachal	-	-	3.16	-	-	-	-	-
Assam	6.34	7.34	2.08	1.60	1.35	1.14	112,546	148,731
Manipur	0.19	0.21	7.20	5.35	0.14	0.09	1,223	3478
Meghalaya	0.88	5.40	1.69	0.52	0.75	0.11	797	6216
Mizoram	1.10	0.42	1.64	0.44	-	-	-	-
Nagaland	0.67	0.44(06-07)	2.33	1.54(06-07)	0.49	0.47	3604	3004
Tripura	0.86	6.81	2.40	6.81	1.35	0.91	7205	28401

* Sources: Nedfi data bank and ASI, various years

A look at the progress of industrial development since the inception of NEIP, 1997 does not depict encouraging picture in the region compared to early nineties, though the time period is too small to evaluate. The number of factories in the organised sector went up by 286 in the region during 1992-97, out of the total increase of 16057 in the country as a whole. In the post 1997 period till 2002-03 the number of factories in the organised sector, however declined by 394 and only in Tripura it showed increase of 16 factories. Growth in capital invested during the period 1997-98 to 2002-03 showed negative trend in the region except in Assam even at current prices. The number of workers in organised sector in the region except Tripura also shows a declining trend. It can be mentioned that only in Tripura, the industrial policy resolution has incentives for labour intensive sectors and this may be the reason for growth of workers in this sector in the state.

Per capita net value added (NVA) taking only the workers' component, shows that in the year 1997-98 the states of Manipur and Meghalaya had higher value than the country average. The NVA during 1992-93 to 1997-98 in the states of Meghalaya, Nagaland and Tripura showed higher growth compared to the country average. During the period 1992-93 to 1997-98 the states of the region though showed a positive trend in NVA growth, in the post 1997-98, except Assam other states showed negative growth of NVA (Table 6).

Table 6a: Progress of Industrial Development in North Eastern States 1992-93 to 1997-98

Characteristics	India	Assam	Manipur	Meghalaya	Nagaland	Tripura
Increase in number of factories	16,057	153	4	11	97	21
Growth in invested capital	111.13	144.16	643.15	-14.48	136.61	446.06
Growth Number of workers	14.37	12.26	125.81	-5.32	3.48	-17.32
Growth in total person engaged	13.19	16.44	143.82	1.77	12.77	-16.29
Wages per worker in 1997-98	41,496	27,887	60,070	68,603	15,083	20,274
Per capita net value added 1997-98	205,061	101805	329,239	248,365	79,486	147,844
Growth in per capita NVA 1992-93 to 1997-8	91.37	36.00	-13.91	217.58	258.95	468.17

Table 6b: Progress of Industrial Development in North Eastern States 1997-98 to 2002-03

Characteristics	India	Assam	Manipur	Meghalaya	Nagaland	Tripura
Increase in number of factories	-7594	-329	-33	-2	-46	16
Growth in invested capital	8.71	40.22	-9.57	-5.45	-77.71	-65.97
Growth Number of workers	-18.98	-25.20	-62.90	-44.82	-33.16	52.75
Growth in total person engaged	-20.64	-28.42	-72.41	-62.43	-42.66	40.28
Wages per worker in 2002-03	48,184	30,011	16,698	25,367	16,821	15,940
Per capita net value added 2002-03	279,705	323,015	146,565	188,345	67,815	41,375
Growth in per capita NVA 1997-8 to 2002-03	36.40	217.28	-55.48	-24.16	-14.68	-72.01

Table 6c: Progress of Industrial Development in North Eastern States 2002-03 to 2007-08

Characteristics	India	Assam	Manipur	Meghalaya	Nagaland	Tripura
Increase in number of factories	18,428	327	25	49	-15	81
Growth in invested capital	100.8	64.76 %	155.86	543.75	32.74	384.84
Growth Number of workers	33.05	21.47 %	133.01	123.99	10.11	89.69
Growth in total person engaged	31.71	21.10 %	122.20	127.02	6.82	84.89
Wages per worker in 2007-08	62,246	37,769	23,300	64,495	20,088	17,293
Per capita net value added 2007-08	460,742	243,865	40,264	965,974	124,949	62,665
Growth in per capita NVA	64.7	8.86%	147.3	1303.25	174.04	217.85

Table 6d: Progress of Industrial Development in North Eastern States 2007-08 to 2009-10

Characteristics	India	Assam	Manipur	Meghalaya	Nagaland	Tripura
Increase in number of factories	12,492	388	16	10	-14	67
Growth in invested capital	51.0	12.7	248.6	124.3	382.1	80.0
Growth Number of workers	11.7	11.2	20.8	4.8	7.3	24.4
Growth in total person engaged	12.8	10.8	27.8	11.3	1.0	24.0
Wages per worker in 2009-10	75,281	49,332	35,356	72,652	19,880	22,267
Per capita net value added 2009-10	502,130	340,354	42,726	793,163	452,796	78,941
Growth in per capita NVA	22.9	54.58	35.6	-8.65	266.0	56.3

* Source- Annual Survey of Industries, various years

In the first decade of 21st century the region showed some vibrancy in the industrial sector with growth in capital invested, workers and NVA. Despite the vibrancy, the worrying factor is that average wage received by the workers of the region in the organized industrial sector is much lower than the country average.

