

FICCI – KAF

*Study on: State Level Reforms - Increasing
Investments in North East*

Background Research

Draft Report – August 2012

Acknowledgement

FICCI would like to express its gratitude to Konrad Adenauer Foundation (KAF) for selecting FICCI as a partner institution in this very significant project. The Economic Affairs and Research Team at FICCI would also like to express its sincere gratitude to the management and representatives of the different associations/ clusters for providing great support and valuable inputs in the preparation of this report.

The team benefitted significantly from the discussions with other individual industry members also. Further, we extend our heartfelt thanks to all the industry representatives from various parts of the north east region that actively participated in the questionnaire survey and provided us their valuable feedback. We look forward to their cooperation in the future as well.

This study is perhaps a small attempt to list the key issues that the industry is facing in the north east region. Going forward, FICCI would like to analyze the issues in even greater details so that the entire north east region could benefit from the same.

About the Study

FICCI believes that States are the building blocks of India's growth. With a view to understand the specific characteristics of the states and address the economic issues from the state's perspective, FICCI and Konrad Adenauer Foundation (KAF) are jointly undertaking the study and workshop project on "State Level Reforms- Increasing Investments in North East".

After having studied the states of Rajasthan, Maharashtra, Uttarakhand, Punjab, Karnataka and Bihar, FICCI has now attempted to study and assess the investment environment in the North East region with particular reference to MSME industry. The above exercise brings to the fore the key contours of the development strategy that should be considered by the respective state governments for giving a strong push to industrial growth in North East.

The aim of this report is to initiate a constructive dialogue and engagement with the policymakers and the administrative machinery in North East on the steps that need to be taken to harness the true potential of the region. The ideas and suggestions presented in this report reflect industry's agenda for improving industrial growth in the state. The suggestions are however preliminary and are meant to form the groundwork for developing a blue-print for removing the impediments in the way of higher investments and growth in the region. Further, the findings of FICCI's primary research will be presented and discussed with the state government representatives at a workshop so that further reforms can be taken up to give impetus to industrial growth in North East.

Executive Summary

In recent years, economic growth in the North east region has been impressive with growth rates in excess of 8%. In particular, the decade beginning 2000 witnessed a paradigm shift in the economic landscape of north east region with more pronounced shift during the second half of the last decade. A significant expansion in service sector was the epicentre of this robust growth during this period. However, there has been a gradual erosion of agrarian base over the decades. In absence of any large scale industries, manufacturing in north east is currently dominated by small and medium enterprises. However, such industrial units face constraints in the form of land acquisition, availability of power transport, logistics, credit disbursal, skilled labour, adequate marketing initiatives and issues in taxation. Our in depth assessment of possible constraints to growth and employment in the state concluded that, unless these aforementioned structural issues are addressed, the north east region may not sustain the robust growth in coming years.

FICCI – KAF

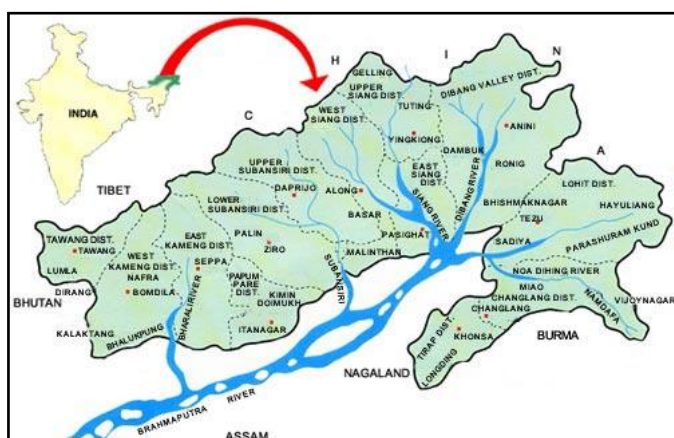
*Study on: State Level Reforms - Increasing
Investments in Arunachal Pradesh*

Background Research

Brief on the economy of Arunachal Pradesh- a State level Analysis

Introduction

Arunachal Pradesh, situated on the northeast corner of India is a land locked state, bordered by Assam and Nagaland to the south and shares international border with Bhutan in the west, Myanmar in the east and China in the north. Like other north-eastern states, a majority of the native people are of Tibeto-Burma origin. Most of Arunachal Pradesh is covered by the Himalayas with parts being covered by the Patkai hills. The state is divided into 16 districts; each administered by a district collector. The state is linguistically one of the richest regions in Asia, with as many as 50



distinct languages in addition to numerous dialects and sub dialects. Hinduism and Animist, Donyi-Polo are the most dominating religions in this region with Christians and Buddhists also forming a significant portion of the demographic structure of the state. Tourism has slowly but steadily become the main activity of the state, with tourists from various parts of the world flocking to Arunachal Pradesh. The state boasts of being rich in wildlife with a diversity of more than 200

species of mammals and more than 700 species of birds. Arunachal Pradesh is the largest state area wise covering an area of 83,743 square km. Arunachal Pradesh attained statehood on 20th February, 1987 (with Itanagar as capital) follows the McMahon Line on the northern border, a border delineated in the Simla Accord. Agriculture is the primary activity of the majority of the population but recently tourism is booming in Arunachal. The population growth rate over the last eight years was 16.6%, still Arunachal Pradesh stands to be one of the least populated states in India. A major proportion of the population are immigrants in the state, especially from Assam, Bhutan and other neighbouring areas.

Table 1: Key Statistics of Arunachal Pradesh

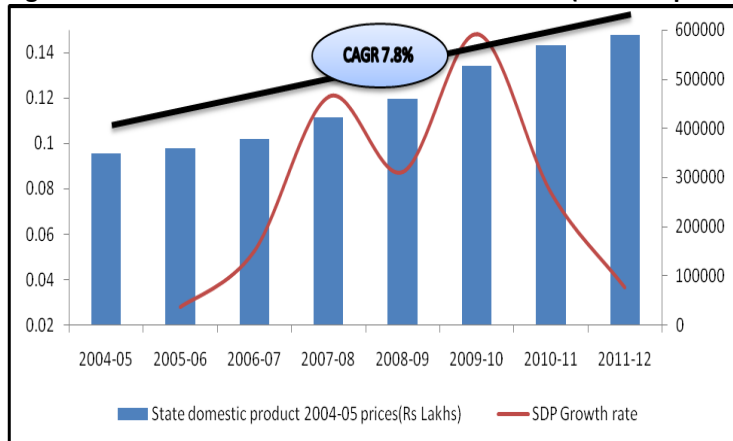
Key Facts	Description
Area	83,743 sq. km
Population	13,97,000
Population Density	13 persons per sq. km
Official Language	English
Human Development Index Rank	18
Legislature	60 seats (Unicameral)
Parliament	Rajya Sabha- 1 & Lok Sabha- 2
Tribes	20
Literacy rate	54.74%
Sex ratio	901 females per 1000 males
Rural Urban ratio	7.7:2.3
International Boundary	1630 Km

Source: Arunachal Government Website, MOSPI

Macroeconomic Overview

The state domestic product of Arunachal Pradesh at 2004-05 prices grew at a rate of 7.8% compounded annually over last eight years. The State Domestic product at current prices of the Arunachal Pradesh for the year ending 2011-12 saw a 15.1% increase compounded annually over 2004-05.

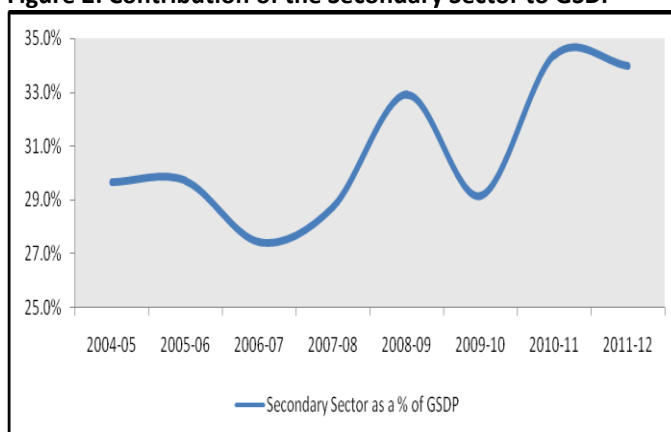
Figure 1: GSDP of Arunachal Pradesh at factor cost (2004-05 prices)



Source: MOSPI and FICCI Research

The State Domestic Product (SDP) of Arunachal Pradesh has increased gradually over the years with the growth rate reaching the highest mark in the year 2009-10 post sub-prime lending crisis and global recession. The recent figures show a dip in the SDP growth rate. Interestingly, the service sector growth rate declined from 36.6% in 2009-10 to 2.9% in 2011-12. The SDP growth rate rose between 2008-09 and 2009-10 but has been declining since then. The growth in the SDP has been primarily driven by the tertiary sector including Communication, Banking and Insurance, Real Estate, Transport and Other Services.

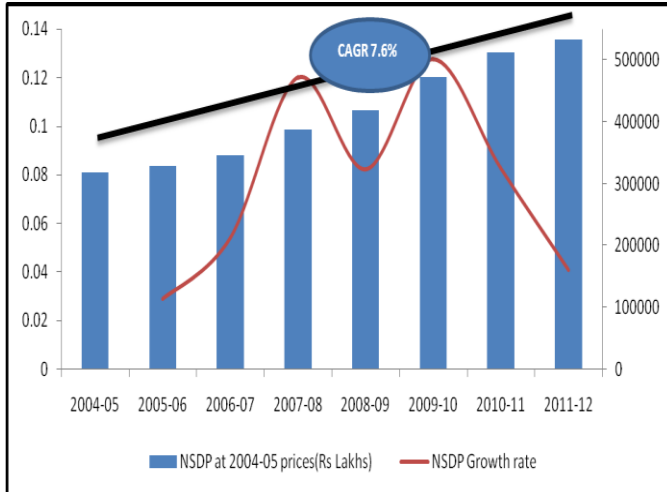
Figure 2: Contribution of the Secondary Sector to GSDP



Source: MOSPI and FICCI Research

The Net State Domestic Product (NSDP) of Arunachal Pradesh (at 2004-05 prices) has grown from Rs. 318793 Lakhs in 2004-05 to Rs. 532673 Lakhs in 2011-12 at a CAGR of 7.6%. A similar trend could be seen in case of the NSDP as in case of GSDP shown in the diagram below.

Figure 3: NSDP of Arunachal Pradesh and NSDP growth rate



Source: MOSPI and FICCI Research

Performance of Sectors in Gross State Domestic Product

The state of Arunachal Pradesh a predominantly agricultural state has undergone specific changes between 2004-05 and 2011-12. This matter can be further explained with the table given below.

Table 2: Different Sectors as a % of GSDP of Arunachal Pradesh (at current prices)

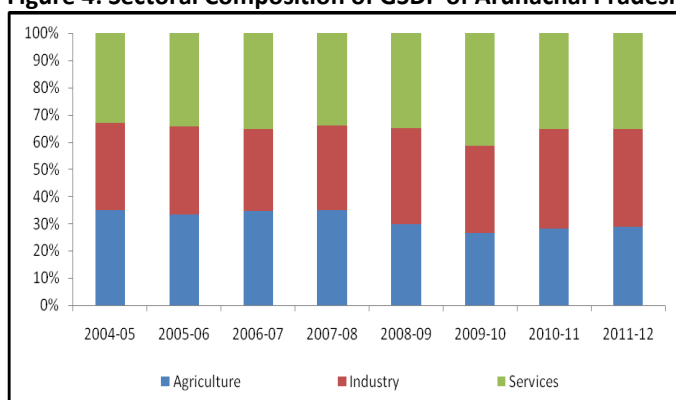
Sector	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	CAGR 8 Years
Agriculture	35.1%	34.3%	34.8%	34.0%	30.2%	29.2%	31.1%	31.6%	13.4% (4.8%)
Industry	31.9%	32.5%	30.7%	32.6%	36.2%	30.6%	35.1%	34.6%	16.5% (9.7%)
Services	33.0%	33.2%	34.5%	33.4%	33.6%	40.2%	33.8%	33.8%	15.5% (8.8%)

Source: MOSPI and FICCI Research

Note: Figures in parentheses are growth rates at constant (2004-05) prices

It can clearly be seen that the contribution of the agricultural sector has been declining constantly from 35.1% in 2004-05 to 28.8% in 2011-12. There has been some increase in the industrial sector attributed to the construction activity going on in the state. Construction is being undertaken to build new hotels and resorts to fulfil the needs of tourists and promote tourism. The contribution of the services sector rose significantly in 2009-10, contributing 41% of the GSDP but has been declined since then.

Figure 4: Sectoral Composition of GSDP of Arunachal Pradesh



Source: MOSPI and FICCI Research

Further analysis reveals that the CAGR for the over the last 8 years was the highest for communication industry which has been growing rapidly in the state at 21.9% (at constant prices) The industrial sector grew due to the construction sector which grew at a rate of 11% compounded annually over the last eight years. There was degradation in the performance of the agricultural sector with forestry and fishing having a CAGR of 0.5% and 1.2% respectively between 2004-05 and 2011-12.

Per Capita Income and Labour Statistics

The per capita income of Arunachal Pradesh grew from Rs. 26610 in 2004-05 to Rs. 38130 in 2011-12, which is lower than the per capita income of India.

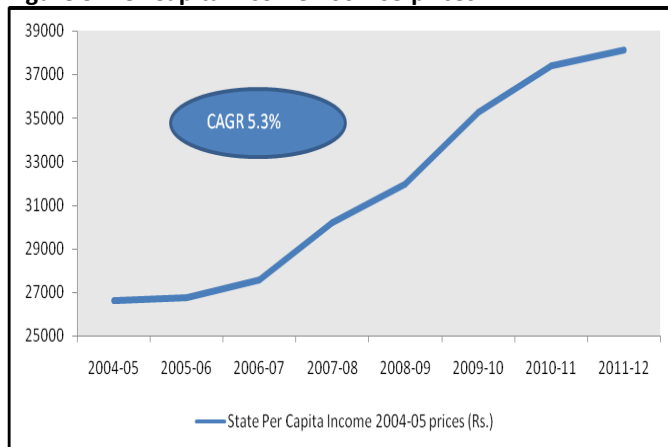
Table 3: Comparative analysis of Per capita income of Arunachal Pradesh and India

Year	Arunachal Pradesh		India	
	Per capita income (Rs.)	Growth rate (%)	Per capita income (Rs.)	Growth rate (%)
2004-05	26610		24143	
2005-06	26759	0.6%	27131	12.4%
2006-07	27554	3.0%	31206	15.0%
2007-08	30187	9.6%	35825	14.8%
2008-09	31971	5.9%	40775	13.8%
2009-10	35278	10.3%	46117	13.1%
2010-11	37417	6.1%	53331	15.6%
2011-12	38130	1.9%	60603	13.6%

Source: MOSPI & FICCI Research

As stated above, the per capita income of Arunachal Pradesh is lower than the Indian average. This is attributable to low population and huge inequality of income distribution in the state. There are regions which are not even connected by road but these problems are being solved with the building of Trans-Arunachal Highway which is under process and 40% of work has been completed.

Figure 5: Per Capita income 2004-05 prices



Source: MOSPI and FICCI Research

The table below gives us an idea about the dispersion of the total work force in different sectors. It can clearly be seen that 67% of the work force belongs to the primary sector which contributes least to the GSDP of Arunachal Pradesh.

Table 4: Sector-wise distribution of workers

Sector	% of total work force
Primary	67.4
Cultivators	60.4
Agricultural	5.1
Livestock/forestry/fishing/hunting	1.7
Mining & Quarrying	0.2
Secondary	8.7
Manufacturing- Household Industry	0.2
Manufacturing- Other	2.5
Construction	5.9
Tertiary	23.9
Trade & Commerce	3.3
Transport, Storage & Communication	1.1
Other Services	19.5
Total	100

Source: MOSPI & FICCI Research

Industrial & Infrastructure Scenario in Arunachal Pradesh

Arunachal Pradesh is primarily an agrarian state. The state lacks the basic facilities required for industrialization as lack of adequate infrastructure is a serious threat.

Availability of power is a big issue in Arunachal Pradesh with specific places in North Arunachal which have no electricity. The hydel power department has suggested a power production of 57000 MW by 2014-15. The projects are in various stages of completion and once completed would be a great advantage for the establishment of various industries in the state of Arunachal Pradesh. A total of 143 power projects have been sanctioned to big business houses such as Reliance, NHPC and NICCO, to name a few. Of the power that would be generated by these projects, 12% would be given to the state. About 1% of the power will be supplied by the corporations to the backward areas. The rest which accounts for 87% of the total power generated would be supplied to the commercial sector.

Land is a major problem in the state of Arunachal Pradesh. Most of the land in Arunachal Pradesh is owned by the government which is leased out to the general public. Most of the lands in the state are used for agriculture by the native tribes. Obtaining new land in Arunachal Pradesh for its native citizens is even tough. As cited by the Lead Bank Manager of the State Bank of India, Itanagar, land is non-transferable in the state thus cannot be generally used a mortgage in obtaining loans. Thus, the flow of credit is not much in the state. Due to this structure of land ownership in the state land is mortgaged under registered mortgage requiring term duty up to 3% which becomes expensive on the part of the loan receiver. Another major problem associated with the acquiring of land for growth and expansion of small and medium scale enterprise is that of significantly increased payments to intermediaries. For example, if a piece of land has to be bought then locals occupying the land need to be paid and also payment to the Government has to be made.

Arunachal Pradesh being the largest of the seven sister states has a lot of untapped resources which are not being explored due to the lack of proper infrastructure. There are areas in the state which still does not have any road connectivity. Places like KurungKumeri on the northern part of Arunachal Pradesh are not accessible by road and takes around five hours to reach by foot. The Trans Arunachal highway, an initiative of the centre and the state, would connect different parts of the state. The project is in progress with 40% completion.

The state boasts of no air connectivity and rail connectivity. The nearest railway station is in the state of Assam in Harmuti. A proposal has been presented for the building up of meter gauge line between Harmuti and Nahalgon. Air connectivity is another infrastructural drawback faced by the state with the nearest airport being Tejpur, Assam and is more than a hundred kilometres away. It also does not possess good infrastructure for the handloom and handicrafts industry which is a pride of the state. Transportation has been cited to be the major drawback by most of the government officials and the industry in the path of growth and expansion. Presently Arunachal Pradesh has only

three cold storages with limited capacity. Thus most of the production is wasted or consumed by its locals and there is no scope of export.

The capital city Itanagar boasts of having 18 banks but most of the remote areas in the state have no access to structured and systematic banking facilities till date. Out of the total loans issued by the State bank of India possibly only 6% is forwarded to the agricultural sector and more or less the same amount is given to the industries. Also setting up of branches in remote places like KurungKumey is difficult but SBI is still trying to move in these regions. Kisan Credit cards have been made available to the tribes with non-agriculturists being able to avail loans up to Rs. 10,000. The banking sector needs to reach out to the rural areas in the state and develop banking habit among the tribes for development. Presently banks such as the State Bank of India are organizing awareness camps and working in tangent with agents.

