Main Features of Arunachal Economy

Introduction

- The economy of Arunachal Pradesh is predominantly agrarian. Agriculture and allied activities have overriding importance as a source of livelihood to the people of Arunachal Pradesh.
- The State's economy is characterized by persistent stringent financial situation marked by a very low level of State's own resources co-existing with high level of borrowing.
- The State has been suffering from impaired economic development due to bottlenecks in development of roads, civil aviation etc. in terms of per capita State Domestic Product and other development indices such as power, road length, Arunachal Pradesh ranks below national average.
- Arunachal Pradesh is one of the Special Category States and is largely dependent on Central Assistance for Plan investment as the scope of internal mobilization of resources is limited in Arunachal Pradesh in view of low tax base. Therefore, the prime mover of the growth of the economy has been the flow of funds from the Centre.
- The relatively isolated economies of the tribal communities of the area, which were later reorganized as Arunachal Pradesh, were gradually integrated into the larger economy only after independence, and more particularly after the Indo-China war of 1962. Apart from the relatively late exposure to modernization, another specificity of the historical transformation of the Arunachal economy was the role of the State as the prime mover in this process of gradual transformation and integration of the economy.
- Arunachal Pradesh has now witnessed remarkable social and economic changes within a comparatively short period of time. The State's economy has not only experienced a remarkable growth over the past decades, it has diversified from agriculture and forestry based subsistence economy into a market economy.
- In 1970-71 the per capita Net State Domestic Product (NSDP) of Arunachal Pradesh was 56.14 percent of the per capita national income. Starting from a very low base, Arunachal's per capita income increased at a faster rate than the country's national income.
- The predominantly barter economies are in the process of being transformed into a monetized economy. The market institutions are still underdeveloped in many respects, and there is a great deal of

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regional variations in the degree of integration with the market economy.

- There is a significant change in terms of land tenure system, which is steadily leading to individual ownership by making collective ownership (clan, village, community ownership) a marginal phenomenon. In urban or semi-urban areas, land became a commodity for earning cash and 'brewing social conflicts'
- Subsistence nature of farming coupled with modern consumption structure is the driving force behind the changing economic institutions in Arunachal Pradesh. The rural urban migration, due to pull factors in the state, has resulted in substantial increase in employment in service sector. Thus, the process of modernization has led to the transformation of the traditional economic institutions in the State.
- In the context of Arunachal Pradesh, power sector is the most vital infrastructure input for socio-economic development and has assumed centre stage because of huge hydropower potential.
- At the time of independence there were less than 100 km. of dirt roads. At the time attaining statehood in 1987 the total road length was only 3419 km and today it stands at 21066.36 km i.e., 25.16 km/ 100 sq. km a quantum jump in progress.
- The prospect of creating an industrial base in the state seems daunting in the light of the ecological and economic specificities of the state. However, a carefully designed strategy for establishing specific industries having strong forward and backward linkages has been envisaged in the New Industrial Policy-2008 of the State.

Economic Reforms

The Government of Arunachal Pradesh has been pursuing economic reforms for speedy development. There has been a significant fiscal correction in the last couple of years. Major reforms initiated by the State are

• The State has taken various measures to curtail non-plan and unproductive expenditure and to increase State's Own tax and non-tax revenue. The State's own tax which was around Rs. 37.00 crore has now jumped to above Rs.80 crore this year. Because of various initiatives in development of hydropower, mines and minerals etc. The non-tax revenue is also increasing substantially.

• The State Govt. has enacted the 'Fiscal Responsibility and Budget Management (FRBM) Act 2006' and in accordance the 'Arunachal Pradesh Fiscal Responsibility and Budget Management Rule 2007' have

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been framed to ensure prudence in fiscal management.

• Mobilization of State's own resource is pre-requisite for financing the annual plan. The Finance Department is in constant touch with revenue generating departments and monitoring meticulously for greater revenue generation.

• The gross fiscal deficit which was at 13.85% of GSDP in 2004-05 has been reduced to 3.57 in 2007-08. • Serious restrictions have been put for the non-developmental expenditure including the post creation. • The Plan schemes are now being executed in Project Mode with the introduction of the concept of non-divertible earmarked allocation. The State Govt. has constituted very high level committee under the Chairmanship of the Chief Secretary to scrutinize the project proposals.

• The State Govt. has notified "Hydro Electric Power Policy 2008" to accelerate investments in development of hydro power projects having installed capacity above 25 MW. The Govt. of Arunachal Pradesh had also announced "Small Hydro Power Policy 2007"for small hydro power projects upto an installed capacity of 25 MW.

• The State PWD has reduced its manpower by 7000 Nos. through VRS. It will lead a saving of Rs. 30.00 crore per year. Other departments with surplus man-power are also working out the modalities.

• To minimize the burden of committed liabilities of salary, Government of Arunachal Pradesh has transferred 13265 Nos. Plan posts of 37 Nos. departments from 7th Five Year Plan onwards during Annual Plan 2008-09 in the first phase. Transfer of remaining 8 Nos departments as well as committed liabilities of 8 departments will be taken care in the second phase during Annual Plan 2009-10. As a result provision Direction and Administration has been reduced to 27.69% during 2008-09 compared to 44.14% during Annual Plan 2007-008.