Overall the subsidy amount of Rs. 19689 million since the year 2000 have been able to generate just 65,000 odd jobs in the region, on an average subsidy of about Rs. 3 lakh incurred to create one job.

The Case of Unorganised Manufacturing in the states of northeast region

It is claimed that northeast India has potential for many livelihood generating activities based on its natural resources. The Industrial Policies of some states in the region have identified certain non-farm sectors than can be leased on local resources. The NSSO data reveals that barring Manipur and Tripura the contribution of unorganised manufacturing to the NSDP in the region is much less than the country average. In recent times as revealed by the 62nd round of NSSO Assam, Meghalaya, Nagaland and Tripura have shown considerable growth in the number of enterprises as well as employment in unorganized sector (Tables 7a and 7b). Moreover, productivity of workers in this sector is not dismal as compared to the country average (Table 7b). The NSSO round 56th revealed that in the states of the region, food and beverages,

manufacturing of wood products, textiles and manufacturing of wearing apparel accounted for larger share of employment and value added in the unorganised manufacturing sector (Table 8a). This is because products of these components fulfill the daily necessities and requirements of the local people and have readily available markets. The processing and manufacturing activities of these units are based on local resources and local people are equipped with the skill to carry out these activities. There are wide scopes of generating large scale employment opportunities through promotion of these sectors capable of producing exotic and culture based production exploring the niche market outside the region. Activities in these potential livelihood generating sectors are yet to emerge on large scale though Industrial Policies of the region have promised for these. Apart from these activities the recent 62nd round NSSO shows emergence of some enterprises such as fabricated metals (in Arunachal and Meghalaya), non-metallic minerals (in Meghalaya and Tripura) and printing and publishing (in Tripura) (Table 8b).

Table 7a: Enterprises in unorganized manufacturing sector in states of northeast India

States	Estimated number of enterprises, 1994-95	Estimated number of enterprise, 2000-01	Estimated number of enterprise, 2005-06	Growth % of enterprise during 2000-01 to 2005-06
Arunachal	3709	400	859	114.8
Assam	307099	278400	370781	33.2
Manipur	59114	53900	52518	-2.56
Meghalaya	22856	28000	36987	32.1
Mizoram	4934	6300	5101	-19.0
Nagaland	11179	5700	9906	73.8
Tripura	56876	35500	45370	27.8
India	14504111	17024100	17070820	0.27

Table 7b: Significance of unorganised manufacturing sector in north-eastern states of India

States	Estimated number of workers 1994-95	Estimated number of workers 2000-01	Estimated number of workers 2005-06	Growth of workers 1994-95 to 2000-01	Growth of workers 2000-01 to 2005-06	Percentage of people in unorganised manufacturing to total workforce 2001	NVA per worker in Rupees 2000-01	NVA per worker 2005-06
Arunachal	10106	1167	3301	-88.45	182.9	0.29	44093	121811
Assam	622814	498817	632481	-19.91	26.8	6.17	16395	21529
Manipur	72976	78854	81370	8.05	3.2	10.14	13236	14533
Meghalaya	43720	55234	90437	26.33	63.7	7.29	20094	34948
Mizoram	9140	11815	9447	29.26	-20.0	3.50	34632	35831
Nagaland	20676	10056	16307	-51.36	62.2	1.94	20687	33250
Tripura	122285	72594	144860	-40.63	99.5	8.45	12776	24758
India	33202405	37080800	36442799	11.68	-1.72	11.80	16233	24034

* Source: Unorganised manufacturing in India, NSSO 56th and 62nd Rounds and Census of India 2001

Compared to the soggy picture revealed by the enterprises in the organized sector, the unorganized manufacturing sector in the region shows a promising picture. As the data reflects, some categories of manufacturing in unorganized sectors assume importance in the states of northeast India.

Third All India Census of Small Scale Industries of 2001-02 conducted by Ministry of Small Scale industries had captured a similar scenario. The data of registered SSI sector reveals that there are 12 clusters having 100 or more units producing same products in a district of the region. Out of these 12 clusters eight were in Assam, three in Manipur and one in Mizoram. Out of the eight clusters in Assam, three were clusters of rice milling and preparation of rice products, two were of furniture and fixtures, one each was of manufactures of grill and gate, wire nets and of garments, cotton and knitwear. In Manipur the clusters were of furniture and fixtures, almirah and cabinet making and sweaters and cardigan manufacturing. In Mizoram the cluster was of manufacturing of furniture and fixtures.