Most of the production in the state of Arunachal Pradesh is consumed by its people with barely a few items being exported outside the state. Lack of marketing techniques and facilities in the state is a big hindrance. At present there are no value additions to the production of the state due to poor facilities. The growth and expansion of the industry in the state cannot be achieved due to the poor marketing and promotional facilities of the state. Promotional activities are being undertaken in the tourism sector and the government is taking extra initiative to improve the tourist sector and encourage more tourists to visit Arunachal Pradesh.

FICCI – KAF

*Study on: State Level Reforms - Increasing
Investments in Assam*

Background Research

Brief on the economy of Assam- a State level Analysis

Introduction

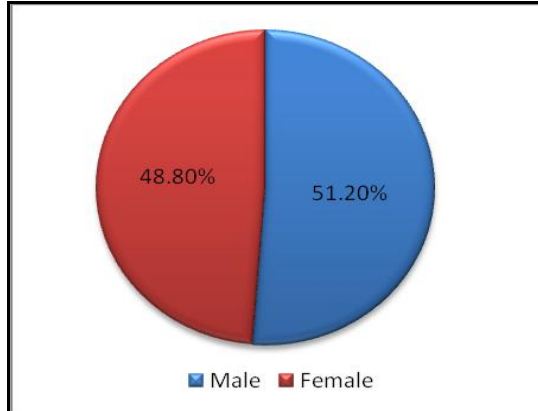
Assam is situated in the north east corner of India bordering two foreign countries Bhutan and Bangladesh and seven states of India. The state is undoubtedly the gateway of the entire region. The state has 27 districts counting Kamrup (Metro) district and four districts under the Bodoland Territorial Council (BTC) areas viz. Kokrajhar, Baska, Chirang and Udalguri. Assam, which is the sixteenth largest state in terms of geographical area (78,438 sq. kms) is the fourteenth most populous state in India. The percentage shares of area and population of Assam to that of the country are 2.4% and 2.6% respectively. The decadal growth of Assam's population comes out to 16.9% during the decade 2001-2011 as against 17.6% for India as a whole. The population density of Assam has increased to 397 as against the country's density of 382 as per 2011 Census. Assam's figure as per 2001 Census was 340.

During India's independence, Assam was among the lands of plenty. There were upbeat primary sector alongside efficient process industries and vibrant plantation sector. Economic activities in the state were hampered to a large extent after the independence because of several political factors. Even after the above mentioned facts, Assam is the largest economy in the north east region of India. The state is mostly recognised for tea and petroleum sectors besides having quite rich base of natural resources.

Assam's economic situation noticed a significant upturn since the last decade because of steady and organized reformatory measures staged by the state government. The Gross Fixed Capital Formation (GFCF) in Assam (at 1999-2000 prices) had shown consistently increasing trend. It is noteworthy to mention that GFCF in the state rose from Rs.309.74 crores in 1980-81 to Rs.2165.01 crores in 1990-91 and to Rs.6588.39 crores in 2000-01. While the share of GFCF to Gross State Domestic Product (GSDP) (at 1999-2000 prices) has shown an increasing trend, the share of private sector (in relative term) has also increased to an encouraging level of 54% in 2003-04 from 33.2% in 1982-83. Due to its relatively favourable geographical location and accessibility of infrastructure, Assam is well placed to dole out the markets of the other states in the region. Furthermore, it has the potential to become a business hub for not only the entire region of the country but also of the neighbouring countries like Bhutan, Bangladesh etc.

As per 2011 Census, Assam has a population of 3.11 crores, an increase of almost 19% from the 2001 census figures. Out of the total population, males and females are 15,954,927 and 15,214,345 respectively. The gender ratio and other important statistics related to Assam can be seen from the diagram and table below.

Exposition 1: Gender Ratio (2011 Census)



Source: Census 2011 & FICCI Research

Table 1: Basic Assam Statistics (2011 Census)

	2011	2001
Approximate Population	3.11 crores	2.67 crores
Actual Population	31,169,272	26,655,528
Male	15,954,927	13,777,037
Female	15,214,345	12,878,491
Population Growth	16.93%	18.85%
Percentage of total Population	2.58%	2.59%
Sex Ratio	954	932
Density/sq km	397	340
Area sq km	78,438	78,438
Literacy	73.18%	63.25%

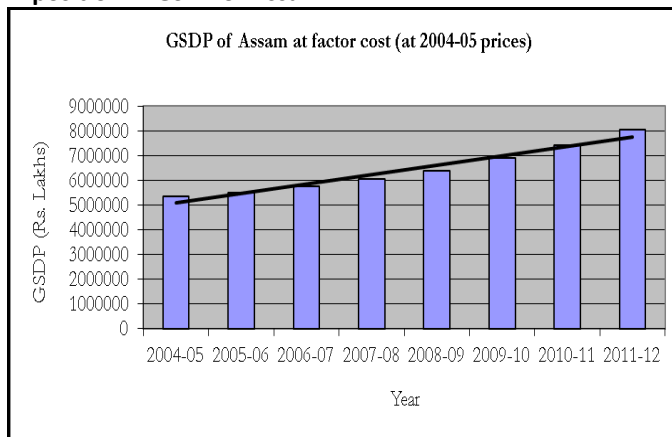
Source: Census 2011 & FICCI Research

From Table 1, it can be seen that there has not been much significant growth in the overall population in the last decade. The female population has registered a growth of 18% as compared to 15.8% of male. The sex ratio of Assam is much higher than the national average and it has shown considerable improvement as compared to the 2001 census.

Macroeconomic Overview

The economy of Assam in terms of Gross State Domestic Product (GSDP) has grown moderately during the last decade. The GSDP in real terms (at constant prices of 2004-05) for the year 2011-12 (as per advance estimates) was estimated at Rs.80,465.15 crores as against Rs.74,214.94 crores for 2010-11 (as per quick estimates) which exhibited an increase of more than 8%. For the 8 year period ended 2011-12, GSDP has grown at a CAGR of 6%.

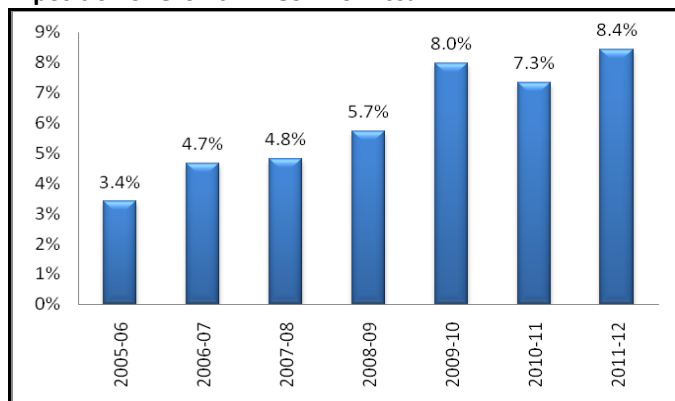
Exposition 2: GSDP of Assam



Source: Mospi & FICCI Research

It is interesting to note that, after the recession of 2008-09, the GSDP of Assam had grown faster than the pre-crisis period. The GSDP of Assam had grown at a CAGR of almost 8% after that recession of 2008-09.

Exposition 3: Growth in GSDP of Assam



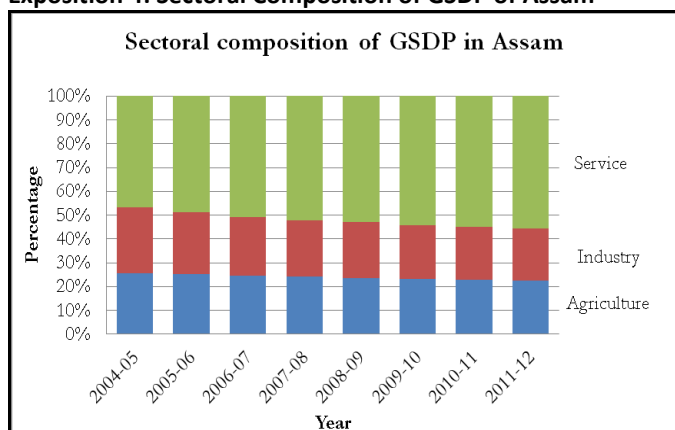
Source: Mospi & FICCI Research

The Net State Domestic Product (NSDP) of Assam (at 2004-05 prices) was also anticipated to increase by 8.6% as per advance estimates in 2011-12 as against 7.3% in 2010-11. The per capita income of the state of Assam (at 2004-05 prices) has grown from Rs.16,782 in 2004-05 to Rs.2,2956 in 2011-12 at a CAGR of 4.6%. It may be noted that during this period population of the state has increased at a CAGR of 1.3%.

Performance of the sectors in Gross State Domestic Product (GSDP)

The economy of Assam has undergone some structural changes during the period from 2004-05 to 2011-12. This economic transformation becomes clearer with the changes in composition of GSDP during this period. The contribution of service sector during this period has increased considerably from 46.9% in 2004-05 to 55.7% in 2011-12. Percentage share of industry has declined from 27.5% in 2004-05 to 21.9% in 2011-12 while contribution from agriculture and allied sector has declined from 25.6% to 22.4% during the same period.

Exposition 4: Sectoral Composition of GSDP of Assam



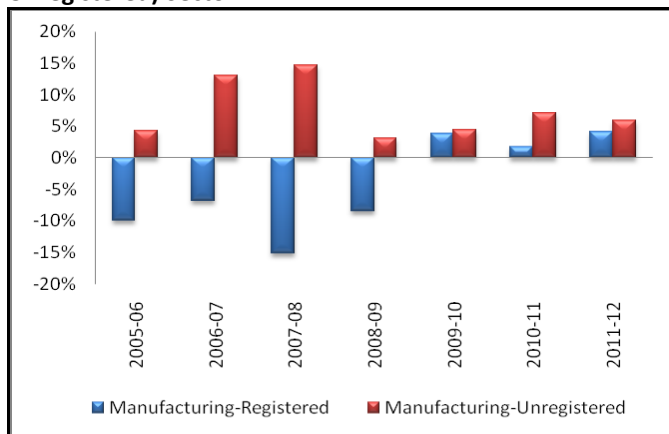
Source: Mospi & FICCI Research

The estimated growth of 8.4% in GSDP of the State for 2011-12 include an augmentation of 6.4% in Agriculture and Allied sector, 7.2% in Industry sector and 9.7% in Services sector. As per the advance estimates for 2011-12, the expansion of the 'Industry' sector, consisting of Mining & Quarrying, Manufacturing (Registered and Unregistered), Electricity, Gas & Water Supply and Construction, is

likely to be high as compared to that of the preceding year 2010-11 at 4.8%. This promising development of the 'Industry' sector is because of the elevated growth added by the sub sectors especially by Construction (11.9%), Mining & Quarrying (5.1%) and Manufacturing (4.8%).

A closer look into the manufacturing sector reveals some interesting facts. As can be seen from the figure below, the growth in the manufacturing sector, both registered and unregistered, have not been very impressive. The registered manufacturing sector recorded negative growth for a period of four years since 2005-06. Since 2009-10, there has been modest turnaround in this sector with growth touching 4.1% in 2011-12. However, the unregistered sector had a significant growth in years 2007-08 with growth touching as high as 14.6%. But there has been a substantial decline post the year 2008. The average growth post 2008 has been 5.2% as compared to 10.6% in the pre 2008 period.

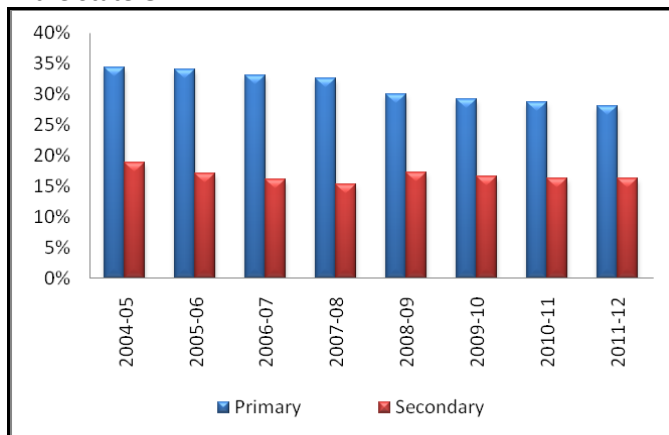
Exposition 5: Growth of Manufacturing (Registered & Unregistered) Sector



Source: Mospi & FICCI Research

An analysis of the primary and secondary sectors shows that the share of the primary sector in the state GDP has declined over a period of seven years (refer to figure below). Interestingly, there has also been a gradual decline in the share of the secondary sector with share falling merely from 18.8% to 16.2% in a period of seven years.

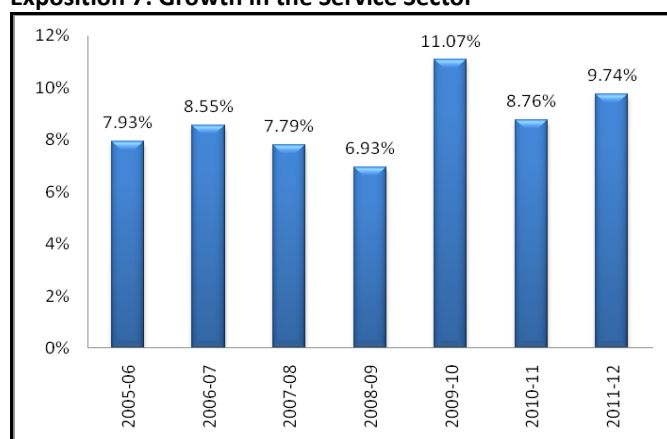
Exposition 6: Share of Primary & Secondary Sector in the State GDP



Source: Mospi & FICCI Research

The Services sector was estimated to grow by 9.7% in 2011-12 (refer to the figure below).

Exposition 7: Growth in the Service Sector



Source: Mospi & FICCI Research

Regarding the Agriculture and Allied sector, while forestry sector was probable to experience somewhat elevated growth (5.35%) than the previous year's growth of 4.5%, the growth expected in the fishing sector was 5.2% in 2011-12 from a degrowth at 4% observed in 2010-11. Nevertheless, the Agriculture alone had recorded a growth rate of 6.6% and concurrently Agriculture and Allied sector was likely to accomplish a growth rate of 6.4% in 2011-12. The economy of Assam carries on being primarily agrarian as per rural employability. The agriculture sector in this state offers employment to more than 50% of the rural people. The net cultivated area of the State was 28.11 lakh hectares (in 2009-10) which is around 88% of the total land accessible for cultivation in Assam.

Per capita Income in Assam

Per capita income of Assam at current prices in 2011-12 has been estimated to be Rs.33633 as against Rs.16782 in 2004-05. In terms of growth rate, per capita income has increased by 7.2% at 2004-05 prices and 10% at current prices in 2011-12 over the previous year. Per capita income of Assam vis-à-vis India at current prices is given below.

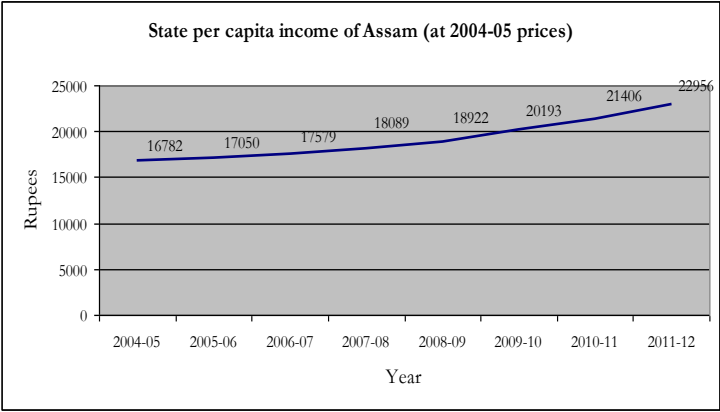
Table 2: Per Capita Income of Assam vis-à-vis India

Year	Assam		India	
	Per capita income (Rs.)	Growth rate (%)	Per capita income (Rs.)	Growth rate (%)
2004-05	16782		24143	
2005-06	18396	9.6%	27131	12.4%
2006-07	19737	7.3%	31206	15.0%
2007-08	21290	7.9%	35825	14.8%
2008-09	24099	13.2%	40775	13.8%
2009-10	27964	16.0%	46117	13.1%
2010-11	30569	9.3%	53331	15.6%
2011-12	33633	10.0%	60603	13.6%

Source: Mospi & FICCI Research

Again, the per capita income of the state of Assam (at 2004-05 prices) has shown an increasing trend consistently since 2004-05 to 2011-12.

Exposition 8: State per Capita Income of Assam

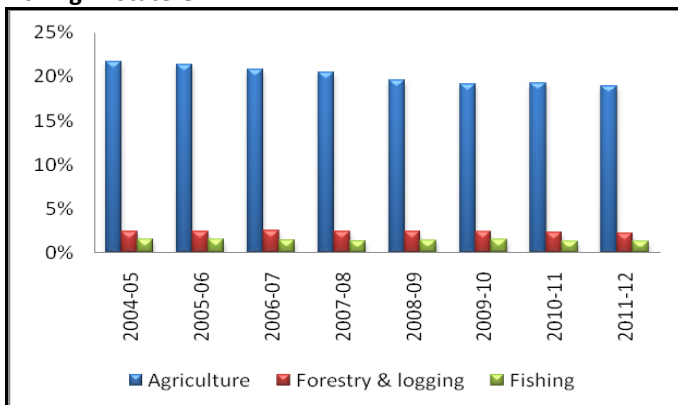


Source: FICCI Research

Agricultural scenario in Assam

The economy of Assam is predominantly agrarian. State statistics shows that the agrarian sector provides employment to more than 50% of the rural population. The net cultivated area of the State is 28.11 lakh hectares (2009-10) which is about 88% of the total land available for agricultural cultivation in the State. There has been a continuous decline in the share of agriculture, forestry & logging and fishing in the State GDP (refer to figure below).

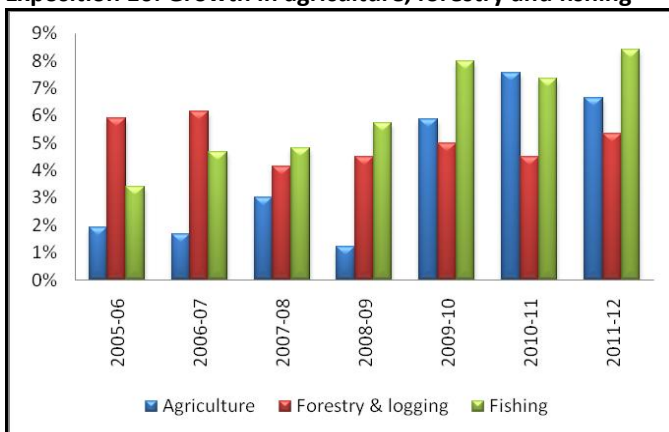
Exposition 9: Share of Agriculture, Forestry & Fishing in State GDP



Source: Mospi & FICCI Research

The growth in agriculture had dipped to a lowest level of 1.2% in the year 2008-09 with steady growth since then. However, the growth in forestry and logging has been declining constantly. The growth in fishing has increased considerably from 3.4% to 8.4%.