An Introduction to Arunachal Pradesh Economy

Arunachal Pradesh – State profile

- Covering an area of 83,743 sq km, Arunachal Pradesh is the largest state in the Northeast India.
- The state is located in the extreme Northeastern corner of the country. It shares its border with the neighbouring countries of Bhutan in the West, China (Tibet) in the North and Northeast, Myanmar in the East and Southeast and the Indian states of Assam and Nagaland in the South.
- Itanagar is the state capital. Arunachal Pradesh has 16 administrative districts.
- Naharlagun, Tawang, Tezpur, Bomdila, Ziro, Pasighat and Tezu are the major towns in the state.
- Brahmaputra is the major river flowing through the state. Other smaller rivers include Kameng, Subansiri, Lohit and Tirap.

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- The most commonly spoken languages are Assamese, Bengali and Hindi. English is the primary medium of education in the schools

Rich and varied agro-climatic conditions

- Undulating topography and varied agro-climatic conditions offer vast potential for horticulture and growing a variety of fruits, vegetables, spices, aromatic and medicinal plants, flowers and mushroom.

Policy and fiscal incentives

- The state offers a wide range of fiscal and policy incentives and assistance for businesses under the State Industrial Policy, 2008. Additionally, the state has sectorspecific policies for industries related to power and agriculture.

Facilitating industrial infrastructure

- The state has 12 industrial estates, established across districts. To support industrial growth, the State Government has also notified integrated infrastructure development centres, industrial growth centres and industrial areas.

International trade opportunities

- The geographic location of the state provides immense opportunities for international trade with the South Asian countries through its shared borders with Myanmar, Bhutan and China.

Key industries in Arunachal Pradesh

- The resources, policy incentives and climate in the state support investments in mining and mineral products (including cement), tissue culture and floriculture, plantation crops (tea, rubber, etc.) and agro-based industries.
- The North Eastern Development Finance Corporation Limited is engaged in catalysing the industrial growth of the Northeastern region (including Arunachal Pradesh) by providing counselling, timely advice and assistance for building quality enterprises.
- The Department of Industries, Government of Arunachal Pradesh, is responsible for promoting industrial activities in the state to provide employment opportunities to the rural and urban people.
- The Department of Industries has set up district industries centres (DICs) and sub-district industries centres (sub-DICs) for the industrial development of small scale, tiny and village industries.
- Key industries in Arunachal Pradesh
  - ✓ Art and crafts
  - ✓ Weaving
  - ✓ Cane and bamboo
  - ✓ Carpet weaving
  - ✓ Wood carving
  - ✓ Ornaments
  - ✓ Tourism
  - ✓ Horticulture
  - ✓ Saw mills and plywood

Employment profile of Arunachal Pradesh

- The primary sector employs around 67.4 per cent of the total workforce in Arunachal Pradesh, followed by tertiary sector (23.9 per cent) and secondary sector (8.7 per cent).
- Around 94 per cent of the state‟s population lives in the rural belt. Thus, agriculture is the main occupation of the people of Arunachal Pradesh.

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- Of the total workforce, 60.4 per cent are cultivators with self-owned land and only 5.1 per cent of the workforce falls in the agricultural labourer category.

Cereals, oil seed and sugarcane are the key agricultural products

- In 2009-2010, total production of cereal crops was 325,000 tonnes, compared to 306,500 tonnes in the previous year.
- Major cereal crops of the state are rice, maize, millet, wheat and pulses (pea, kidney-bean and black-gram).
- Non-cereal crops include ginger, oil seed and sugarcane, apart from vegetables.

Road network

- Arunachal Pradesh has a road density of 17.36 km per 100 sq km.
- Six National Highways run through Arunachal Pradesh, connecting the state with the rest of India as well as the international borders with China (Tibet), Myanmar and Bhutan.

Airports and railways

- In December 1995, the State Government introduced passenger flight services by nine-seat Dauphin helicopters to overcome the constraints posed by the hilly terrain.
- Later a 23-seat MI-172 type helicopter had been added to the fleet, primarily to operate between Guwahati in Assam and Tawang in Arunachal Pradesh.
- The service also connects 29 major towns including Naharlagun, Tawang, Ziro, Pasighat, Bomdila, Seppa, Daporijo, Along, Yingkiong, Roing and Tezu.
- A greenfield airport has been proposed near Itanagar, for which environmental clearance has been received in April 2010. Ministry of Civil Aviation has also planned to operationalise airports at Daporijo and Tezu.
- The nearest railway station is located at Harmoti in Assam, 23 km from Naharlagun and 33 km from Itanagar.

Industrial infrastructure

- Arunachal Pradesh has 12 industrial estates located in different districts and spread over total area of 55.6 hectare. These industrial estates have been developed in land-areas ranging from 4,540 to 202,325 square metre, with the primary objective of growth and development of small scale industries.
- In addition, the State Government has also notified integrated infrastructure development centres, industrial growth centres and industrial areas to support industrial growth.
- The State Government has set up district industries centres (DICs) in all 16 districts. These DICs play a vital role in the industrial development by providing services to the entrepreneurs viz., identification of suitable schemes, preparation of project report, arrangement for providing required plant, machinery and raw-material, assistance in availing incentives and facilities provided by both central and state governments, liaison with all development departments and financial institutions to provide assistance to the prospective entrepreneurs.
- Based on availability of resources, the State has identified thrust areas for industrial development:

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