Table 8a: Important sectors in unorganised manufacturing in terms of livelihood and productivity in north eastern states of India (56th Round- 2000-01)

States	Sectors	No. of people engaged	Percentage to total unorganised mfg. workers	Annual GVA per worker in Rs.	Contribution of the sector to total GVA in unorg.Mfg.
Arunachal	Mfg. food & beverages	516	44.22	47316	47.32
	Wearing apparel	172	14.74	45487	15.19
Assam	Mfg. food & beverages	159687	32.01	13185	25.74
	Wood products	107540	21.56	15298	20.11
	Furniture mfg.	74572	14.95	23581	21.50
	Textiles	70508	14.13	12483	10.76
	Wearing apparel	36968	7.41	20520	9.28
Manipur	Textiles	45773	58.04	7897	34.63
	Wearing apparel	10386	13.17	10888	10.83
	Mfg. food & beverages	6562	8.32	20409	12.83
	Furniture mfg.	6498	8.24	34598	21.54
	Wood products	5083	6.44	20126	9.80
Meghalaya	Wood products	24353	44.09	11584	25.42
	Mfg. food & beverages	11872	21.49	31785	34.00
	Wearing apparel	5662	10.25	23008	11.74
	Textiles	4227	7.65	10006	3.81
	Furniture mfg.	2823	5.11	34279	8.72
Mizoram	Mfg. food & beverages	3924	33.21	19682	18.87
	Wearing apparel	2213	18.73	29979	16.21
	Furniture mfg.	1769	14.97	50361	21.77
	Wood products	1546	13.08	23895	9.02
Nagaland	Mfg. food & beverages	3297	32.79	20384	32.30
	Textiles	2815	27.99	16429	22.23
	Wood products	1107	11.01	20792	11.06
Tripura	Mfg. food & beverages	23978	33.03	12376	32.00
	Wood products	22980	31.66	7977	19.77
	Textiles	9706	13.37	12487	13.07
	Furniture mfg.	5157	7.10	22256	12.38
	Wearing apparel	3687	5.08	16892	6.71

* Source: Unorganised manufacturing in India, NSSO 56th round, 2000-01

Table 8b: Important sectors in unorganised manufacturing in terms of livelihood and productivity in north eastern states of India (62nd Round- 2005-06)

States	Sectors	Contribution of the sector to total GVA in unorg. Mfg. in %
Aruanachal	Mfg. of food and beverages	47.4
	Mfg. of fabricated metals	22.8
	Mfg. of furniture	13.2
Assam	Mfg. of wearing apparel	8.4
	Mfg. of food and beverages	30.5
	Mfg. of furniture	17.1
	Mfg. of wood products	14.2
Manipur	Mfg. of textiles	13.2
	Mfg. of wearing apparel	7.3
	Mfg. of textiles	37.7
	Mfg. of furniture	27.5
	Mfg. of food and beverages	15.0
Meghalaya	Mfg. of wood products	6.7
	Mfg. of wearing apparel	6.7
	Publishing & printing	3.7
	Mfg. of food and beverages	21.3
	Mfg. of other non-metallic minerals	19.3
	Mfg. of wood products	15.2
Mizoram	Mfg. of furniture	10.3
	Mfg. of fabricated metals	10.1
	Mfg. of furniture	31.9
	Mfg. of food and beverages	23.3
	Mfg. of wearing apparel	15.4
Nagaland	Mfg. of wood products	9.8
	Mfg. of textiles	9.8
	Mfg. of food and beverages	41.5
	Mfg. of textiles	14.3
	Mfg. of furniture	14.0
Tripura	Mfg. of wearing apparel	13.0
	Mfg. of wood products	5.9
	Mfg. of other non-metallic minerals	49.0
	Mfg. of wood products	14.8
	Mfg. of furniture	14.1
	Mfg. of food and beverages	8.9
	Publishing & printing	3.7

* Source: Unorganised manufacturing in India, NSSO 62nd round, 2005-06

On the other hand, in the unregistered sector 36 clusters were recorded by the Census on SSI in the region having more than 500 units producing the same products and services in a district. Out of these 36 clusters 22 were located in Assam, 11 in Manipur, two in Nagaland and one in Meghalaya. Out of the 22 clusters in Assam, 9 were of rice milling and preparation of rice products, three of tailoring, two each of furniture and fixtures and steel fabrication, one each of cane furniture, embroidery, molasses, jewelry, woolen vests and concrete products. In Manipur the 11 clusters were of rice milling and rice products (3), wooden sleepers and poles, almirah and cabinet making, benches, furniture fixtures, woolen knitwear, embroidery, sculptor and of agriculture implements. In Nagaland the clusters were of rice milling and sawn timber and in Meghalaya the cluster was of furniture and fixtures.

All these reveal that in the states of northeast region the manufacturing clusters in the small scale industrial sector, both registered and unregistered are based on local resources, local demand and are traditional in nature; and have potentiality to grow. In recent times India has witnessed emergence of numerous clusters producing goods to the changing market demand as well as for the niche markets. The challenges that how remunerative is the small industries and enterprises in the unorganized sector capable of generating enormous employment opportunity with low investments can be linked to the niche market and ensure their sustainability.