Exposition 10: Growth in agriculture, forestry and fishing



Source: Mospi & FICCI Research

Shifting our focus to horticulture reveals that there is a requirement of horticulture produce during the off season as well to feed the industry. The collection of agro produce is very hectic and time consuming as farms are located in the hilly regions, small in size and scattered all over the region. There are collection points that stock low volumes. The 'mandi's as we find in the cities are not present in the state. Not only this but also 40-70% of the horticulture produce goes wasted in

transportation and only a small quantity is available for sale , of which 0.02% is being processed in the region. What is not value added is transported mainly to the other state 'mandi's.

One of the reasons behind wastage is improper handling of farm produce. Farmers bring their produce in a big basket which is forcefully staged, thus resulting into damaging some of their produce. The produce is damaged further as it continues to migrate from smaller to larger containers and during transportation. There are only few cold storages (about 10-12) with poor power supply available in the state. This is compelling for the farmer to sell the stock at lower prices putting the farmer at a disadvantage. There is absence of raw material bank for the inputs to micro and small industry. NSIC has taken some initiative, however it is limited to a few items such as aluminum, steel, etc. Also, there is lack of central government offices in states. The nodal offices of the central government are in Guwahati from where operations are carried out. There is shortage of offices and manpower for executing government operations in the remaining states, though NSIC has very recently set up offices with manpower in few states.

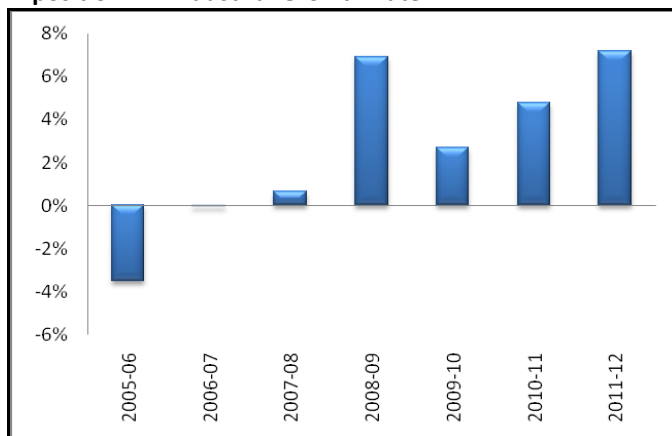
A couple of recommendations have been given for the above issues. The foremost being that a need to connect (NHM) National Horticulture Mission and other institutes with farm technology with the farmers to ensure high farm productivity and to find ways to produce farm products during the off season also. Setting up of mini food park instead of mega Food Park may also be considered. The industry has requested for dedicated trains to and from Mumbai which would not only increase the railway tracks but also help in transporting materials from production site to other markets.

Industrial scenario in Assam

After independence, although India's industrial policy was predominantly aimed towards developing large scale industries near raw material supply centres along with an effective national infrastructure network to transfer the resources to other industrial areas, the industrial scenario of the state of Assam was mostly restricted inside the growth of employment oriented Small Scale Sector, which encompasses of manufacturing and processing industries. The total SSI/MSME units in Assam (figured 34327) used to employ 178054 persons till the year 2010-11.

As can be seen from the figure below, the industrial growth in Assam has not been very impressive pre 2008-09 with 2005-06 recording a negative growth as low as -3.5%. However, growth has been much stable and even reached as high as 7.2% in 2011-12 with a CAGR of 2.6%. A deeper look at the industrial sector shows that the construction sector has grown at a CAGR of 9.6% followed by the unregistered manufacturing and the electricity, gas and water supply sector.

Exposition 11: Industrial Growth Rate



Source: Mospi & FICCI Research

The Tea Industry of the state of Assam has a very important role in the economy of the state alongside that in the national economy. The state's tea industry enjoys a considerable repute across the globe as well. The total area under tea farming accounts for greater than 50% of India's total area under tea cultivation. Alongside the same, the tea industry of Assam offers average daily employment to greater than 6 lakh persons in the state which is around 50% of the total average daily number of labour employed in the country. As per report of Tea Board of India, the estimated tea production of the State was 4875 lakh kg as against 9808 lakh kg total tea produced in India during the year 2008.

Table 3: Growth of Some Selected Industries of Assam

Item	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	CAGR
Tea	47.9%	-18.9%	-8.5%	-0.4%	2.9%	5.4%	2.9%
Wheat Flour	6.3%	-8.2%	314.4%	1.3%	23.1%	14.8%	34.0%
Coal	52.2%	10.7%	4.1%	4.2%	4.9%	-7.7%	10.0%
Jute Textiles	-25.2%	22.3%	31.4%	18.5%	11.2%	3.1%	8.5%
Crude Oil	-6.2%	-0.1%	-1.5%	7.2%	1.4%	-0.5%	0.0%
Cement	-26.4%	-30.3%	21.7%	109.4%	44.4%	14.3%	13.7%
Fertilizer	9.4%	38.7%	12.3%	-9.5%	8.0%	-3.8%	8.2%

Source: Ecostatassam

As can be seen from the table above, the growth of the tea industry has not been very impressive over the years. In fact, the growth have declined significantly in the years 2006-09 only to gather some momentum in 2010-11. On the other hand, there has been massive growth in the wheat flour industry followed by cement and coal industry.

Due to congenial agro climate, rubber cultivation is gaining its reputation in Assam (10213 MT rubber productions in the year 2010-11). Alongside that the state has abundant scope for Bamboo based industry like Paper manufacturing industry, as this region has highest concentration of bamboo (around 60% of the total Bamboo of the country). Conventionally, sericulture, a major cottage industry of Assam, is practiced in more than 10532 villages and which employs more than 2.5 lakh of family. Assam has the domination in production of Muga, the Golden Silk in the globe. Although Assam is opulently gifted with mineral resources, the performance of mining sector during the year 2010-11 was unsatisfactory as compared to that of previous year. As reported by the Indian Bureau of Mines, apart from natural gas, all other chief minerals like coal, petroleum (crude) and limestone have shown declining volume in production during that year.

The power supply situation in Assam was not much encouraging. There has constantly been a scarcity of power due to declining generation in contrast to demand. The total available installed capacity of generating plants in the State has stayed the same at 401.5 MU during the 2010-11, as it was in the previous year. The energy requirement in the state has been worked out at 5967 Million Units during 2010-11 as against 5049 Million Units in the previous year but the availability of energy during 2010-11 was 5028 Million Units.

The state of Assam discourages setting up of chemical or polluting industries. Chemical units manufacturing pesticides were asked to suspend operations on pollution grounds. Later they were asked to move to another location. The main concern was the absence of basic infrastructure to run the industry in the given location. Some other concerns related to setting up of a industrial unit are given below

- First, the subsidy granted is only for 10 years after which the benefits are withdrawn until and unless the company goes on an expansion as per the norms. As most of the companies are not able to expand they are shutting down their industries. The subsidy refund is being taxed as it is taken as "other income" as per the accounting standards. During interaction it was suggested by some that the subsidy should come with a provision of net of taxes so that full benefit of the subsidy could be availed by the industry

- Second, larger companies within the state are procuring products from outside at a lower rate on the basis of CST which is currently at 2% by submitting form C to the seller. This puts local companies at a disadvantage as they charge VAT from the buyer as per the rate applicable in the state, which is higher (8-10%) than the CST. CST has been brought down to 2% from 4% earlier
- Third, imposition of MAT (Minimum Alternate Tax) is also an issue with the industry. In the recent budget MAT was raised to 18.5%
- Fourth, raw material brought inside the state attracts entry tax of 2% from 2010. It may be noted that entry tax is imposed on packaging material, machinery and raw material by the state of Assam and not on finished products. This is indirectly encouraging the trading activity in the state. No other state in North East region has imposed entry tax.

Infrastructure scenario in Assam

The power supply is poor in the entire state except for Guwahati. The power situation in Guwahati has improved in terms of quality however getting power sanctioned for a unit is a difficult task. With regard to the supply of power the industry and government are banking upon the new capacity addition that is being proposed in Arunachal Pradesh rather than trying to generate power in their own state.

The industry is forced to use trucks to transport goods which take minimum of eight days to travel from Mumbai to Guwahati which may take three days by rail. However there is very limited space available in trains and the prices go higher than the normal rates as the railway rakes are auctioned to transport companies that are further sold at premium rates.

The state is rich in natural resources, though raw material it is not being utilized properly and industry has to procure raw material from outside the state. Some of the potential industry includes fishery, horticulture and floriculture; however, the quantity grown and produced is not enough to feed the industry. Provision of infrastructure facilities like industrial sheds, commercial sheds at all district head quarters and commercial center of Assam and north east region should be established for micro sector units together with marketing outlets. It is observed that industrial estates which are being developed at present are mostly allotted to small and medium enterprises and there is no space left for micro sector industries. The Public Works Department (PWD) of the State is primarily responsible for the development of the road infrastructure for surface road transport & communication of the State. Excluding national highway, the length of surfaced road is 18753 in the State and the length of un-surfaced road is 21047. Excluding the National Highways, the total road length in the State that is maintained by State PWD is 39800 kilometres consists of State Highways, major district roads, urban roads and rural roads.

There is a requirement of horticulture produce during the off season. It may be noted that 40-70% of the horticulture produce goes wasted in transportation and only a small quantity is available for sale, of which barely 0.02% is being processed in the region. One of the reasons behind wastage is improper handling of farm produce. Farmers bring their produce in a big basket which is forcefully staged, thus resulting into damaging some of their produce. The produce is damaged further as it continues to migrate from smaller to larger containers and during transportation. There are only few cold storages (about 10-12) with poor power supply available in the state.

There is absence of raw material bank for the inputs to micro and small industry. NSIC has taken some initiative, however it is limited to a few items such as aluminum, steel, etc. There is acute lack of central government offices in states. The nodal offices of the central government are in Guwahati from where operations are carried out. There is shortage of offices and manpower for executing government operations in the remaining states NSIC has very recently set up offices with manpower in few states.

Entrepreneurship & Skill Development scenario in Assam

The state of Assam in terms of entrepreneurship development is better compared to the other states. Most of the activities of skill development is concentrated in Guwahati, with markets and road and rail connectivity. Industry is able to get labour at reasonable rates. The state government has a policy for the industry to employ 80% of the local labour, however getting casual labor is not a matter of concern but getting manpower at the managerial level is a problem. State government has not taken enough initiative to increase the number of ITIs. Also there is a weak linkage between academia and industry.

A lot of initiatives have been taken by the government to encourage entrepreneurship. For example, to facilitate easy access to institutional credit to the prospective fish farmers and fishery entrepreneurs, the Assam Fisheries Investment Facilities Centre was established in 2008. The declaration of the North East Industrial Investment Promotion Policy has been another important feature for industrialization of the State. To supplement the NEIIPP, 2007 the government had announced State Industrial Policy 2008 that would provide incentives for budding entrepreneurs. The launch of the National Bamboo Mission helped the Assam government to set up a bamboo park nearby Guwahati with the objective of creating an integrated infrastructure for promotion of bamboo based industrial and commercial activities. This would in turn help the local entrepreneurs who would be interested in investing in this sector.

FICCI – KAF

*Study on: State Level Reforms - Increasing
Investments in Meghalaya*

Background Research

Brief on the economy of Meghalaya- a State level Analysis

Introduction

Meghalaya is a land locked state with surface area of 22,429 sq. km divided into seven districts and 39 community development blocks. Meghalaya is a hilly strip in the eastern part of the country about 300 km long (east-west) and 100 km wide (north-south). The state is bounded on the north by Assam and by Bangladesh on the south. The capital is Shillong, also known as the “Scotland of the East”. Shillong, the capital of Meghalaya is located at an altitude of 1496 metres above sea level. Shillong, which was made Assam's capital in 1874, remained so till January 1972, following the formation of Meghalaya. The capital city derives its name from the manifestation of the creator called Shillong. Meghalaya has a total of 7 districts governed by district councils.

Meghalaya is the homeland mainly of the Khasis, the Jaintias and the Garos. The Garos inhabit western Meghalaya, the Khasis in central Meghalaya, and the Jaintias in eastern Meghalaya.



Meghalaya is basically an Agricultural State with about 80% of its total population depending entirely on Agriculture for their livelihood. The total cropped area in the State has increased by about 42 per cent during the last twenty-five years. Food grain production sector covers an area of over 60 per cent of the total crop area. With the introduction of different crops of high yielding varieties in the mid-seventies, remarkable increase in food grain production has been made. In North

East India, Meghalaya has the largest hydro-electricity potential, second only to Arunachal Pradesh. According to information available from the North Eastern Council Sources, The North East Region possesses a hydro-electricity potential of about 57,000 MW which is almost one-third of the total potential of the country. Out of this, Meghalaya has a potential of nearly 1,200 MW. The population growth of the state has been 8.7% over the last eight years.

Table 1: Key Statistics of Meghalaya

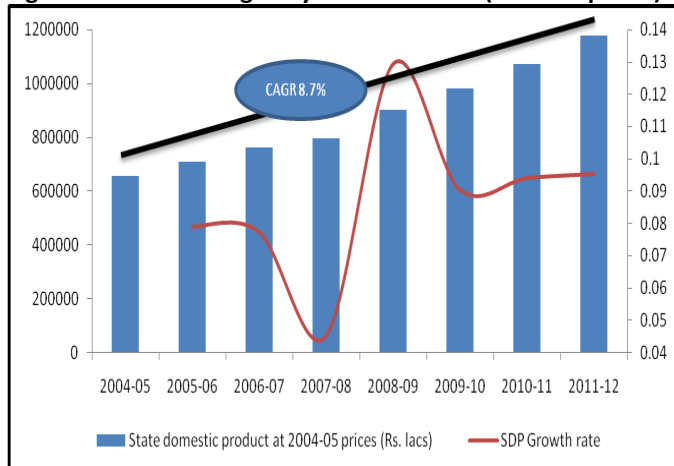
Key Facts	Description
Area	22,429 sq. km
Population	29,64,007
Population Density	132 persons per sq. km
Official Language	English, Khasi, Garo & Pnar
Human Development Index Rank	19
Legislature	60 seats (Unicameral)
Parliament	Rajya Sabha- 1 & Lok Sabha- 2
Literacy rate	75.48%
Sex ratio	986 females per 100 males
Rural Urban ratio	8:2
International Boundary	423 km

Source: Meghalaya Government website, MOSPI

Macroeconomic Overview

The state domestic product of Meghalaya at 2004-05 prices grew at a rate of 8.7% compounded annually over last eight years. The State Domestic product at current prices of the Meghalaya for the year ending 2011-12 saw a 13.6% increase compounded annually over 2004-05.

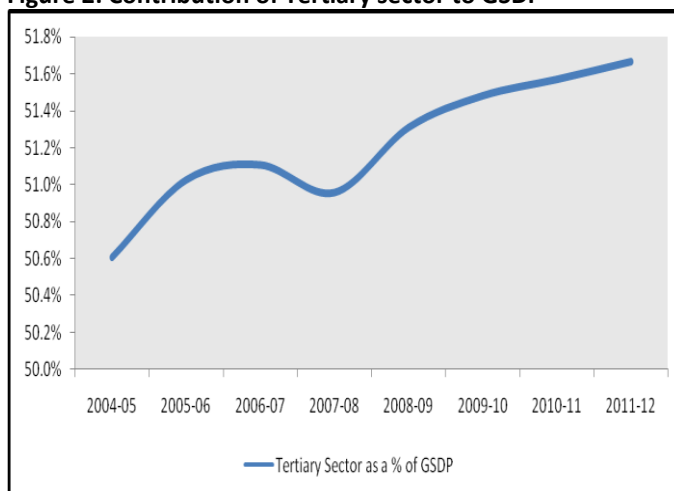
Figure 1: GSDP of Meghalaya at factor cost (2004-05 prices)



Source: MOSPI and FICCI Research

The State Domestic Product (SDP) of Meghalaya has increased gradually over the years with the growth rate reaching a peak in 2008-09. The recent figures show a dip in the SDP growth rate and mild recovery post 2010-11. The service sector growth rate declined from 13.7% in 2008-09 to 9.7% in 2011-12 and the industry sector growth rate declined from 17.7% in 2008-09 to 11.9% in 2011-12. The growth in the SDP is driven by the secondary sector including electricity, gas and water supply, manufacturing and construction.

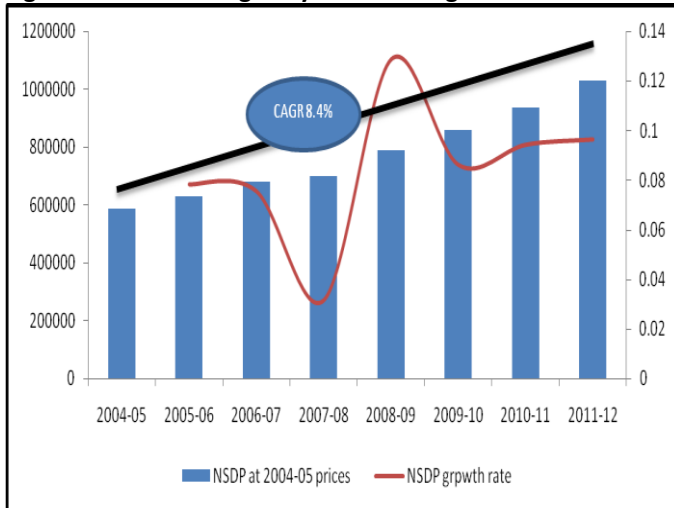
Figure 2: Contribution of Tertiary sector to GSDP



Source: MOSPI and FICCI Research

The Net State Domestic Product (NSDP) of Meghalaya (at 2004-05 prices) has grown from Rs.5,84566 Lakhs in 2004-05 to Rs. 10,27730 Lakhs in 2011-12 at a CAGR of 8.4%. A similar trend could be seen in case of the NSDP as in case of GSDP shown in the diagram below.

Figure 3: NSDP of Meghalaya and NSDP growth rate



Source: MOSPI and FICCI Research

Performance of Sectors in Gross State Domestic Product

The state of Meghalaya is a predominantly agricultural state and has undergone specific changes between 2004-05 and 2011-12. This matter can be further explained with the table given below.

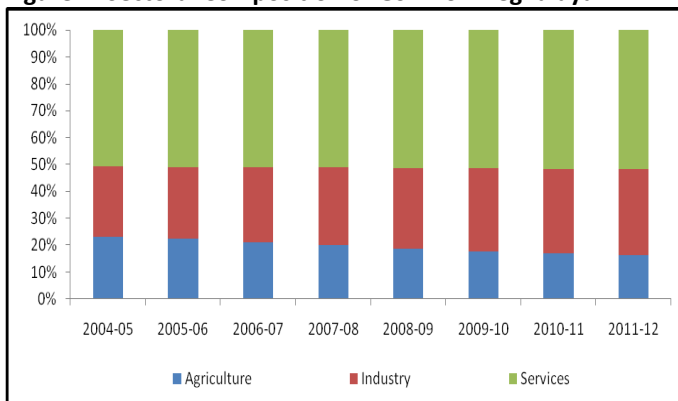
Table 2: Different Sectors as a % of GSDP of Meghalaya at current prices

Sector	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	CAGR 8 Years
Agriculture	23.3%	22.6%	21.3%	20.2%	18.6%	17.8%	17.0%	16.2%	11.2% (3.3%)
Industry	26.1%	26.4%	27.6%	28.9%	30.1%	30.7%	31.4%	32.1%	19.4% (11.9%)
Services	50.6%	51.0%	51.1%	51.0%	51.3%	51.5%	51.6%	51.7%	14.3% (9.0%)

Source: MOSPI and FICCI Research
 Figures in parentheses are at constant prices

It can clearly be seen that the share of the agricultural sector has been declining progressively from 35.1% in 2004-05 to 28.8% in 2011-12. There has been some increase in the industrial sector which was due to the contribution of construction and manufacturing work going on in the state. The contribution of the services sector has been constantly high contributing more than 50% of the GSDP throughout our period of study.

Figure 4: Sectoral Composition of GSDP of Meghalaya



Source: MOSPI and FICCI Research

On analysis we could see that the CAGR for the over the last 8 years was the highest for manufacturing industry which is growing rapidly in the state at 25.9%. The communication industry also grew at a high rate from 2004-05 to 2011-12 at 24.6%. Thus the growth in the service sector is a result of growth in these sub sectors belonging to the service industry.

Per Capita Income

The per capita income of Meghalaya grew from Rs. 24,086 in 2004-05 to Rs. 56,643 in 2011-12. The per capita GSDP grew at a CAGR of 13% per cent between 2004-05 and 2011-12. The per capita GSDP at 2004-05 prices grew at a CAGR of 7.1% per cent between 2004-05 and 2011-12. Though the state is one of the lowest contributors to the GDP of India, still the per capita income of the state is relatively high.

Table 3: Comparative analysis of Per capita income of Meghalaya and India

Year	Per capita income at current prices			
	Meghalaya		India	
	Per capita income (Rs.)	Growth rate (%)	Per capita income (Rs.)	Growth rate (%)
2004-05	24086		24143	
2005-06	26284	9.1	27131	12.4
2006-07	30952	17.8	31206	15.0
2007-08	34229	10.6	35825	14.8
2008-09	40268	17.6	40775	13.8
2009-10	45006	11.8	46117	13.1
2010-11	50427	12.0	53331	15.6
2011-12	56643	12.3	60603	13.6

Source: MOSPI and FICCI Research

Industrial & Infrastructure Scenario in Meghalaya

Majority of industries in Meghalaya are micro and unregistered. Due to the state being hilly the industries are scattered all over the place, forming clusters with reasonable numbers becomes difficult. There are industrial areas in almost every district with about 60 units each on an average. More such areas are required by the industry department; however the department finds it difficult to identify plain areas where the industrial estates could be further set up. Among the large and the medium industries are the mining and cement and among the micro and small are handicrafts, light engineering etc.

The state government in its policy has laid out thrust areas that include

- The agro industries, horticulture product, spices, essential oil, medicinal plants, tea, rubber, biotechnology, tissue culture and orchid units
- Animal Husbandry and Meat processing
- Mineral based industries which are large in size such as coal, ferro articles, lime stone, cement, ceramic, clay washers and some light engineering industries
- Tourism and IT industry are also included in the thrust areas

Some exclusions have been made in the policy that do not attract the benefits, which include the saw mills, veneer mills, flour mills, rice mills and also forest based industries. The exclusions still continue. The industrial policy NEIIPP 2007 brought a package of incentives such as 100% excise exemption, 100 % income tax exemption, capital investment subsidy, transport subsidy, interest subsidy, comprehensive insurance etc. The benefits are extended to both manufacturing as well as services sector (hospitality, health and tourism).

Interestingly, the closure rate of the industry is between 5-10 percent, the main reason cited for the closure of units is poor power supply. Power situation is bad throughout the year except the monsoon season when they see slight improvement in power supply. The transmission lines are also of low capacity (133 KVA) which is not equipped to pull power even if required power is supplied to the state. The state has a potential of 3500 MW of electricity generation combining both thermal and hydro which could be done on PPP mode. By 2014 the state government feels the state can become self-sufficient.

The land is protected under the sixth schedule. It is only the industrial area where they can be provided on lease. But there is an exception that land can be purchased if the project is cleared by the single window committee headed by Chief Minister.

There is a lack of availability of testing labs or tool room facility in Meghalaya. Rail connectivity is required as it is only up to Guwahati. In the recent rail budget two railway links have been approved in Meghalaya, one in Barnihata and second in Mendipathar. There is lack of housing facility for the staff in the industrial area. It was suggested to identify separate residential area near the industrial estate for the staff where housing facilities can be made as per the requirements of the industry.

People from Meghalaya do not have the habit of banking. All the units are micro and cottage industries in Meghalaya, and generally the seed money is raised through family and friends. It was also pointed out that banks usually provide cash credit to the entrepreneurs when they are in need of working capital as banks are said to earn more interest (compounded) in cash credit which involves hidden charges compared to the working capital which does not have a compounded rate of interest. Banks require for collateral in order to forward loans and it is commonly seen that the success rate of sanctioning of loans is very low. There are difficulties being faced by the banks in operating in the far flung areas of Meghalaya.

The manufactured articles of the state are being absorbed in the nearby markets mainly by the government. Exports of items are quite negligible for the state. The micro and cottage industries use traditional skills passed from generation to generation hence they do not feel the requirement of technology.

FICCI – KAF

*Study on: State Level Reforms - Increasing
Investments in Mizoram*

Background Research

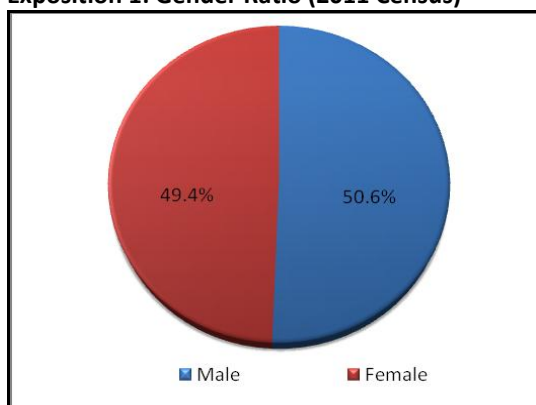
Brief on the economy of Mizoram- a State level Analysis

Introduction

Mizoram is one of the seven sister states of the North Eastern Region and is located in the north-east of India. It is bordered with the states of Tripura, Manipur, Assam and the countries like Bangladesh and Myanmar. It is a mountainous region which became the 23rd state of Indian Union in February 1987. The state covers an area of 21081 sq km with Aizwal as its largest and capital city.

As per 2011 Census, Mizoram has a population of 10.9 lakh an increase of 12.3% from 2001 census figures. Out of the total population, males and females are 321,661 and 286,027 respectively. The gender ratio and other statistics related to Sikkim is illustrated in the table below.

Exposition 1: Gender Ratio (2011 Census)



Source: Census 2011 & FICCI Research

Table 1: Basic Mizoram Statistics (2011 Census)

	2011	2001
Approximate Population	10.91 Lakh	8.89 Lakh
Actual Population	1,091,014	888,573
Male	552,339	459,109
Female	538,675	429,464
Population Growth	22.78%	29.18%
Percentage of total Population	0.09%	0.09%
Sex Ratio	975	938
Density/sq km	52	42
Area sq km	21081	21081
Literacy	91.58%	88.80%

Source: Census 2011 & FICCI Research

The sex ratio of Mizoram is much higher as compared to the national average 940 (as per 2011 census) and stands at 975. There has been a growth of almost 4% as compared to the 2001 census. When it comes to density of population, Mizoram stands out to be one of the least densely populated states of India.

Table 2: Description of Rural-Urban Population (Census 2011)

	Rural	Urban
Population (%)	48.49%	51.51%
Total Population	529,037	561,977
Male Population	271,319	281,020
Female Population	257,718	280,957
Population Growth	18.20%	27.43%
Average Literacy	84.31%	98.10%
Male Literacy	88.35%	98.67%
Female Literacy	80.04%	97.54%

Source: Census 2011 & FICCI Research

From the above table it can be seen that the average literacy rate is higher in the urban areas as compared to the rural areas. Additionally, both male and female literacy rate is quite high in both the rural and urban areas as compared to the national average. Both male and female literacy rate

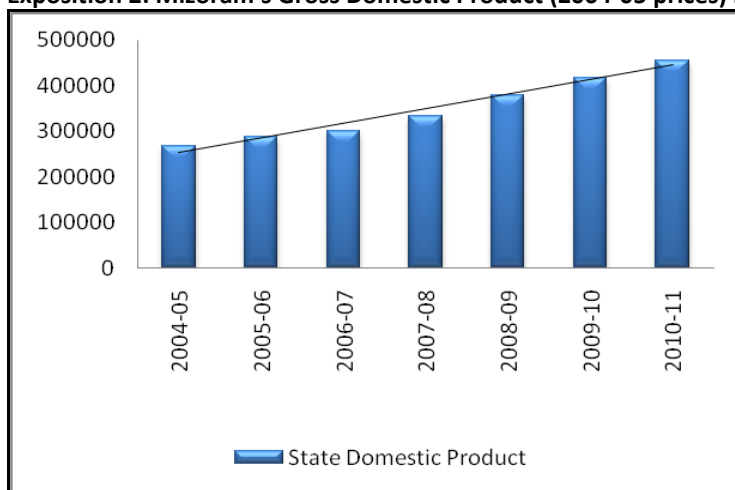
stands close to 99% which is a remarkable achievement for the state and can be ranked next to Kerala. The urban area also witnessed a population growth of 27.4%.

In terms of the annual plan, a plan of Rs 3500 crore has been finalized by the Planning Commission. The state has achieved significant progress in the sectors of Road Transport, Power, Education and Health. While 94.4% of the villages have been connected with approach roads and 61.2% villages have been connected with all weather roads, 81.3% of the villages have been electrified. Some sector like transport, education and health have expanded rapidly contributing to the tertiary sector income. From the government data it can be said that tertiary sector is the main source of income in the state (69%) although agriculture and allied activities constitute the mainstay of the economy.

Macroeconomic Overview

In terms of State Domestic Product, the state of Mizoram has performed well in the last 5-6 years with an average growth of 9.2%. At a more detailed level, it can be seen that in the year 2008-09 the state witnessed a double-digit growth of 13.3% as compared to all the other years.

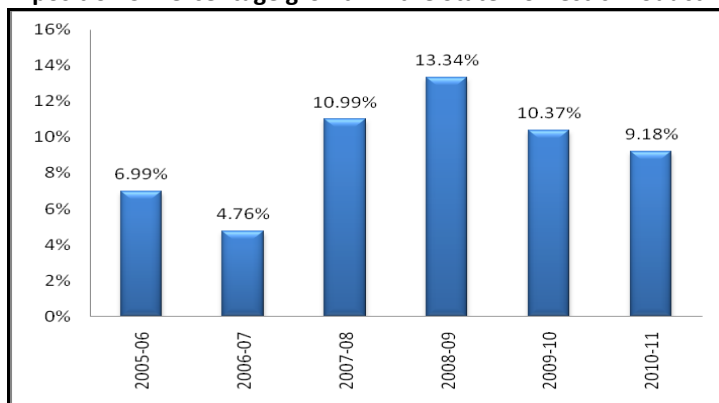
Exposition 2: Mizoram’s Gross Domestic Product (2004-05 prices) in Rs lakh



Source: Mospi & FICCI Research

A deeper look at the data as shown in the figure below reveals that there has a drop in the GSDP growth rate in the year 2010-11.

Exposition 3: Percentage growth in the State Domestic Product



Source: Mospi & FICCI Research

The State domestic product has increased at a CAGR of 9.2% within a span of seven years, driven by industry (CAGR at 13%) whereas the service sector grew by 9.2% followed by the agriculture sector which grew at 6.5%.

Table 3: Sector-wise CAGR (%)

Sector	CAGR
<i>Agri and Allied Activities</i>	6.5%
<i>Industry</i>	12.8%
Services	9.2%

Source: Mospi & FICCI Research

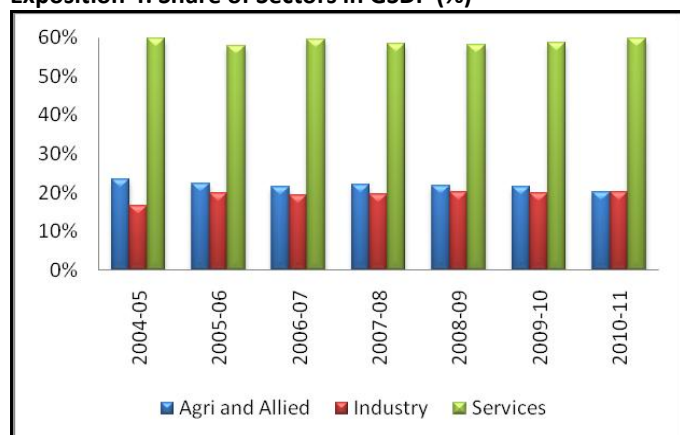
At a more disaggregated level, the manufacturing sector grew at a CAGR of 8.3%. However, there has not been any significant growth in sectors such as mining and quarrying, fishing and forestry and logging. The state enjoys a per capita income of Rs 50,021 as on 2010-11 which is not much different from the national average of Rs 54,547 at the same time period.

The economy of Mizoram is largely dependent on agriculture. The agrarian economy accounts for almost 70% of the state’s population. Though some of the hilly regions of Mizoram are not conducive for agriculture, yet a regular distribution of rainfall coupled with fertile soils have supported agriculture over the years. Horticultural crops are also grown for economic purposes. Mizoram also houses a small repository of minerals. Thus mining has also contributed in a small way in the economy. Off-late, the state has concentrated on more food grain production and productivity to reduce food grain deficit and attain self-sufficiency.

Performance of the sectors in Gross State Domestic Product (GSDP)

The figure below shows that the share of agriculture in the state GDP has been declining constantly. The share of industry and services has remained more or less constant over the years.

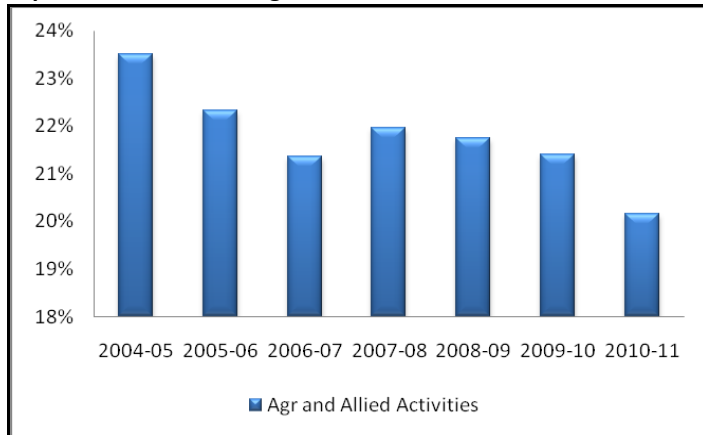
Exposition 4: Share of Sectors in GSDP (%)



Source: Mospi & FICCI Research

In particular, share of agriculture and allied activities in GDP has been declining over the years as can be seen from the figure below. The share has decreased from over 23% to 20% for the 8 year period ended 2011-12.

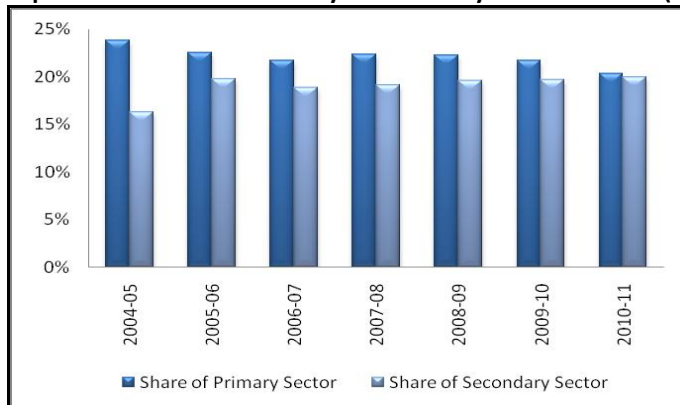
Exposition 5: Share of Agriculture & Allied Activities in State GDP



Source: Mospi & FICCI Research

The share of primary sector in the state domestic product has also declined with marginal increase in the share of the secondary sector as can be seen from the figure below. The share of secondary sector has increased from 16% to 20% over a period of seven years.

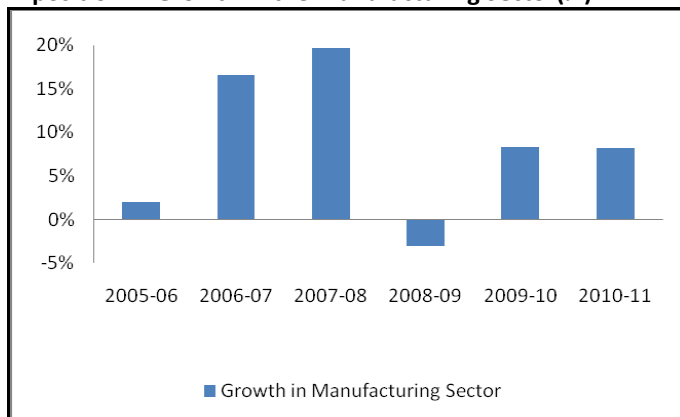
Exposition 6: Share of Primary & Secondary Sector in GSDP (%)



Source: Mospi & FICCI Research

However, the growth in the manufacturing sector has not been impressive over the years. As can be seen below, the sector had witnessed negative growth in the year 2008-09. However, the sector rebounded to record a growth in excess of 8% in the years 2009-10 and 2010-11.

Exposition 7: Growth in the Manufacturing Sector(%)



Source: Mospi & FICCI Research

Industrial scenario in Mizoram

The industrial scenario of Mizoram is not quite different from the entire North-eastern region. The entire Mizoram was categorized under 'No Industry District' in mid seventies. There are not many major industries in the state due to the lack of transport and communication and infrastructure. With the announcement of State Industrial Policy 1989, few modern small-scale industries have come up during the past decade. To further accelerate growth of industries, a New Industrial Policy of Mizoram was announced in the year 2000. The Policy identified thrust areas like Electronics and Information Technology, Bamboo and Timber based products, Food and Fruit Processing, Textiles, Handloom and Handicrafts, etc. This industrial policy in 2000 is said to be currently under revision and Law department of Mizoram is working on the new Industrial Policy.