VI. Emerging industries in the liberalized regime: Does northeast India find space

The forgoing discussion in the previous section shows that the northeast India has advantages in certain industries backed by its internal resources. All could take form of a Marshallian industrial district model, concentrating on intra-district activities of production and consumption¹⁶. This is however true that nature and structure of the industries changes with time and many new industries are emerging in recent times. Moreover, liberalization and globalisation and the increased specialisation of the economy, also create opportunities for supplementing the internal circumstances by external factors. Park (1995) mentioned that Marshallian industrial district model is not a common type in developing countries because of insufficient development of local networks. This however, may not be true in all contexts. However, there is

¹⁶ Alfred Marshall (1922) envisaged a region where the business structure consists of small locally owned firms, making local investment and production decisions, a substantial part of whose trade is carried out within the district, often on the bases of long-term contracts, and trust, and where low economies of scale prevented the rise of large firms. The distinguishing feature of this model is the local labour market, which is internal to the district and highly flexible. Individuals move from firm to firm, and owners as well as workers live in the same community; they appear to be committed more to the district rather than to the firm, so that labour out-migration is minimal.

possibility that a local industrial space could develop with external linkages. The northeast region may also develop a variant of hub and spoke type industrial district model having extensive local supplier linkages and non-local consumer linkages (that is the region based on its local resources and exotic production capture external upper end market outside the region) or even develop a satellite platform of non-local resource as well as non-local consumer linkages keeping the production base under its domain¹⁷. The strength and weaknesses of each model is not under the scope of this paper. However, it is argued that industrial space requires a broader institutional approach and must encompass embeddedness across its boundaries and a purely locally targeted development strategy may fail to achieve its goals (Markusen, 1996).

This means that apart from ushering and strengthening industrialization process based on available local resources, the region also needs to target gain from higher level of value addition through the globalised environment. In recent times with technological development and liberalization of the economy many industries have emerged in the country and some industries have become more vibrant attracting foreign direct investments. The GDP growth in such industrial sectors shows a heartening pace in the post reform era. The growth of information technology and automobile industry has attracted sufficient foreign and domestic investment in recent times and could create their niche in the international market. Such development has generated jobs in the main sector and several ancillaries and changed the structure of the labour market in the country. Moreover, the production base of major export earning items such as textiles and readymade garments, engineering goods and chemical products show rapid pace with the rise in export share and consequent multiplier effects has expanded the workforce in these sectors.

The question arises to what extent the emerging industries of the country find space in the northeast region? During April 2000 to March 2012 the country has seen inflow of US \$ 170,407 million of which the states of northeast region accounts for just US\$ 73 million.

The major components required for industrializations in certain sectors or sub sectors-namely the raw materials and labour are available in abundance in the region. Even the bases for power generation are available in abundance though a very small proportion is being utilized. What is missing is the effort of the people as well as lack of capital to utilise the resources available. Efforts of the government seem to

¹⁷ Handloom weaving could emerge as a model of such type. Northeast region of India has one of the highest concentrations of weavers in the country and could add value to the imported yarn producing exotic design and products to niche markets.

be well directed as industrial policies adopted in the region have made the provisions for attracting investments. Moreover, there are efforts to generate a new generation entrepreneurs. Often the reasons for slow industrialization focuses that the investors from outside the region do not find it attractive to invest in this conflict prone region. On the other hand, the subsidies and concessions doled out by the state do not reveal state's unresponsiveness. Moreover, in the present liberalized environment constraints of local resources can not deter an industrialization process in a region. What is perhaps required is a more supportive and congenial environment with appropriate regulations from the state.

VII Can industries of northeast India cope with challenges at present times

Majority of the industries in the northeast India are in small and unorganized sector. The all India census of small scale industries of 2001-02 reveals that out of the total 22.62 lakhs units permanently registered in the region, 39 percent were found to be closed in the third census.

The proportion of registered closed units in the states of the region were 49.3 percent in Arunachal, 41.7 percent in Assam, 21 percent in Manipur, 49.6 percent in Meghalaya, 32.5 percent in Mizoram, 18.5 percent in Nagaland and 52.9 percent in Tripura. The reasons for the closure of the industries were not elicited in the census. However, a sample survey conducted in 2000-01 to draw out the causes of closure, revealed three main causes of closure; namely the problem of market access, problem of finance and competition faced in the market. These three reasons seem to be universal for entire SSIs in the country. This indicates that the small scale entrepreneurs need the information on market access, small time finance on working capital to carry on operations and developing their capability to produce quality products creating their own niches. All these in general reflect that the issue of subsidy and concession involving huge financial investments could take a backseat. What is required is the provisions of real services (Brusco, 1990); rendering the information of market to the entrepreneur, facilitation of soft loans for working capital and making provisions of training to upgrade the skill and quality of the products. All these are not expensive to the state exchequer as compared to the huge amount of subsidies disbursed in this region. It is true that in many cases to procure the working capital and raise the finances for daily living many entrepreneur sell their products at a throw away price at market. The case on handloom sector would consolidate our argument for making provisions of real and regulatory services for a vibrant industrialization process in the region.