Mizoram mainly has micro industries, mainly in bamboo and handloom. Mizoram contributes 14% to the country's bamboo production; the climate is ideal for setting up agricultural and forestry produce-based industries. It offers immense potential for commercial exploitation of the natural resources for export-oriented industries. As can be seen from the table below, considering its size and population, Mizoram constitutes more than 2% of the total number of handloom units in the entire north-eastern region (as per the 2009-10 Handloom Census). Mizoram is also setting up a Special Economic Zone (SEZ) in the Northeast with assistance from the North East Council. The SEZ will be located at Khawnuam village in Champhai. Bamboo-based industries would play a major role in the proposed SEZ. Food processing, handloom, wood-based and metal products constitute more than 60% of the small scale units in the industrial estates.

Table 4: State-wise proportion of handloom units, weavers and allied workers & handlooms as per Handloom Census 2009-10 as against the total North-eastern states

States	No. of Units	No. of Handloom Weavers & Allied Workers	No. of Handlooms
Arunachal Pradesh	1.80%	1.53%	1.76%
Assam	73.72%	76.20%	71.73%
Manipur	10.63%	10.14%	12.30%
Mizoram	2.35%	2.02%	1.56%
Meghalaya	0.68%	0.63%	0.58%
Nagaland	3.62%	3.08%	3.08%
Sikkim	0.03%	0.03%	0.02%
Tripura	7.17%	6.36%	8.97%

Source: Planning Commission & FICCI Research

The Mizoram Government's wants to reserve the cottage, village & tiny industries for development for the local entrepreneurs. However, in case of small scale industries the government is open for investment from outside, especially in the case where investment in plant and machineries above Rs.50 lakhs is required. This investment will be in joint venture with local entrepreneurs only in the thrust areas identified by the government.

The government has decided not to sell bamboo poles outside without any value addition. The government of Mizoram with the help of some private players is presently running 9 chipping units in Mizoram. These units are supplying 80-90 metric tons of bamboo chips per day to Hindustan paper mills though the requirements are more. Considering the current demand and demand in future the government of Mizoram is trying to increase capacities and is also willing to invite investors from outside the state.

It may be noted that bamboo is conceived as a thrust area in the Industrial Development of Mizoram for the economic and ecological security of the people. Bamboo is an essential component of forest eco-system, which is a dominant feature of state's landscape. The eco-friendly bamboo crop has immense potential in improving rural economy, industrial development and a sound economic base for the state on a sustained basis. This precious resource needs to be fully tapped as an Industrial raw material, as substitute for wood in rural/urban housing, engineering works, handicrafts, furniture and value addition through export. In this regard, a bamboo resource assessment needs to be done with proper mapping and inventory for which adequate fund is required.

Shifting our focus on NEIIPP i.e., the policy on Industrial development for North East reveals some interesting facts. There are delays in processing of application at the state DIC office, Directorate and SLC. There are delays in disbursement by NEDFi, in addition to this it has been pointed out that paper formalities are too many with a huge backlog with unsatisfactory monitoring.

The industry could not take the best advantage of GOI schemes as they do not meet the eligibility criteria set for such GOI schemes that are primarily focused on clusters and individual. Even at the cluster level, the cluster development program of MSME simply could not take off. In the Common Facility Centre under Cluster Development Program of MSME, building component is not considered for funding even if the case deserves. Since all the incentives are back ended, disbursement takes a long time.

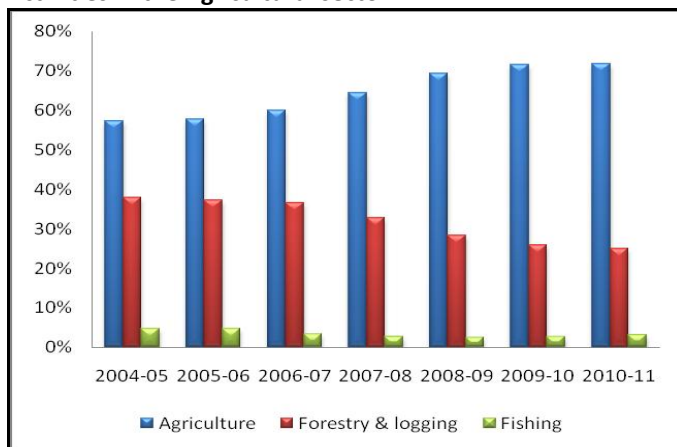
As a recommendation, it is suggested that certain reasonable percentage of back ended incentives of GoI for the purchase of machinery and construction of CFC building could be included. EDF and TDA have such provisions and should be carefully inserted in other schemes as well. GoI should be persuaded to devise and launch special intensified industrial infrastructure scheme for industrially weaker states.

Agricultural scenario in Mizoram

Mizoram follows Jhum cultivation or shifting cultivation, but increased population growth, changes in the land use pattern, resulted in shrinkage of Jhum cycles, loss of soil fertility and natural forest. The Jhum practices were seen unsustainable leading immediately to the problems of food security and increased poverty. The government thought of promoting families to do permanent farming. Therefore the new land policy was brought in. The thrust has been placed in areas such as agricultural and plantations, animal husbandry, fishery and micro enterprises. The land holding pattern of the state reflects dominance of both marginal and small farmers. Medium farmers are very negligible and there is no large farmer. Because of the small and fragmented land holding of the farmers, extensive farming as well as use of agricultural machineries like tractor has limited scope.

The share of agriculture in the total agriculture and allied activities has increased significantly from 57% to 72% within a span of seven years. However, the share of forestry and fishing has declined constantly over the same time span from 38% to 25% and 4.8% to 3% respectively (refer to fig below).

Exposition 8: Share of Agriculture & Other Allied Activities in the Agricultural sector



Source: Mospi & FICCI Research

Horticultural production of fruits, vegetables, spices, cotton, coffee, tea, bird's eye chilli, anthurium and rose has immense potential in Mizoram. The state has more than 1 lakh hectares of area under horticulture which is estimated to be around 17% of the estimated potential of more than 6 lakh hectares. Horticultural production holds a key to the economic growth of the state due to the fact that there exist a tremendous potential of good marketing facility. Apart from this, there is availability of land and the climatic conditions are conducive for growing horticultural crops. However, factors such as high cost of labour, scarcity of flat land, transportation problem and lack of skilled manpower poses a threat to the growth of horticultural production. Also no major irrigational facilities could be possible in the district due to topographical constraint.

To boost up agricultural and horticultural activities, construction of agriculture and horticulture link roads is another priority area whereby efforts will be made not only to connect the fields / gardens where crops are grown with good roads but also to provide employment to the farmers during the lean seasons. It is considered necessary to supplement the efforts under State Plan by providing more funds for the development of Agriculture and Rural Development sectors from CSS, NLCPR and NEC during the 11th Plan period in order to achieve the desired goals.

Infrastructure scenario in Mizoram

Power is not currently sufficient in the evening for domestic use, although there is no problem of electricity during the day time. The power being supplied presently is able to cater to the requirements of the industry as the state does not have any large units. The quality and quantity of power in industrial areas to run the industry and for other infrastructure such as cold storages is a matter of concern. The government is soon coming up with few power projects, such as the 460 MW hydroelectric projects which has already started by state-run National Thermal Power Corporation (NTPC) in Mizoram and is likely to be completed by 2015. In addition to this, a hydel power project in Tuivai is in the tender stage and the project is expected to be completed in 7 years, as per the DPR. Similarly there are other power projects that are going on in the state.

The government is helping the farmers of the state to increase the production of some of the main produce such as, grapes, passion fruit, pineapple, kiwi, oil palm, rice and rubber by allocating additional land. However, the hurdle that still remains to be addressed is the issue of road connectivity to potential areas for cultivation.

In addition to this under NLUP incentive of Rs.1 lakh was given to farmers to shift from Jhum cultivation to terrace agriculture. They were also provided with highly subsidized power tillers, tractors and free irrigation facilities. The government also plans to open development centers in every village with internet connectivity by the end of 2012. It has been pointed out by the industry that the government has set up industrial estates. However these areas have not been properly utilized by the entrepreneurs who have been allotted the land. For the micro industry, firstly, land is rarely available in the industrial estate. Where land is available the micro industry is not able to take advantage due to the fact that only land is allotted and not finance to construct sheds or buildings. The explanation for unavailability of funds for micro industry is, micro fails to meet the criteria and requirements set by the industries and banks.

Road, railways and water ways connectivity needs to be established. Rail connectivity is only up to Bairabi, which is meter gauged. However, the government is working on a rail project connecting Bairabi, Lone rail link with the rest of the country, and Sairang near Aizawl in Mizoram would cost an estimated Rs 2384.34 lakh. Land acquisition has already started and is expected to be completed by 2015.

India and Myanmar signed an agreement of US\$110 million Kaladan multi-modal transit-cum-transport project, which would connect India's land-locked Northeast with the southern coast of Myanmar. The project will be entirely funded by India. Inland Waterways Authority of India has been appointed as project development consultant. The project envisages an up gradation of the Sittwe port on the south-western coast of Myanmar and development of a 225 km long waterway between the port of Sittwe and Setpyitpyin (Kaletwa) in Myanmar along the Kaladan, which flows from Mizoram. Given the non-navigability of the river from Setpyitpyin, the project also involves construction of a 62 km road network from Setpyitpyin to Lawngtlai (a district in

southwestern Mizoram), where the road will merge with the National Highway 54. With this linkage south of Mizoram will become hub of trade with Burma and will help in easing trade between the countries.

Presently in Mizoram, all raw materials are sourced from outside the state, there is no raw material depot where required raw material can be stocked and obtained from, for the industry. Mizoram being at the end of the road suffers the most especially in infrastructure. The Mizoram has very high transport cost because of the distance and terrain.

The state also lacks in social infrastructure present in the progressive states of the country. A requirement for super specialty hospitals and diagnostic center is felt. Outsiders can be given land in the industrial estate on lease basis provided he has a joint venture with the local partner.

In Mizoram industrial estates are located as follows , one in Lunglai, one in Champai, one in Saiha, three in Aizwal, two in Mamit and one Kolasib. Of these the ones developed are three in Aizawl, one in Mamit and one in Lunglai. Apart from the industrial areas there are only three clusters in Mizoram wood, bamboo and handloom. About 60% of the land in Mizoram is covered by oil, exploration in the Northern portion region is being done by ONGC, Middle portion by Oil India Ltd. and southern by Reliance.

As a recommendation it has been suggested that due to high transportation cost it would not be feasible for the industry to produce or manufacture items which require raw material from outside the state. The state should focus on those products where it has resource advantage i.e. bamboo and cane, brooms, wood, plantain fiber and food processing. It is estimated that about 14% of the total bamboo resources of the country are found in Mizoram.

Wood based industry also offers some scope. There is perhaps a need to connect (NHM) National Horticulture Mission and other institutes with farm technology with the farmers to ensure high farm productivity and to find ways to produce farm products during the off season also. Mega food parks may not work in the region. Instead it has been suggested to look at the idea of setting of mini food park.

Common raw material banks should be set up to make the raw material available at reasonable rates to the micro industry. For instance in brass cluster in Barnihat arrangements were made to bring brass metal in the region. Similar efforts by the state and center should be made for bulk buying of other raw materials required by the entrepreneurs. The industry has requested for dedicated trains to and from the Mumbai, another possible option that has been suggested is to increase the railway racks. It is recommended that for micro units separate land should be made available by the state government with proper facilities like sheds or buildings.

Industrial pockets like estates, IIDC should be better equipped; more such pockets in suitable areas should be created. For the rail project connecting Bairabi the land acquisitions need be done in a timely manner to allow the project to complete by 2015. Border trade and Multi Modal transport project also requires special attention as it will help in easing border trade.

Entrepreneurship & Skill Development in Mizoram

Mizoram has been a late starter, not much could happen due to political disturbance in the state. The state is poorly equipped with technology, and has outdated hands related to on-training facilities. Labor is expensive in Mizoram and labourers from Assam, Manipur, Tripura, Bangladesh and Myanmar, infiltrate in spite of ILP (Inner Line Permit) regime. This leads to a local tension and create risks for local laborers.

Mizoram is a thinly populated state. With the increase in growth of construction industry in the state, the construction workers – skilled and unskilled persons from the neighboring states are coming to work. This influx is due to shortage of workforce in the local community who also does not possess the required skills. As an example, the artisans in the state are not aware of the new methods or the latest technology for making products. To encourage entrepreneurship in the state the priority areas could be

- Support for creation of business environment
- Infrastructure
- Provision of easier start-up capital

As a recommendation, integration of entrepreneurship into general education system may be initiated. Efforts should be on strengthening of polytechnic institutes and ITIs etc. The government must also initiate concrete steps for setting up of job oriented skill development schools or vocational training centers in PPP model. The Ministry of MSME, GOI has initiated a program under a scheme called “Rajiv Gandhi Udyami Mitra Yojana” for providing hand holding assistance to entrepreneurs with an objective to help first generation entrepreneurs to reach their entrepreneurial destinations. It is suggested that hand holding support centers may be set up in all districts in Mizoram.

As of now there are only four ITIs and one polytechnic in the state. It is recommended to increase the number of ITIs and its curriculum should suit the requirement of local industry. There is a requirement of skill development where the artisans could be made aware of the new technology/tools/machinery and its use, which will help the industry increase its quality and productivity. Therefore, it is suggested to open training centers similar to CFCs (Common Facility Centers) where the artisans could be trained.

FICCI – KAF

*Study on: State Level Reforms - Increasing
Investments in Nagaland*

Background Research

Brief on the economy of Nagaland- a State level Analysis

Introduction

Nagaland is a hill state located in the farthest north eastern part of India bordering Myanmar in the east, Assam in the west and partly in the north, Arunachal Pradesh in the north and Manipur in the south. This state was formally introduced as the 16th State of the Indian Union in 1963. The State consists of seven administrative districts, inhabited by 16 major tribes along with other sub-tribes.

Nagaland is spread over a total area of 16,579 square kilometres comprising merely 0.5% of total area of India. It is one of the five smallest states of India in terms of area as well as population.

The economy of Nagaland is mostly rooted in agriculture. The main land use pattern is slash and burn farming locally known as jhum. As per unofficial estimates, around 1 lakh hectare of land is under jhum cultivation. Out of the total, around 70% of the working population practise agriculture and other allied activities as their main way of livelihood. Historically, the people of Nagaland have a rich custom of art and craft ingrained in a way of life that has forever been in synchronization with the environment they inhabit. Skilful craftsman and artisans have for all time been the support of self-sufficient tribal society. The tribal societies lent their abilities to generate items of utility and those with artistic value and value as per their custom.

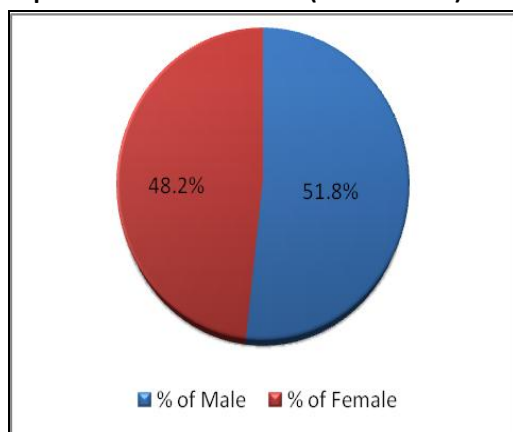
Nagaland has substantial reserve of few mineral resources like lime stone, marble and decorative stones, nickel, cobalt, chromium, natural gas etc. alongside rich forest resources. Due to its geographical position, the state has conducive agro climatic conditions leading to availability of varieties of tropical and sub-tropical fruits, vegetables and cereal crop etc. alongside multiple medicinal plants and herbs in abundance.

With the intention of facilitating quick and persistent industrial expansion in Nagaland new Industrial Policy have been taken on by the State Government to facilitate the entrepreneurs to produce considerable income and employment for the people of Nagaland. The identified thrust areas by the state government are food processing, tourism, bio-technology, floriculture, agro-forest based industries, mineral based industries, sericulture, handloom and handicrafts, electronics and IT along with petrochemicals.

The state government offers some incentives as well. Such incentives include power subsidy, special incentive for 100% Export Oriented Units, exemption of Stamp Duty, 15% price preference and exemption of earnest money on Government Store Purchase Programme, assistance for Quality Control Measures etc.

As per 2011 census, Nagaland has a population of 19.8 lakh, a decline of -0.5% from the 2001 census. Out of the total population, there are 10,25707 males and 9,54895 females. The gender ratio and other statistics related to Nagaland can be illustrated with the help of the diagram and table below.

Exposition 1: Gender Ratio (2011 Census)



Source: Census 2011 & FICCI Research

Table 1: Basic Statistics (2011 Census)

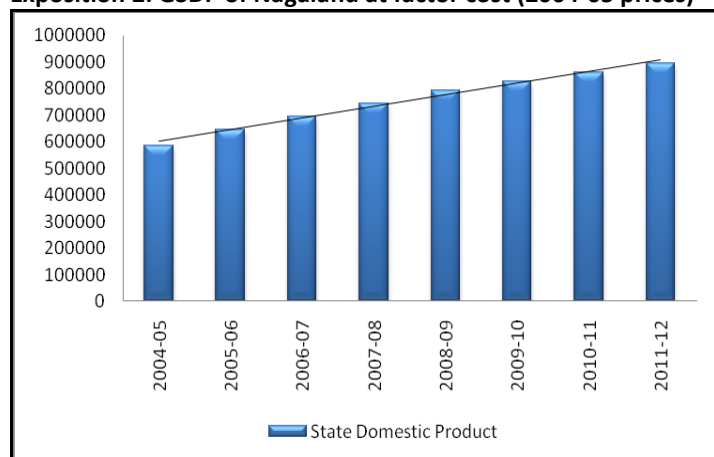
	2011	2001
Approximate Population	19.81 Lakh	19.90 Lakh
Actual Population	1,980,602	1,990,036
Male	1,025,707	1,047,141
Female	954,895	942,895
Population Growth	-0.47%	64.41%
Percentage of total Population	0.16%	0.19%
Sex Ratio	931	909
Density/sq km	119	120
Area sq km	16,579	16,579
Literacy	80.11%	66.59%

Source: Census 2011 & FICCI Research

Macroeconomic Overview

The economy of Nagaland in terms of Gross State Domestic Product (GSDP) has grown moderately well during the last decade. For the 8 year period ended 2011-12, the GSDP at constant prices exhibited an increase of around 6.3%.