Weaving is one of the most traditional industries in the region with advantages of localized resources and skill, capable of adding immense value and employment

opportunities. The National Textile Policy, 2000 says that handlooms must produce for upper end products to sustain competitions from the cheap products of power looms and mills. The constraints, however is more in the front of poor supply of yarn to add value and sustain livelihood of the weavers. India overall has an annual demand of 32,150 MT of raw silk at present. Production of raw silk in India (both mulberry and non-mulberry) in 2009-10 was 19690 MT leaving a shortfall of about 12,462 MT, which need to be imported. During 2009-2010 India had imported 7500 MT of silk mostly from China (Source: Final Report: National Fibre Policy Sub-Group on Silk, 2010-11). This shows even import from other countries failed to meet the requirement of silk yarn of the weavers in our country. In the silk weaving hub of Sualkuchi in Assam, there are severe shortfalls of yarn, internal production of mulberry and non-mulberry silk meets just one fourth of the demand of the looms. Survey findings reveal that at present 50 percent of the looms of the hub are operating based on resources made available from China. Local evidences reveal a positive impact of the inflow of Chinese yarn in terms of raising opportunity to weave and add value. However, Government of India is apprehensive about the inflow. There is widespread concern in India that the quantum of yarn import from China has increased in absolute terms and in relation to consumption in India. The dumping and import of cheap Chinese silk has gone up in the past few years and it has affected the internal production of the mulberry silk, which fall by about 20 percent affecting the local rearers (Ministry of Commerce and Industry, 2003). The fall out of this is that now the landed price of imported Chinese yarn accounts for 31 percent import duty, whereas landed price is about Rs. 1100/ per kg (Source: Final Report: National Fibre Policy Sub-Group on Silk, 2010-11). Notification on imposition of anti-dumping duty on Chinese silk came in September 2003 after investigations on anti-dumping by the Ministry of Commerce and Industry. Now in January 2012, Government of India further extended the anti dumping duty for the next five years.

Reportedly, most of the Chinese mulberry yarn being imported are of superior variety (2A grade and above). The pegging up of the price after India levied the anti-dumping duty, affected the production regime of the weaving hub, which developed a national as well as transnational linkage ensuring livelihood to a significant section. In this regard re-thinking and assessment is required to look into the interest of the weaving community who faces shortage of supply and procure yarn at prohibitive prices.

Apart from such regulatory decisions at the macro level, factors at local level too have affect on weavers. Market survey shows that even in the past few years prices of yarn of different varieties have increased by 30 to 35 percent. The petty weavers, who buy yarn in small quantities are not aware of what is the right price of yarn and

fall prey to the traders. Moreover, very often the weavers go for distress selling to raise their working capital required on a daily or weekly interval. The weavers need short term loan to meet the requirement of working capital so that they do not loss their bargaining strength. In such case it is important for the government to re-examine and reassess the needs of the entrepreneur class. One can find such numerous evidences which reveal the struggle of small scale entrepreneurs and artisans in a poorly regulated economy.

VIII. State subsidies to regulations and real services for industrialisation

This paper has raised some critical concerns on the process of ushering industrialization through state offered subsidies and concessions in the northeast region of India. The aggregate data on subsidies released for industrialization and the progress of both the organised and unorganised sector in the region do not reveal an encouraging picture. It is true that many factors influence industrial development, but the state has prime role in creation of the social overheads and provisioning of incentives such as subsidies. In context of underperformance of a sector in a subsidised environment, the subsidy component is often questioned.

It is argued that development subsidies remain a political issue with clear costs but unclear aggregate benefits (Gadzey et al. (www.auburn.edu)). Is it possible to draw such conclusion in context of the northeast India? Undoubtedly, all the incentives for ushering industrial growth in the region have their merits; but have failed to deliver the desired result. Is it that people who took the initiatives in industrialisation were not capable or responsive enough to adapt to the changing market needs? The disbursement data on subsidy showed that 85 percent of sanctioned amount of transport subsidy, 62 percent of capital investment subsidy and 95 percent of subsidy on interest on working capital were used by entrepreneurs of this region. This shows that entrepreneur class has been able to grab the opportunities offered by the state and this is a prime quality of an entrepreneur (Kirzner, 1973).

The overall performances however, make us skeptical about the continuance of the state's program on subsidies for industrial development. There is scope to believe that the massive amount of subsidies disbursed in this process create windfall gain to a section of people and only a few gains as seen from the figures on employment generation. A look at the exceptionally large number of industrial units availing transport subsidies in relatively non-industrialised states of Mizoram and Nagaland in this region reveal that most of these units are small bakeries, tailoring establishments, petty steel fabrication shops; all cater to the local market needs. The reliance on transport subsidy raises questions on the region's capability to cultivate industrial growth based on own resources.

Industrial growth and development not only depend on financial incentives, it also depends on relative cheap labour and energy along with good infrastructures. However some facilitation processes, what are termed as real services of the state – identification and dissemination of information on viable locations to set up the industry, raw materials and capital availability, skill training in targeted sectors etc. could help in initiation of industrial activities and performances (Brusco, 1990). Some more examples of such real services are technical and managerial advice; information services that help linking local producers with distant markets, including data on markets, prices, competitors and trade policies; technology support that help local producers upgrade quality and design; benchmarking services that help local producers compare their performance with global best practice; technical assistance to meet new global standards and the development of local quality labeling (Nadvi, 1999). There are evidences on the role of such real services in industrial development (Brusco, 1990, Das, 2000). Industrial Policies of some of the states of the region mention some of these real services, and intend to help the prospective entrepreneurs in the region (Appendix Table 2). Policies described by Ross and Friedman (1990), Clarke and Gaile (1992), and Hanson (1993) involve indirect assistance to promote firm growth, accelerate technology transfer, expand training, create a favorable business climate, and increase capital availability for firms. Apart from such indirect assistance to promote growth there is also efforts of involving direct state partnership with private enterprise. The goal of such policies, however, is not to generate profit of assisted firms but to generate employment and living standard (Bradshaw and Blakely, 1999).