Exposition 2: GSDP of Nagaland at factor cost (2004-05 prices)



Source: Mospi & FICCI Research

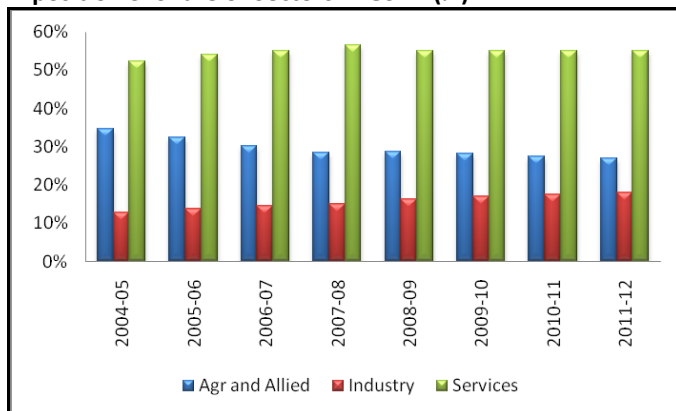
The per capita income of the state of Nagaland at factor cost (at 2004-05 prices) has grown from Rs.30441 in 2004-05 to Rs.41522 in 2011-12 at a CAGR of 4.5%. It is noteworthy to mention that during this period population of the state has increased at a CAGR of 1.6%.

Performance of the sectors in Gross State Domestic Product (GSDP)

The state of Nagaland is primarily an agricultural state with agriculture as the primary activity of the people. The most important crops that are grown are rice, millets, corn pulses, tobacco, and oilseeds. As can be seen from the figure below, the share of agriculture and allied activities have declined over the years from 35% to 27% over a span of eight years. The increase in the share of

industry and services has only been marginal over the years with industry increasing from 13% to 18% and services from 52% to 55%.

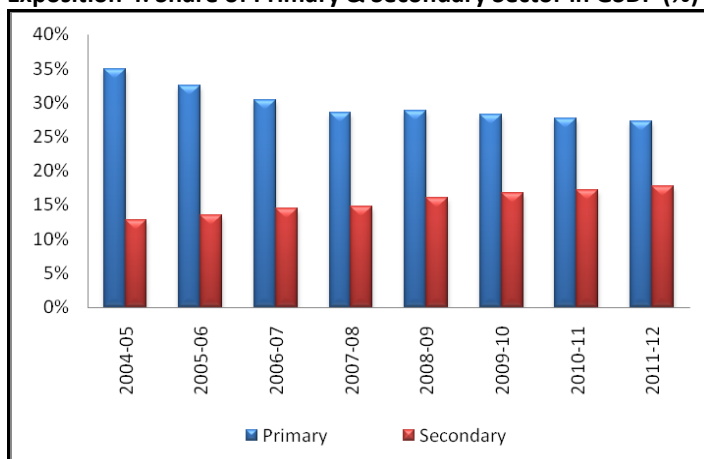
Exposition 3: Share of Sectors in GSDP (%)



Source: Mospi & FICCI Research

As can be seen from the figure below, the share of the primary sector in the state GDP has declined subsequently and that the share of the secondary sector has increased. However, the decrease in the primary sector is more pronounced than the increase in the share of the secondary sector.

Exposition 4: Share of Primary & Secondary Sector in GSDP (%)



Source: Mospi & FICCI Research

Industrial scenario in Nagaland

Nagaland is 80% hilly and is mostly covered by forest and remaining 20% are plain lands. State Government owns 5% of the plain and remaining 95% is privately owned. 97% of the forest is owned by private parties (individuals / groups) through the Village councils and 3% is owned by the government (reserved forest).

No single association has been established that could represent Nagaland industry. There are few small sized product / cluster based associations spread across the state. The associations are small and cluster based namely the Wood based association, Bakery product association etc, Bamboo association etc. The only name of association that came from the industry and government camps working in the interest of the industry of Nagaland was Federation of Industry and Commerce of North East Region (FINER) in Guwahati.

The state government has shown keen interest in setting up resource based industries with value addition in the state. These industry segments include the agricultural and non-agricultural industries, for example, food articles (cereals, Naga chilly, pineapple, citrus, passion fruit, ginger, wild apple, turmeric, cardamom, tea, honey, and bamboo based products). In the non-food industry segment the segments are wood based products, bamboo products, floriculture, sericulture, tourism and mining. However, mining is an important industry, but the industry has not been touched because of political disturbance. The potential industries are floriculture, bamboo based, wood based, textile, packaging, cold storage, tourism, hotels and restaurants, dairy products, processed food industry, fishery and paper industry.

Informal interactions with wood industry revealed that only 3% of the forest is reserved and owned by the government and the remaining 97% continues to remain as village forest or private forest. The wood based industries have mostly closed down after the ruling of the Supreme Court in the state. The Supreme Court formed a committee CEP (Central Empowered Committee) which had retired government officers as members. The first ruling came in the year 1996 for five years (further it has been extended and still in effect) which clamps down on the felling of trees in non-sustainable manner. The ruling was applied even in the forest that is privately owned, bringing it under a system of sustainable forest management.

This Supreme Court ruling had an indirect impact on the Jhum cycle as well. (This cycle is adopted by the villages that live on forest products). They cut the trees in a certain area, sell it and then burn the area, after which cultivation is done for a year. They leave the piece of land for 7 to 20 years depending on the size and need and come back to the same piece of land after 7 years, sometimes even 20 years. However, the increasing population pressures compel the villagers to come back after 3 / 5 years. The Supreme Court order has stopped the villages from felling trees as per their needs. This has been one of the major causes of concern for the villagers.

For a food processing unit, the major challenges faced are getting the clearance which takes as long as two years. Power requirement are somehow met since the state still does not boast of heavy industries which are more power-intensive. However, the present state of power is not encouraging

for large-scale industries to be set up in the state. To address the issue of power the government is looking at involving private sector in hydel power generation. They are also looking at the option of power trading and they are in the process of buying coal blocks for power generation in Odisha. However, there is still the problem of getting the subsidy scheme sanctioned by the Ministry of Food Processing.

There are two large government owned industries, one sugar mill which is closed and the second is paper & pulp industry which has remained closed for a long time and is being revived under the revival package.

The new SEZ has been declared in the agro and food processing sector, with IL&FS as consultants. However the present status shows that land allotments in the SEZ area will take another year.

The benefits of NEIIPP, 2007 can be stated as below:

- 100% excise duty exemption on finished products
- 100% income tax exemption
- 30% capital investment subsidy on the investment of P&M
- 3% interest subsidy on working capital loan
- 100% insurance premium
- 90% transport subsidy

Not only this, the State Industrial Policy also states the following:

- Reimbursement of 25-30% of power cost
- Cost of drawing of Power line up to Rs 2 Lakh
- 50% subsidy for Feasibility Study Cost
- 25% Manpower Subsidy
- Special incentives for 100% EOUs
- Subsidy for quality control measures
- Sales Tax measures
- 50% Stamp Duty Exemption
- 15% Price Preference exemption of Earnest Money Deposit

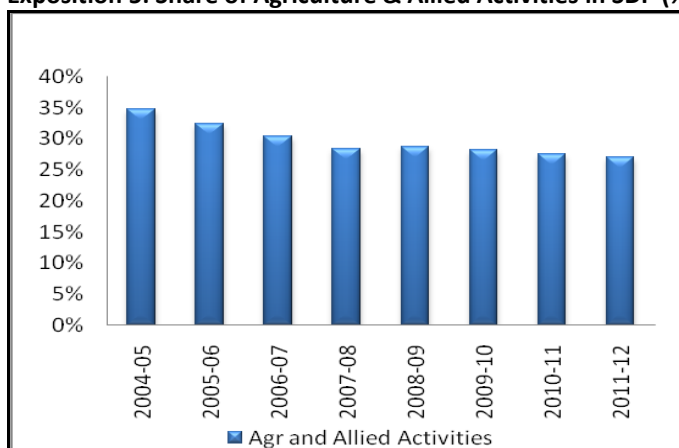
CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises) is another scheme of Gol and also facilitated by SIDBI which allows loan up to 75% of the total loan amount without any collateral as Gol acts as third party providing guarantee. This is along with promoter's contribution

to the extent of 25%. This approval by GoI is given once the project is sanctioned by the bank. However the banks are not keen on disbursements because of possibility of non-repayments.

Agricultural scenario in Nagaland

As has been stated before, agriculture is the primary occupation for most of the people of Nagaland. However, the share of agriculture and allied activities in the state GDP has declined constantly over the years (refer to the figure below) with a CAGR of only 2.5%.

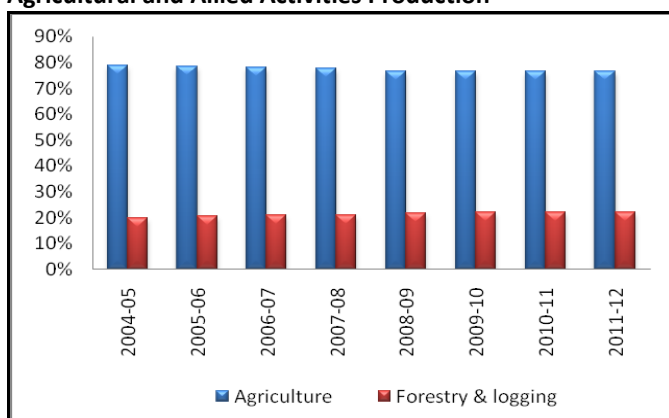
Exposition 5: Share of Agriculture & Allied Activities in SDP (%)



Source: Mospi & FICCI Research

A closer look reveals that the share of agriculture in the total agricultural and other allied activities production has declined marginally with the share of forestry and logging remaining almost constant for the last 3 years. The CAGR of agriculture is a mere 2% as compared to 4% of forestry and logging.

Exposition 6: Share of Agriculture in Total Agricultural and Allied Activities Production



Source: Mospi & FICCI Research

The people of Nagaland have an enterprising spirit depending on their own resources but need training on marketing and technology. Its proximity to Myanmar can be considered as a launching pad for the North East region. Recently the Highway Authority has given tender to Maitais development.

Infrastructure & Skill Development scenario in Nagaland

Transport infrastructure is weak especially the road based. Roads leading to the distant districts such as Mon, Kepeche, Wakha districts are single lined and in bad condition. The conditions of roads are not up to mark as well. The visitor will have to apply for the road permit (Inner Line permit) if he needs to travel to other districts of Nagaland crossing the Gate of Nagaland. Permit is given by the office of Deputy Commissioner, to be applied only a day in advance. Dimapur does not require such road permit. Also, transport infrastructure is weak especially the road based. Roads leading to the distant districts such as Mon, Kepeche, Wakha districts are single laned and in bad condition. There is no engineering college, medical college or agricultural university.

The state lacks in skilled manpower. Presently the workers hailing from villages are imparted training by the entrepreneurs. The state lacks proper place as to where the necessary training could be given. Perhaps there is need to expand the trade linked skill in the state sponsored ITIs.

Nagaland lacks machine repairing centers. In case of breakdown of machines, machine spares are not available locally and are compelled to travel long distances to obtain the spare parts. Further there is acute dearth of mechanics or engineers.

FICCI – KAF

*Study on: State Level Reforms - Increasing
Investments in Sikkim*

Background Research

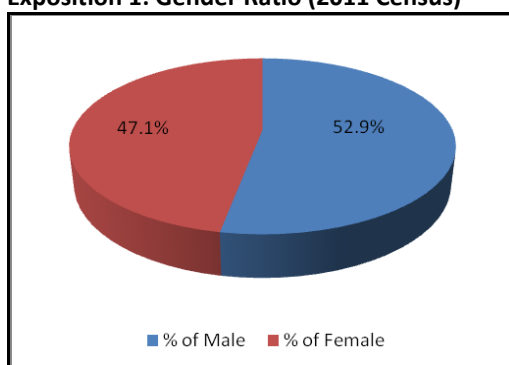
Brief on the economy of Sikkim- A State level Analysis

Introduction

Sikkim is a landlocked Indian state situated in the Himalayan Mountains bordering Nepal in the west, China's Tibet to the North and East, Bhutan to the southeast and West Bengal in the South. Sikkim is the second smallest state of India just after Goa with an approximate area of 7096 sq km. The world's third highest peak, Kanchenjunga, is located on the State's border with Nepal. The state has 4 districts namely East Sikkim, West Sikkim, North Sikkim and South Sikkim with their respective capitals Gangtok, Geyzing, Mangan and Namchi. These four districts are further subdivided into subdivisions. The east district has two subdivisions, Pakyong and Rongli; the west district has one subdivision, Soreng; the north district has one subdivision, Chungthang and Rabangla is the subdivision of the south district. Sikkim is the 22nd state of India that came into existence with effect from 26th April, 1975.

As per 2011 Census, Sikkim has a population of 6.07 lakh an increase of 12.3% from 2001 census figures. Out of the total population, males and females are 321,661 and 286,027 respectively. The gender ratio and other statistics related to Sikkim can be illustrated with the help of the diagram and table below.

Exposition 1: Gender Ratio (2011 Census)



Source: Census 2011 & FICCI Research

Table 1: Basic Sikkim Statistics (2011 Census)

	2011	2001
Approximate Population	6.07 Lakh	5.41 Lakh
Actual Population	607,688	540,851
Male	321,661	288,484
Female	286,027	252,367
Population Growth	12.36%	32.98%
Percentage of total Population	0.05%	0.05%
Sex Ratio	889	875
Density/sq km	86	76
Area sq km	7096	7096
Literacy	82.20%	68.81%

Source: Census 2011 & FICCI Research

As can be seen from Table 1, there has been a considerable increase in the population of Sikkim. In particular, the female population has recorded a growth of 13.3% as compared to 11.5% of male population. Though the sex-ratio of Sikkim at 889 is way below the Indian sex ratio of 940 (as per 2011 census), yet there has been an improvement in the sex ratio also from 875 to 889 over the decade ended 2010-11. Surprisingly, Sikkim is also one of the least densely populated states of India with only 86 persons per sq km with a high population growth rate.

Table 2: Description of Rural-Urban Population (Census 2011)

	Rural	Urban
Population (%)	75.03%	24.97%
Total Population	455,962	151,726
Male Population	242,122	79,539
Female Population	213,840	72,187
Population Growth	-5.20%	153.43%
Average Literacy	79.82%	89.26%
Male Literacy	85.42%	92.94%
Female Literacy	73.42%	85.19%

Source: Census 2011 & FICCI Research

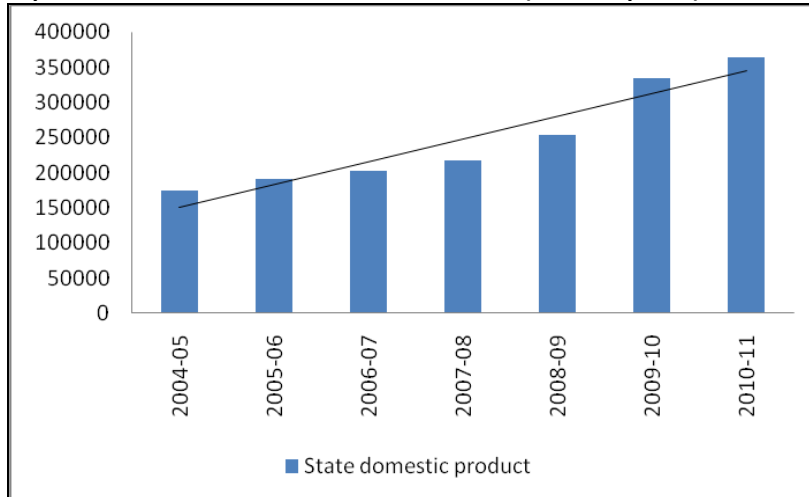
A further detailed study shows that the average literacy rate is higher in the urban areas as compared to the rural areas. Both male and female literacy rate is quite high in both the rural and urban areas as compared to the national average.

Interestingly, Sikkim’s human development indicators are amongst the best in the country. This apart, the growth in agriculture during the eleventh plan was far better than the national average. Also special attention was paid to organic farming, horticulture and floriculture.

Macroeconomic Overview

The state of Sikkim in term of Gross State Domestic Product (GSDP) has grown moderately. The GDP for Sikkim was Rs 1,73,932 lakhs in the year 2004-05 which increased to Rs 3,64, 218 lakhs in the year 2010-11. On an average the economy has grown at an annual 13.4%.

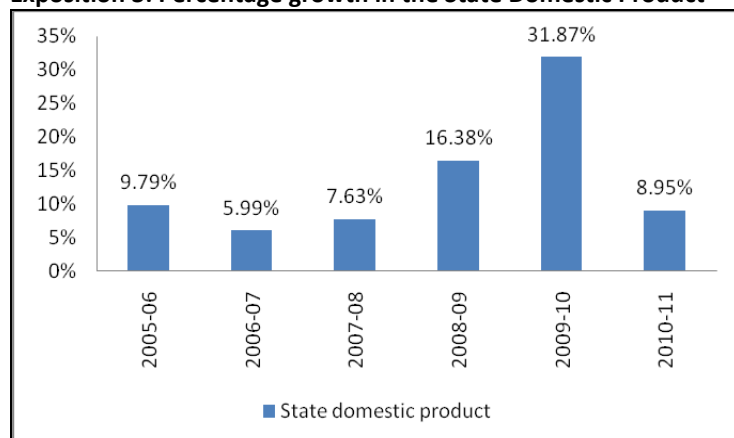
Exposition 2: Sikkim’s Gross Domestic Product (2004-05 prices) in Rs lakh



Source: Mospi & FICCI Research

However, it can be observed that there has been a deceleration in growth post 2009-10.

Exposition 3: Percentage growth in the State Domestic Product



Source: Mospi & FICCI Research

The Net State Domestic Product of Sikkim (at 2004-05 prices) has also increased considerably since 2008-09 with a CAGR of almost 22% from the year 2004-05 to 2010-11 (Table 3). The per capita income of the state stands at Rs 59,806 as per the advance estimates at constant prices for 2011-12 and is considered to be the second highest in the whole of north-east.

Table 3: Net State Domestic Product

Net State Domestic Product (Rs Crores)						
2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
1,511	1,734	1,871	2,140	2,796	4,144	4,943

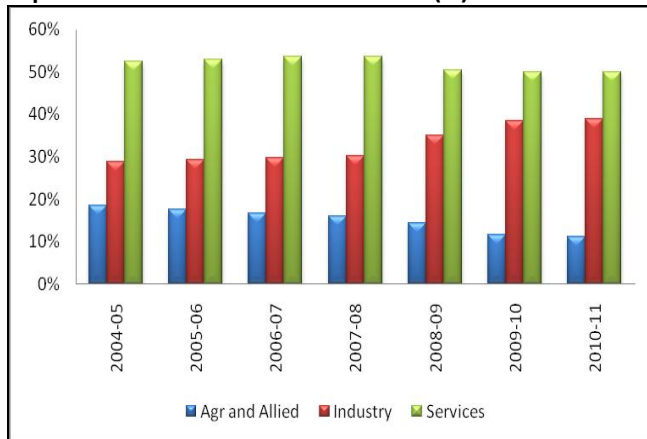
Source: Mospi & FICCI Research

The State's economy is largely agrarian and crops like maize, millet, cardamom, oranges and tea are cultivated. In recent years, Sikkim government has extensively promoted tourism and as a result of which the revenue of the state has increase 14 times since the 1990s. The opening of the Nathula Pass in the year 2006 connecting Tibet to India is expected to give a spurt to the economy in the long-run as the route for trades between the two countries has been opened.