Northeast India despite having abundant resources has lagged behind in industrialisation process and here most of the local entrepreneurs are first generation entrepreneurs. It is true that the region needs investments to usher the industrialisation process. There is substantial investment shortfall not only in the region, but also in the country. The tendency of the governments, both at the centre and the states, is to attract investment by using concessions. Such efforts make unprofitable projects appear viable (Olsson, 1994; Pani, 2003). These concessions vary from project to project; have ranged from offering potential real estate profits, to sovereign guarantees for the rate of return on investment. These efforts make some unprofitable projects viable in the short run, which are not inexpensive to the state exchequer. Is this the reason that in recent times we see decline in number of industrial units and workers in the region? The trend however is set to reverse in past two-three years. Could it yield better results by government playing role of arranging finance for genuine entrepreneurs at competitive interest rate but not without appropriate security? The industrial policy of Arunachal 2001 finds a mention on this. Moreover, it is not true that source of finances are not internally available in this region. Credit deposit ratio

of the commercial banks in this region is just 22.5 % in Arunachal to 43% in Mizoram compared to the national average of 79.2 percent in March 2011. Caprio and Demirgüç-Kunt (1997) study revealed that firms grow faster and are more productive when more long-term finance is available to them. Government subsidies do not produce the same effects and are in some cases associated with reduced productivity and growth. Caprio and Demirgüç-Kunt (1997) study investigated whether industrial firms in developing countries suffer from a shortage of long-term credit and whether that shortage affects the firm's investment, productivity, and growth. Using both cross-country empirical analysis and country case studies, it found that developing country firms use significantly less long-term debt than their industrial country counterparts. They explain the difference in debt composition of industrial and developing countries in terms of firm characteristics, the country's level of financial development, legal and institutional factors and government subsidies and conclude that more long-term finance tends to be associated with higher productivity.

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Appendix Table 1: Percentage distribution of usually working persons in principal status by board industry divisions

Rural

		Agri	Mining	Mfg	Utility	Const.	Trade & restaurants	transport	Finance, business	Pub.adm
Arunachal	1993-4	86.4	0.1	0.8	0.8	2.6	0.2	1.6	0.4	6.8
	2004-5	81.9	0.0	0.4	0.9	4.1	2.2	0.6	0.6	9.2
	2009-10	75.6	0.9	1.3	0.9	5.5	3.3	1.7	0.3	10.6
Assam	1993-4	79.2	0.2	3.5	0.3	0.7	6.9	1.3	0.3	7.7
	2004-5	71.2	0.3	3.1	0.2	2.8	10.2	2.8	0.2	9.3
	2009-10	69.4	0.3	3.6	0.0	3.6	9.8	2.8	0.5	9.9
Manipur	1993-4	63.8	0.1	12.3	0.3	2.8	4.5	1.5	1.0	13.7
	2004-5	67.8	0.6	7.7	0.0	3.5	7.0	2.4	0.2	10.8
	2009-10	55.0	0.3	8.8	0.0	10.6	11.6	2.1	0.2	11.3
Meghalaya	1993-4	86.0	0.5	1.0	0.3	1.6	3.8	1.1	0.0	5.8
	2004-5	81.9	1.3	3.5	0.4	2.3	5.4	1.1	0.0	4.2
	2009-10	71.7	3.1	2.6	0.1	3.8	8.0	2.9	0.1	7.6
Mizoram	1993-4	88.9	0.0	0.5	0.2	1.2	1.9	0.1	0.1	7.1
	2004-5	87.5	0.0	0.8	0.0	1.0	3.5	0.5	0.2	6.6
	2009-10	83.4	0.2	1.2	0.0	1.9	3.9	0.6	0.0	8.7
Nagaland	1993-4	74.9	0.6	0.2	0.3	1.8	4.5	0.6	0.0	17.1
	2004-5	77.2	0.0	2.0	0.5	1.9	4.7	1.7	0.3	11.5
	2009-10	72.0	0.2	0.3	0.6	2.4	7.0	2.7	0.1	14.7
Tripura	1993-4	47.6	0.0	5.4	0.2	6.8	10.7	3.2	4.0	26.3
	2004-5	42.8	0.0	4.9	0.0	11.6	11.1	3.8	0.1	25.8
	2009-10	35.4	0.4	6.6	0.0	29.8	12.4	4.5	1.5	9.5

Urban

		Agri	Mining	Mfg	Utility	Const.	Trade	transport	Finance,	Pub.adm
Aruna-chal	1993-4	7.4	0.0	13.3	3.6	9.3	15.0	5.3	2.9	42.5
	2004-5	11.2	0.0	3.6	0.2	8.1	22.7	2.4	1.3	50.4
	2009-10	14.0	0.2	1.5	2.5	9.6	19.4	4.5	1.3	47.2
Assam	1993-4	2.6	6.3	10.4	0.6	2.8	19.0	7.5	2.0	38.6
	2004-5	3.8	1.4	10.4	2.9	5.8	28.6	13.4	2.5	32.5
	2009-10	1.4	2.0	9.3	2.5	7.9	34.7	11.7	3.3	27.2
Manipur	1993-4	27.1	0.0	14.4	1.2	2.6	13.7	3.1	2.2	33.3
	2004-5	25.9	0.0	13.7	0.0	4.8	19.7	4.4	1.4	30.0
	2009-10	20.0	0.0	11.0	0.0	7.5	28.9	3.5	2.3	27.0
Meghalaya	1993-4	2.3	0.1	2.2	0.6	8.0	25.2	1.7	1.8	56.9
	2004-5	2.0	0.2	5.5	1.7	4.8	15.3	4.5	1.7	64.3
	2009-10	5.8	1.2	3.9	1.4	9.8	22.8	8.8	1.9	44.4
Mizoram	1993-4	41.1	0.1	4.4	0.3	4.8	14.0	1.3	0.1	33.1
	2004-5	36.2	0.1	5.1	0.0	4.9	17.1	2.6	1.2	32.8
	2009-10	36.2	0.6	4.7	0.1	8.3	16.7	3.9	0.3	29.1
Nagaland	1993-4	5.4	0.5	4.1	0.4	7.8	22.0	3.7	1.7	53.5
	2004-5	9.1	0.0	5.7	1.5	3.9	40.1	5.5	0.9	33.3
	2009-10	14.8	0.0	1.0	1.3	7.1	21.1	9.9	0.3	44.4
Tripura	1993-4	5.2	0.7	8.7	0.3	2.8	17.3	6.0	3.9	53.8
	2004-5	4.2	0.0	7.2	0.5	6.6	27.2	4.4	1.9	48.1
	2009-10	2.2	0.0	9.0	0.0	16.9	23.1	10.7	4.2	33.9

Appendix Table 2: Subsidies and Concessions offered and scope of Real Services in the Industrial Policies North Eastern States

State	Incentives and Subsidies for Industrial Investments	Provisions of Real Services
Arunachal Industrial Policy 2001	<ul style="list-style-type: none"> * All incentives granted by Central governments - Central capital investment subsidy, transport subsidy, interest subsidy and comprehensive insurance schemes * Cent percent equity ownership to investors from outside the state for a period of 30 years, holding of land on lease for 30 years renewable for further 30 years on annual and lump sum payments to be used as security for loans from financial institutions * 15 percent price preference to the products of registered SSI units and 7.5 percent to cooperative ventures * Exception of earnest money for SSI units and 50 percent subsidy for purchase of testing equipments to SSI units and reimbursement of registration fee with the BIS. 	<ul style="list-style-type: none"> * State level empowered committee to facilitate the establishment of industries from a single window * Udyog Sahayak cell at each DIC to guide entrepreneurs in setting up projects and arrangement of finance * Data bank for the benefits of entrepreneurs.
Assam Industrial Policy, 2003	<ul style="list-style-type: none"> * Capital investment subsidy of 30 percent to a ceiling of Rs. 20 lakh for eligible units and 25 lakh for EoUs * 30 percent interest subsidy on working capital for a period of 5 years to a ceiling of Rs. 5 lakh or 20 percent of the turnover whichever is less during the entire period of claim * 50 percent subsidy on power for connection load upto 1.0 MW to a ceiling of Rs. 10 lakh and 30 percent or a ceiling of 20 lakh per annum for load above 1.0 MW * 50 percent subsidy for captive power generation to a ceiling of Rs. 10 lakh * 50 percent subsidy on rent/fee payable by units in participating trade fair/exhibitions to a ceiling of Rs. 50 thousand in India and Rs. 1.0 lakh for international exhibition and fair * Special incentive for units set up by FDI - allotment of land, capital investment subsidies of 30 percent to a ceiling of Rs. 25 lakhs and power subsidies in three slabs upto 30 percent for 5 years and development subsidies of 10 percent upto Rs. 20 lakhs 	<ul style="list-style-type: none"> * Simplification of procedures for entrepreneurs and investors, high power single window clearance
Manipur Industrial Policy 2002	<ul style="list-style-type: none"> * Allotment of developed land at 25 percent subsidies priced for SSI, 30 percent for EOUs and weaker sections and 15 percent for large and medium units * Rental subsidy of 50 percent on allotted sheds to SSI, 55 percent for EOUs and weaker sections of entrepreneurs for 5 years * Capital investment subsidy of 30 percent to a ceiling of 15 lakh to establish industries in thrust areas, for EOU 	NA