Performance of the sectors in Gross State Domestic Product (GSDP)

The state of Sikkim, though primarily an agrarian state, has undergone significant structural changes in the last couple of years. This can be observed from the figure below where we see that the contribution of agriculture and allied activities has constantly declined from 18.6% to 11.2% in a span of six years. The share of industry has increased over the years with the years 2008-09 and 2009-10 witnessing the maximum growth. Though the share of services has always been more than agriculture and industry, yet it has been facing moderate decline since 2007-08.

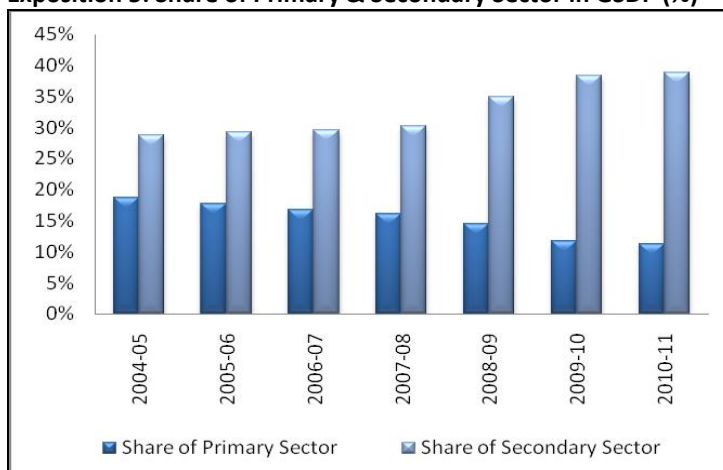
Exposition 4: Share of Sectors in GDP (%)



Source: Mospi & FICCI Research

From the figure below it can be observed that the share of the primary sector has been declining constantly from 18% to 11.3%. However, an opposite trend can be observed in case of the secondary sector where the share has increased from 28.7% to 38.9%. When viewed from a CAGR perspective, we see that industry has witnessed a CAGR of almost 19% in a span of seven years as compared to 12% in services and approximately 4% in agriculture. Hence, it can be rightly said that there has been a comparative increase in the industrial activity in the state in a span of seven years.

Exposition 5: Share of Primary & Secondary Sector in GDP (%)



Source: Mospi & FICCI Research

At a more disaggregated level the manufacturing sector has grown at 6.2% with the registered and unregistered sector growing at 6.8% and 5.7% respectively. The electricity, gas and water supply sector has grown at a whopping CAGR of 42.7%. In the service sector, there has been a significant increase in communication with a CAGR of 25.4%. In the agriculture and allied activities sector, the CAGR for forestry and logging stands at -1.5%, indicating that there has been a substantial decrease in growth in this sector in the last few years. However, on account of moderate growth of around 4% in agriculture and fishing, the entire agriculture and allied sector have managed to perform reasonably well. In fact, because of a decline in the share of agriculture in the state domestic product, the government has taken initiatives to increase the share of agriculture by promoting organic farming extensively.

Large Units & MSME

Sikkim is one of the least industrially developed states in India. Because of its hilly terrain and lack of adequate transport infrastructure, there has been limited growth in the industrial base in Sikkim. Sikkim is characterized by the absence of large-scale industries and the presence of small and medium enterprises. The presence of MSME is also numbered as hardly 370 units are present as per Directorate of industries (DIC) estimates. Keeping in mind the need for industrialisation in the state, the Directorate of industries was set up in the year 1977 with the main focus on promoting and developing industries. The Directorate assisted not only in establishing industries but also imparting training to the local youths in various handloom and handicraft techniques and setting up training centres at various places of the state so that artisans who use age old methods in making ethnic products become self-sufficient. The Directorate was renamed Department of Commerce and Industries in the year 2003.

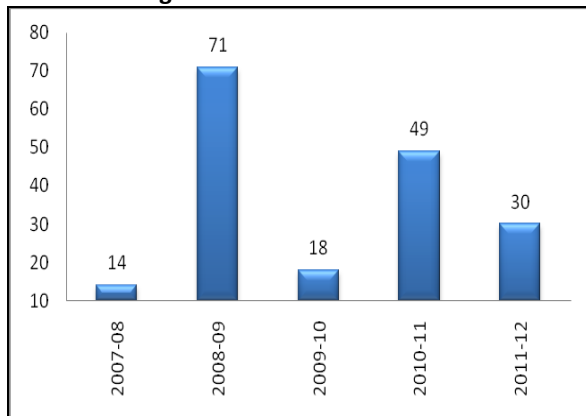
The basic objective of such a conversion was to speed up industrialisation by luring national and international corporations to invest in the small hilly state of Sikkim. To enable such investments various incentives and subsidies were provided so that they could invest and play a major role in the economic development of the state. The department is also entitled to monitor industrial growth and production in general and in selected industrial sectors such as cement, paper and pulp, leather, tyre and rubber, light electrical industries, consumer goods, consumer durables etc. It is also entitled to appropriate policy intervention as may be required from time to time to encourage more industrial investments. The total number of registered enterprises in Sikkim stood at 353 as on March, 2003 in the small and medium category as there were no large scale enterprises. However, by the end of March 2011, there are at least 7 large scale manufacturing enterprises primarily producing pharmaceutical products. This is mainly the result of the enactment of the North East Industrial & Investment Promotion Policy (NEIIPP), 2007 introducing a package of fiscal incentives and other concessions for the industrial investments in the region.

The NEIIPP was notified after the revision of the erstwhile North East Industrial Policy (NEIP), 1997. The policy is applicable to the states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim and would remain effective for a period of 10 years. The incentives or concessions that are provided to the industrial houses are excise duty exemption based on 'value addition' norms specified by Department of Revenue. Other forms of incentives are income tax exemption, capital investment subsidy, interest subsidy etc. Benefits under this have also been extended to some selected service sector industry and also to bio-technology and power generating industries apart from the manufacturing sector. Industries that are considered hazardous to public health and environment have been ineligible for the benefits under this policy.

The role of small scale industries also plays an important part in the industrial development of the state and indirectly on the employment generation of the local youths. Post the introduction of the MSMED Act, 2006 the earlier concept of industries has been changed to 'enterprises' which have been further categorized into micro, small and medium enterprises depending upon the amount of investment attached to it. In this context, it is worth mentioning that the promotion of tourism by the state has given a spurt to these small and micro units as there has been a continuous increase in

the flow of tourists. As per the Department of Commerce & Industries, the total number of registered enterprises is 670 as on February, 2011. However, unfortunately, as much as 320 units (i.e., almost 50% of the units) are not functioning while only 350 are functioning. As can be seen from the figure below, the number of enterprises that were issued permanent registration has increased by 114% from 14 to 30. However, when compared to the peak year of 2008-09, we observe a significant decline of 58% from 71 units to 30.

Exposition 6: Number of enterprises issued Permanent registrations



Source: Annual Report, Ministry of MSME, GoI

The MSME sector has been recognized as the growth engine for promoting development in Sikkim not because it accounts for a major share of industrial production and exports but also because it is a major source of employment generation for a large number of local youths. The MSME-DI (Development Institute), Gangtok has been constituted and plays a pivotal role in the promotion and development of micro, small and medium enterprises with constant support from the State and Central government and also from the NGOs. They provide varied assistance and services ranging from technical assistance, consultancy services, training courses and assistance, marketing assistance, modernization programs, export promotion etc. Training for the purpose of skill development has been recently identified as an important area of investment. In this connection, a 6 weeks skill development and training program under the name Entrepreneurship and Skill Development (ESD) have been taken up to help entrepreneurs in establishing small units like desktop publishing, hardware and beauty parlour. Besides ESD, other programs like Entrepreneurship Development Programs (EDPs), Management Development Programs (MDPs) on industrial Management, production management, marketing management and financial management have also been introduced. However, most of the training programs have been concentrated in the eastern district.

During the year 2011-12, a target of 15 ESD Programs were set with the MSME-DI organizing 11 of them. The ESD Programs were conducted on various diverse topics such as bamboo crafts, ladies garment making, soft toys marketing, computer hardware and networking, food processing etc. In such a skill development program, a master craftsman is called for and there is an imparting of knowledge and training to interested candidates.

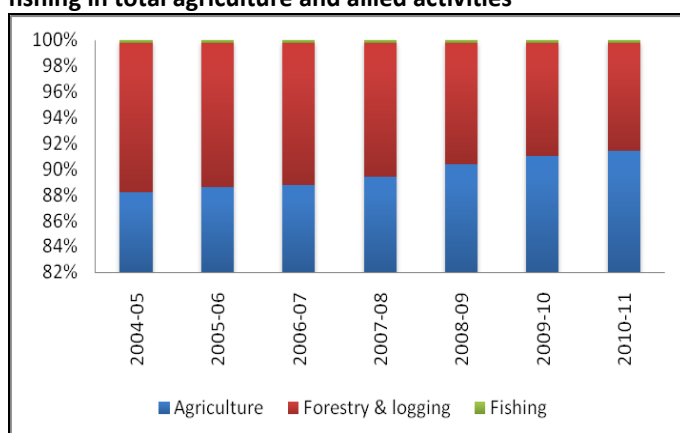
To sum up it can be concluded that several steps in the right direction has been taken by the government of Sikkim so as to create a conducive atmosphere for industrial growth taking into consideration the available natural resources and the local socio-economic environment. There has

been constant effort in the rehabilitation of the sick industries with comprehensive guidance and assistance from the department of industries and proactive participation of all concerned government agencies to facilitate the industrial growth in the region. There has been also constant effort by the government for human resource development in the form of appropriate skill and entrepreneurship development programs at district and sub-division block levels to meet the constant need for skilled labour. Also, simplification of procedures and granting of subsidies and incentives to attract both internal and external investors in the state with an objective of long-term investment has been properly implemented.

Agricultural scenario in Sikkim

Agriculture at Sikkim is practiced in terraced fields which are created on steep hillsides. Most of the agricultural land lies in the rural areas of Sikkim. The main crops produced are rice, wheat, maize, large cardamom and ginger with immense potential for the commercialization of large cardamom, ginger, fruits, tea, medicinal herbs and exportable flowers. Agriculture in Sikkim still remains an important element since majority of the people are employed in this sector. However, as can be seen from the figure below, the growth in the share of agriculture has declined over the last couple of years.

Exposition 7: Break-up of share of agriculture, forestry & fishing in total agriculture and allied activities



Source: Mospi & FICCI Research

The revenue earning crops for the agricultural sector is cardamom. Sikkim produces around 80% of India's large cardamom and is mainly exported to countries like Singapore, Pakistan and Middle-East. Sikkim has the largest area and highest production of large brown cardamom, ginger, potato, orange and off-season vegetables are other cash crops. Ginger is also exported as it is of very high quality. Kiwis are also grown in large quantities which can be exported even after meeting the domestic demand. As can be seen from the table below, the average yield of fruits, vegetables and tuber crops has been very high in the year 2010-11. However, when it comes to production, flowers have recorded much higher production as compared to fruits and vegetables.

Table 4: Area, production and yield in 2010-11

	Area ('000 ha)	Production (000 tonnes)	Avg Yield (kgs/ha)
Fruits	12.895	20.11	3089
Vegetables	14.405	75.2	5220
Root & Tuber Crops	10.11	49.16	4862
Spices	24.38	52.37	2148
Flowers	0.188	212.5	-

Source: Govt of Sikkim & FICCI Research

However, on a commercial front, agriculture is not fully mechanized in the state. The only barrier to the growth and improvisation of agriculture in Sikkim is the topographical location of the state. The state is located at a very high altitude which acts as a hindrance to growing of crops. Another barrier is that a lot of labor is required to create the terraced land for cultivation in the sloping lands.

On the horticultural front, there has been a couple of Missions that have been taken up by the Central government to enhance production. They are primarily Mini Mission 1 which is the research centre, Mini Mission 2 which is the production centre, the post harvest centre which is the industrial department and finally the marketing centre. This mission covers an area of 43 acres and is likely to benefit 80% of the population who live in the rural areas.

The Sikkim government aims to declare the state an organic state by the year 2015 and much has been achieved in the field of organic farming. The Secretary informed that the State Government of Sikkim has set a target of converting 50,000 hectares of land to organic by 2015 starting from 2010-11. The total target of 50,000 hectares will be fulfilled in three phase of 2010-11, 2011-12, 2012-13 with 18,000 hectares each in the first two phases and 14,000 hectares of land being taken up respectively each year. In this way by the year 2015 total cultivable land of 58,260 hectares will be totally organic. One of the primary reasons for such rapid transition is the people's preference for organic farming. To enhance production and increase the average yield of crops, the government is taking various steps including providing high yielding variety of seeds, good quality fertilizers and pesticides to increase the revenue from agriculture.

Infrastructure scenario in Sikkim

Power

Power sector is one of the primary inputs to the economic growth of any state. In Sikkim, the power industry is not only a propelling instrument but also a revenue generating sector for the state. The presence of hills and long rainy season, coupled with the presence of the river Teesta, are two important natural features which would help in hydro-electricity production.

Availability of power is not a concern and the state does not suffer from any major power shortage. One of the reasons might be due to the absence of large power consuming industries in the state. The overall power situation, though comfortable, must be suitably enhanced to induce power intensive industries to the state. The primary objective of the state power department is to make power available to all the different sections of the people. As can be seen from the table below, the total capacity and net energy available has increased four times in a period of 6 years.

Table 5: Year-wise power capacity available

Year	Capacity Available	Net Peak Available(MW)	Net Energy Available (MU)
2005-06	106.86	94.36	561.71
2006-07	177.19	157.6	1414.42
2007-08	184.19	164.54	1452.77
2008-09	205.82	186.17	1539.39
2009-10	205.82	186.17	1539.39
2010-11	439.91	388.29	2448.32
2011-12	439.91	388.29	2448.32

Source: Department of Power, Sikkim & FICCI Research

The state has the potential of producing 8000 MW of hydroelectricity. In fact, more than 30 projects have been awarded to developers since the year 2004 with an installed capacity of 5000 MW. At present, some of the projects are in advanced stages and is on the verge of completion. The biggest project has the capacity of generating 1200 MW of power and is situated in North of Sikkim. It is estimated that around 3000 MW capacity is likely to be commissioned with a total earning of Rs 900 crores per year within the year 2017. With regard to this, for the first 15 years, the developers is expected to give the government 12% of free power and from 6-30 years, around 15% of free power and post 35 years, the entire project would be handed to the state and the ownership of the power plants would rest in the hands of the state. Providing cheap power would then be possible at a rate of Rs 3/unit instead of Rs 5/unit. In this context, it is worth mentioning the Teesta Urja Power Limited whose mission is to commission 1200 MW of hydro electricity generation in a shortest possible time period so that optimal benefits are accrued. The components are located in the North Sikkim districts of Sikkim. The Teesta Urja Limited has been formed to play an active role in the hydro power generation and is an initiative taken by the Government of India. The project is on a BOT basis for a period of 35 years by the Government of Sikkim.

A quick glance at the table below reveals that in the 11th plan and the annual plans an average of 8% of the total plan outlay has been allocated in the power sector for the state of Sikkim.

Table 6: Proportion of Power Sector Outlay over the Annual Plans

	11th Plan (2007-12)	2007-08	2008-09	2009-10	2010-11
Arunachal Pradesh	16.20%	6.44%	11.30%	10.38%	12.08%
Assam	10.86%	10.47%	8.32%	2.88%	5.09%
Manipur	18.38%	6.40%	7.23%	8.50%	5.00%
Meghalaya	11.81%	29.55%	28.40%	26.19%	27.22%
Mizoram	12.49%	9.41%	6.80%	5.52%	4.93%
Nagaland	10.82%	8.67%	8.67%	4.93%	3.67%
Sikkim	10.85%	7.81%	8.33%	4.59%	4.77%

Source: Planning Commission & FICCI Research

Though the proportion of allocation is much less as compared to the other north-eastern states, yet it can be observed that the allocation has increased considerably over the years.

Connectivity: Road, Rail & Air

Some parts of Sikkim have serious connectivity issues, specially the Northern and the interiors of the western part. Though the northern part of Sikkim has a few tourists' spots, yet the connectivity problem is posing as a hindrance to its full development. The conditions of roads are extremely poor posing as a real problem to the marketing of the local handicrafts that are produced. Also, there is the problem of connectivity from the National Highway to Gangtok and beyond. It has been previously suggested that proper up gradation of the national highway should be done at the earliest and it should also be made double lined. However, as far as the construction of roads is concerned, a significant part of the state roads belong to the Border Road Organization (BRO). However, it may be noted that approximately 900 kms of roads of Sikkim belongs to the Border Road Organization (BRO) which is outside the purview of the state government.

Also, Sikkim being an earthquake prone zone has been hit by earthquakes in the recent past which has stalled road construction and delayed the various ongoing development projects. In fact, the BRO too is quite apprehensive of the fact that the ongoing projects will be completed on schedule i.e., the year 2015. The Project Swastik of Border Roads organization (BRO) would be requiring almost 18 months for restoring road connectivity fully along North Sikkim Highway and Jawaharlal Nehru (JN) Margh (Gangtok-Nathula road) back to its pre-earthquake status. Fortunately, the NH 31A, which connects Sikkim with the rest of the country, has not been affected by the earthquake. However, the road connectivity needs to be improved on an urgent basis so as to connect the northern part with the other parts of the state.

Rail transport, though better than road transport, also needs to be upgraded. In terms of the air transport, a new airport is under construction to take-off some burden from Bagdogra, which is the nearest airport for the State. However, the construction is getting delayed due to the route connectivity problem.