* Source: NSSO 50th, 61st and 66th rounds on Employment and Unemployment

	<p>rate of subsidy is 35 percent to a maximum of Rs. 20 lakh. Transport subsidy of 10 percent of the actual freight to a maximum of Rs. 1.5 lakh for transportation of raw materials from Eastern Indian states. For transportation of finished goods product limit is Rs. 2 lakh. Interest subsidy on working capital of 5 percent per annum on working capital for 5 years and 7 percent for EOU and weaker section of entrepreneurs</p> <p>* Power subsidies 50 percent to a ceiling of Rs. 50,000/ on cost for linking power from main line to factory shed, 55 percent for weaker section and EOUs. 40 percent subsidy for purchase of diesel generating sets to a ceiling of Rs. 90,000/, this is 50 percent to a ceiling of Rs. 1 lakh for EOU and weaker section</p> <p>* Exception of local sales tax.</p>	
Meghalaya Industrial Policy 1997	<p>* State capital investment subsidy of 15 percent to a ceiling of Rs. 3.5 lakh, additional 5 percent subsidy for EOU, development subsidy at a rate of 10 percent to fixed capital investment to a ceiling of 1.5 lakh, interest subsidy of 4 percent on term loans to a maximum of 10 thousand for 5 years.</p> <p>* Reimbursement of 30 percent wage bill for local tribal employees to a ceiling of Rs. 50 thousand annually for 3 years in units where investments in plant and machineries exceeds 5 lakhs or employ more than 20 employees.</p> <p>* 50 percent subsidy on training of local tribal employees in a govt. approved institution</p> <p>* Power subsidy of 80 percent and 20 percent for load upto 2 MW and above 2MW respectively to a ceiling of 2 lakhs for 5 years, 50 percent subsidy on cost of gensets in non-electrified rural areas, reimbursement of drawal of power line of 1 KV and above to a ceiling of 1 lakh in an govt. approved location. * Reimbursement of cost of laboratory equipment of quality control to a ceiling of Rs. 10 thousand * Sale tax exemption for 9 years from commencement of production* Reduced finance tax from 12 percent to 4 percent for local entrepreneurs</p>	NA
Mizoram Industrial Policy 2000	<p>* Allotment of developed land at 25 percent subsidies priced for SSI</p> <p>* Rental subsidy of 50 percent for sheds in industrial estates for SSI and tiny sectors</p> <p>*50 percent Subsidy in training for attending manpower development programme outside state to a ceiling limit of Rs. 3000/ per trainee and maximum Rs. 25,000/ per unit in a year.</p> <p>*4 percent interest subsidy on working capital loans</p>	<p>*Mizoram Investment Promotion Committee to oversee implementation of policy resolutions</p> <p>* Green Channel committee at dept. of Industries for single window clearance for investors</p>

	<p>* Power subsidy to extent of 60 percent for SSI, 50 percent for MSI and 30 percent for large units, Power subsidy of 50 percent to a ceiling of Rs. 50,000/ of cost for drawing power from main line to factory shed, 50 percent cost subsidy for generating captive power to a ceiling of Rs. 3 lakhs</p> <p>* 50 percent of transport cost for transportation of industrial plants and machines</p> <p>* State capital investment subsidies upto 20 percent for artisan and tiny units, 15 percent of total capital investment or to a ceiling of Rs. 7 lakh for SSIs and 10 percent of total capital investment to a ceiling of Rs. 15 lakh for medium scale units.</p> <p>*Concessions on state and central sales tax for a period of 7 years from the date of commencement of production</p> <p>*Cent percent reimbursement of BIS certification fee and on purchase of testing equipment costs to a ceiling of Rs. 1.5 lakh in thrust areas</p> <p>* Additional 5 percent capital investment subsidy to a ceiling of Rs 5 lakh for 100 percent EOU</p>	*market promotion council to sell products of the state.
Nagaland Industrial Policy	<p>*All central subsidy schemes are applicable</p> <p>* 30 percent subsidy for captive power generation units for 5 years,</p> <p>* Subsidisation of cost of deep tube wells upto 30 percent for industrial water supply</p> <p>* Sales tax exemption for 5 years reimbursement of stamp duty.</p>	<p>*State Investment and Promotional Council to review the flow of institutional finance,</p> <p>*SIPC to act as facilitator to the entrepreneurs, regulations of industrial raw material pricing</p> <p>*Marketing Cell at SIPC to explore markets for products from the state, Collection of marketing information and guidance, Liaison between manufacturers sellers and buyers.</p>
Tripura Industrial Policy 1990	<p>*30 percent subsidy on fixed capital investment to a ceiling of 30 lakh; additional subsidy of 5 percent for SC, ST, BC and women entrepreneurs; thrust sectors, Export oriented and labour intensive units, i.e employing labour more than 100 persons</p> <p>* Eligible units are exempted from the payments of earnest money and security deposits</p> <p>* Reimbursement of sales tax for a maximum period of five years till March 2007, to a ceiling of Rs. 20 lakh and Rs. 30 lakh for a labour intensive sector</p>	NA

	<p>*Partial reimbursement of interest paid at the rate of 4 percent on term loan availed by units to a maximum ceiling of Rs. 30,000</p> <p>* Re-imbursement of standard certification fees to a ceiling</p>	
	<p>if Rs. 50,000/</p> <p>* IT industry employing 25 persons or more entitled for 50 percent concessions on floor space rentals for a period of 5 years, re-imbursement of standard certification fees to a ceiling if Rs. 2 lakhs. All IT industries set up by locals are entitled for 50 percent concessions on floor space rentals for two years.</p>	

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