FICCI – KAF

*Study on: State Level Reforms - Increasing
Investments in Tripura*

Background Research

Brief on the economy of Tripura- a State level Analysis

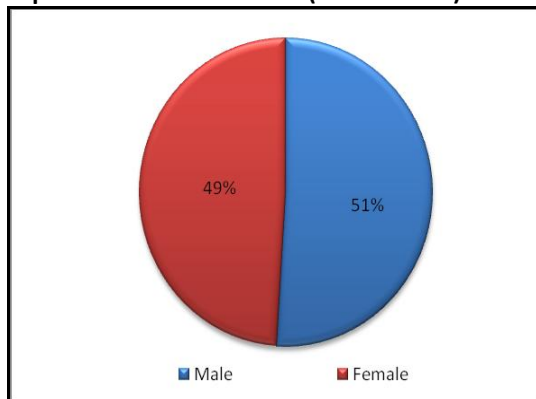
Introduction

Tripura is the third smallest state in India and occupies an area of 10490 sq km and is full of beautiful hills, hillocks, dales, lush green valleys, rivers, streams, ponds and lakes. It is surrounded by Bangladesh in the north, south and west and Assam and Mizoram in the east. The hills of the state have added to the beauty and runs north to south, parallel to each other until they disappear in the plains of Sylhet, Bangladesh. In the east, the principal ranges are Jampui, Sakhan, Tlang, Langtarai, Athara Mura and Bara Mura. The highest peak of the state is known as Betling Shiv (3200 ft) in the Jampui hill range.

There are valleys covering about 40% of the state's area. The soil is rich and alluvial and is suitable for the cultivation of paddy, jute oilseeds, pulses and vegetables. About 2,70,000 hectares of land have been put to cultivation. The state's reserved forests covers 34% of the total area. Timber and bamboo are widely grown and Tripura is known for its timber.

As per 2011 Census, Tripura has a population of 36.7 lakh, an increase of 14.7% from 2001 census figures. Out of the total population, males and females are 19 lakhs and 18 lakhs respectively. The gender ratio and other statistics related to Tripura can be illustrated with the help of the diagram and table below.

Exposition 1: Gender Ratio (2011 Census)



Source: Census 2011 & FICCI Research

Table 1: Basic Tripura Statistics (2011 Census)

	2011	2001
Approximate Population	36.71 Lakh	32 Lakh
Actual Population	3,671,032	3,199,203
Male	1,871,867	1,642,225
Female	1,799,165	1,556,978
Population Growth	14.75%	15.74%
Percentage of total Population	0.30%	0.31%
Sex Ratio	961	950
Density/sq km	350	305
Area sq km	10,486	10,486
Literacy	87.75%	73.19%

Source: Census 2011 & FICCI Research

As can be seen from Table 1, there has been a moderate increase in the population of Tripura. Though the percentage of total population has remained almost the same, yet the female population has recorded a growth of 15.6% as compared to 14% of male population. There has also been a considerable improvement in the sex ratio of Tripura with the ratio increasing from 950 in 2001 to 961 in 2011 census.

Table 2: Description of Rural-Urban Population (Census 2011)

	Rural	Urban
Population (%)	73.82%	26.18%
Total Population	2,710,051	960,981
Male Population	1,385,505	486,362
Female Population	1,324,546	474,619
Population Growth	2.13%	76.08%
Average Literacy	85.58%	93.61%
Male Literacy	90.86%	95.80%
Female Literacy	80.06%	91.38%

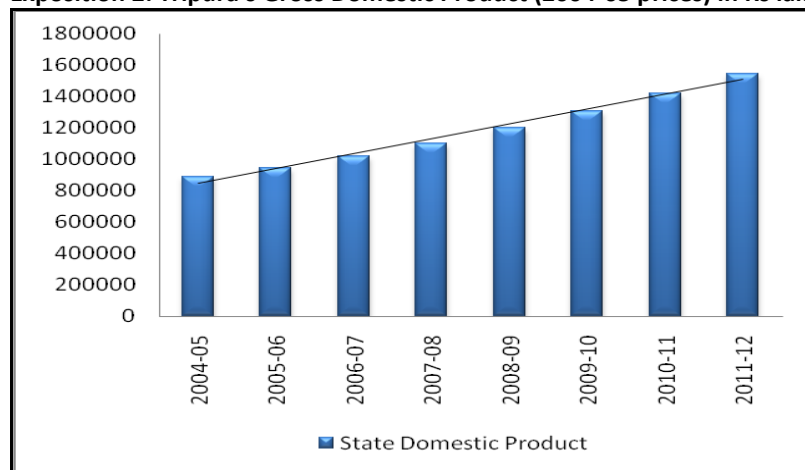
Source: Census 2011 & FICCI Research

As can be seen from the above table there has been a tremendous growth in population in the urban areas as compared to the rural areas. The growth in population is recorded to be as high as 76% as compared to 2% in the rural areas. Male literacy rate is almost the same in both the rural and urban areas. However, there is a substantial difference in the female literacy rate in the rural and urban areas with 91.3% in the urban and 80% in the rural areas.

Macroeconomic Overview

The state of Tripura in term of Gross State Domestic Product (GSDP) has grown at par with the Indian average, at times even surpassing it. The GDP for Tripura was Rs 8,90353 lakhs in the year 2004-05 which increased to Rs 15,46253 lakhs in the year 2010-11. On an average the economy has grown at an annual 8.2%.

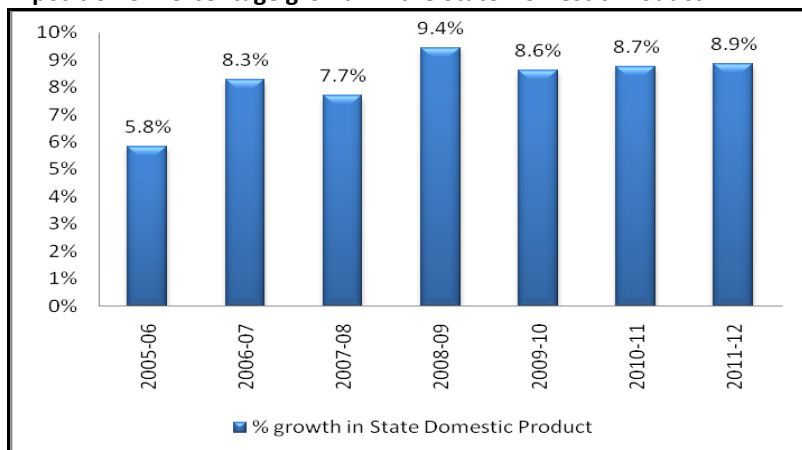
Exposition 2: Tripura's Gross Domestic Product (2004-05 prices) in Rs lakh



Source: Mospi & FICCI Research

In terms of percentage growth, the growth rate has been consistently in excess of 8%, and close to 9% in the last 3 years.

Exposition 3: Percentage growth in the State Domestic Product



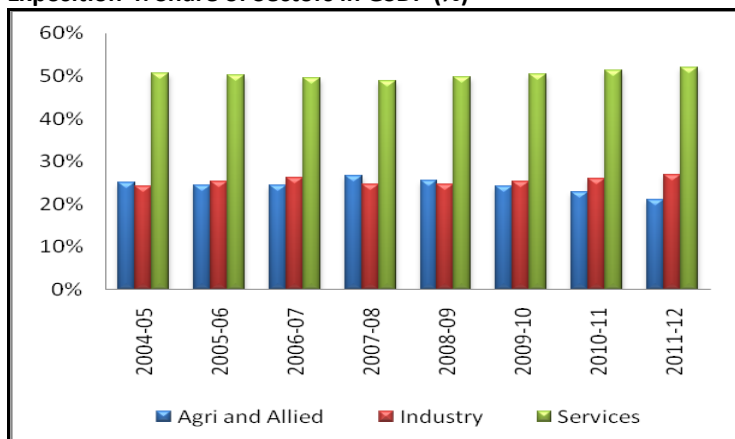
Source: Mospi & FICCI Research

The State’s economy is largely agrarian and crops and most of the population depends on agriculture and allied activities. Rice is the major cultivated crop in Tripura with more than 90% of the cropped area being used for rice cultivation. Other major crops include potato, mesta, sugarcane, pulses and jute. Pisciculture has also made rapid progress since the state has high fish consumption. The state is also famous for handicrafts, especially hand-woven fabric and wood-carvings.

Performance of the sectors in Gross State Domestic Product (GSDP)

As can be seen from the figure below, the share of agriculture & allied activities in the state GDP has been decreasing marginally over the years from 25% to 21%. On the other hand, the share of industry has increased from 24% to almost 27% in a span of seven years. Services, however, have fluctuated over the years. There had been a minor decline in the share of services since 2004-05 to 2007-08 with the share falling from 50.7% to 48.9%. However, growth has picked up since then and reached 52% as on 2011-12.

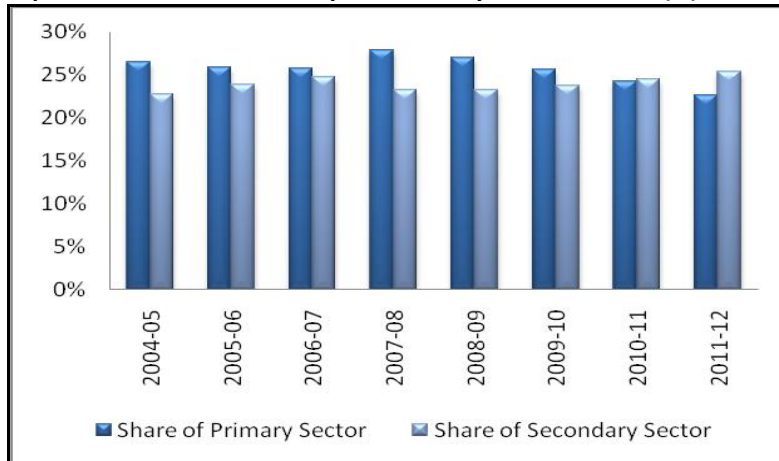
Exposition 4: Share of Sectors in GSDP (%)



Source: Mospi & FICCI Research

From the figure below it can be observed that the share of the primary sector has been declining constantly from 26.5% to 22.6%. However, an opposite trend can be observed in case of the secondary sector which has been growing at an average rate of almost 24% and has increased from 22.8% to 25.3%.

Exposition 5: Share of Primary & Secondary Sector in GSDP (%)



Source: Mospi & FICCI Research

A look at the CAGR figures reveals some interesting facts. There has been no growth in the railways sector with a CAGR of -8.4% over a period of seven years. Apart from the railways, the registered manufacturing sector also recorded a negative CAGR of -1.4% over the same time period. The sectors that have performed well are communication (CAGR of 18.3%), transport by other means (CAGR of 15.6%), fishing (CAGR of 13.6%) and construction (CAGR of 12.2%).

Policy Scheme & Regulatory Issues

The industrial policy of Tripura came in 2007 which focuses on resource based and manpower intensive industries. The state government has taken many initiatives to promote industries. Procurement of Land for industrial activities is possible, however, land is not sold to the entrepreneurs, it is given on an initial lease of 30 years, and the lease is renewable up to 99 years. To promote the industrial sector in Tripura, Government of Tripura, TIDC Ltd. established an industrial complex covering an area of 532 acres at Bodhjungle, Agartala. The industrial complex encompasses the following, Industrial Growth Centre, Food Park, Export Promotion Industrial Park and Rubber Park. Other areas where industrial parks have been set up in Tripura are Arunadhati Nagar, Badhatghat, Dukli, Kumarghat, Dharmanagar, Dhajnaga, Dewanpasa, Beloni and Lalchhari. There is no single window clearance in the state, and the argument given is that not many clearances are required except for environment. Mostly the units functioning in Tripura have received environment certification. Meeting quality standards by the industry is mandatory in the state of Tripura.

The thrust sectors identified by the state industries department of Tripura are as follows:

- **Rubber:** Production of rubber is next to Kerala, however only 10% is being consumed in the home market and rest is being supplied outside the state. However, value addition is very limited in the state. To take care of it, the government has recently set up nine Rubber Park units of which three units have already started functioning and six more units are yet to start.
- **Bamboo:** There are more than 20 species of bamboo available to the state. Bamboo based articles, such as incense sticks, mats, handicrafts etc are being manufactured. The State has set up a separate park for bamboo based industries within the industrial area. Talking of value addition in bamboo sticks, 70% of the incense sticks is being supplied by Tripura. No further value addition for coating and scenting is possible as raw material for scenting and material for coating is not available in the state.
- **Food processing:** Production in Tripura is mostly seasonal. Some attempts have been made in the area of fruit wine making in this.
- **Medicinal plant:** Although many medicinal plants of high market value are available but it has so far not been explored for commercial use.

As a recommendation, entrepreneurs have been asked to come with the idea of setting up multi food processing unit as investment in one product may not be a good business proposition due to seasonality of horticulture crops. Also, lab facilities are available for food products.

Agricultural scenario in Tripura

Agriculture in Tripura still remains the main source of income for most of the population. However, there has been a decline in the share of agriculture in the last few years with the share of agriculture in total agriculture and allied activities declining from almost 83% to 79%. However, on the other hand, there has been a constant marginal increase in fishing activities over the years with share of fishing increasing from 6.1% to 9.3% (refer to figure below).

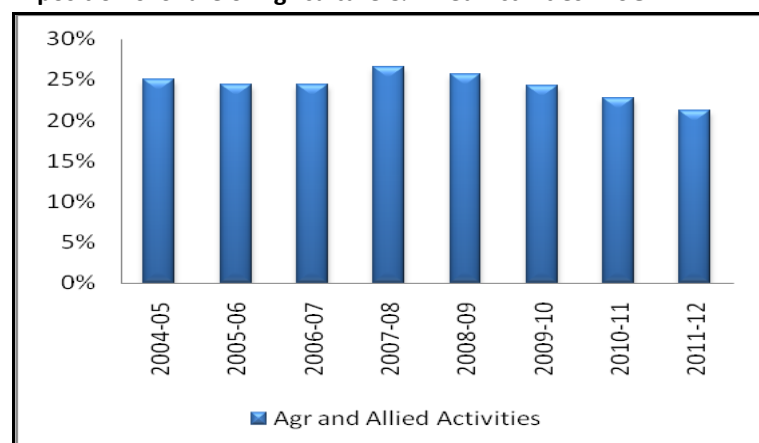
Table 3: Break-up of share of agriculture, forestry & fishing in total agriculture and allied activities

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Agriculture	82.8%	82.0%	82.3%	83.6%	80.5%	79.6%	78.8%
Forestry & logging	11.0%	11.4%	10.6%	9.0%	11.6%	11.9%	11.9%
Fishing	6.1%	6.6%	7.2%	7.4%	7.9%	8.5%	9.3%

Source: Mospi & FICCI Research

At a broader level too, the share of agriculture and allied activities have decreased from 25% to 21% as can be seen from the figure below.

Exposition 6: Share of Agriculture & Allied Activities in SGDP



Source: Mospi & FICCI Research

Overall agriculture and allied activities recorded a CAGR of 5.6% in the last seven years with agriculture, forestry & logging and fishing recording a CAGR of 4.7%, 6.8% and 13.6% respectively.

Infrastructure scenario in Tripura

Power

Industry does not face much power problems in Tripura except in a few areas. These areas face power cut only during the peak hours. Moreover, consumption of power is presently limited due to the fact that industries are largely tiny or small in size and few are medium in size.

Allocation of gas is not in the hands of the state government, but in the hands of central government and the state only gets 10 per cent as royalty. No private generation units exist.

ONGC owns significant natural gas reserves in the North Eastern state of Tripura. However, these natural gas reserves are yet to be commercially developed due to low industrial demand in the North-Eastern region. The complexities of logistics and costs limit the economic viability of transportation of gas to other parts of the country where gas is in deficit. In order to optimally utilize the gas available in Tripura, ONGC proposes to initially develop a 726.6 MW Combined Cycle Gas Turbine (CCGT) thermal power plant close to its gas fields in the state of Tripura and supply power to the deficit areas of North Eastern States of India.

Connectivity

Transportation of goods from Kolkata to Tripura takes 20 days via Guwahati. Hence units are required to maintain inventory for contingency. The industry feels that the government could establish a cargo station near the Bhogdhjungnagar industrial complex since the rail line is passing only at a distance of 3 Kms away from the industrial complex of Bhojungnagar. The railway line from Agartala is required to be upgraded from meter gauge to broad gauge.

Bringing goods by railways to Tripura is difficult as the railway line is broad-gauge only from Guwahati to Lumding and after which the railway line from Lumding-Badarpur-Silchar/Agartala is meter gauged. The work of conversion from meter gauge to broad gauge from Lumding to the border area of Assam is already in process.

The government is also working on developing multi modal transport linkage with Bangladesh which will help in easing movement of goods from other parts of India via Bangladesh and also help in enhancing the trade between the two countries especially north-east region of India and Bangladesh. In this regard the government has floated a tender to a consultant to prepare a DPR to look into connecting Bangladesh and Tripura through water ways and partly through roadways. Another area the government is working on is getting access to Chittong port. Railway connectivity with Bangladesh is also being considered and DPR has already been prepared and now awaiting sanction from GoI.

For the first time heavy machinery for the ONGC 726.6 MW gas-based Palatana power plant in Tripura was sent from Calcutta to Tripura via Bangladesh Ashuganj port. It has been told that this

waterway made the task of carrying heavy machinery easier. The journey from Ashuganj to Palatana would take time as the roads are narrow and the vehicles could move only at night. The 48 km stretch from Ashuganj to Akhaura is particularly narrow and the vehicles carrying the heavy load cannot travel more than 6-7km per hour. The distance from Akhaura to Palatana is 65km. This is a better way of transporting goods to this part of North east as and also explore the possibilities for developing this 48Kms stretch from Ashugang to Akhaura. The agreement between Bangladesh and India has already been signed. Bangladesh needs to assign transportation rates for commodities after which it will be possible to start transportation of commodities through Ashuganj.

The second option suggested was to develop waterways i.e. making use of Gumti river in Tripura and connecting to Meghna river in Bangladesh. Instead of bringing goods from Ashuganj by road one could also look at the option of sending goods by waterways. A detailed study for the purpose is being conducted by the government. The Ministry of shipping has already included development of Gumti and Meghna river routes in the action plan for North East vision 20-20.

Entrepreneurship, Labour & Skill Development scenario in Tripura

Presently there are eight ITIs in the state. The government intends to have at least one ITI in each district. Each of the existing eight ITIs will specialize only in one area. The areas include automobile, IT, food processing, fabrication fitting & welding, rubber technology, bamboo technology, electronics and electrical.

Some initiatives have been taken by the government in setting separate school for training workers in the construction sector. The R&D ministry through its program with IL&FS is running apparel training institute. Transport department is coming up with an initiative of setting up of Inter-state Truck Terminus. It is been seen that the operators who used to own busses/mini busses for public transport are shifting towards smaller/lighter vehicles which are more economical. This step has helped in making activating the economic activity in the state. It is also easier to get loan sanctioned for smaller vehicles. This has led to an increase in the number of repair work shops in Tripura creating more employment in the region.

Banking

The issues related to banking are not uncommon from the other north-eastern states. The CD ratio of the state is below the national average, for UBI it is as low as 37-38% whereas for all banks the ratio is roughly 33%. The reason given for low CD ratio is industries getting money from outside the state. It was pointed out that 75% of the demand from MSME for a loan from bank is under Rs 25 lakhs.

There is a requirement of professionals from banks to help prepare detailed feasibility report in Tripura. The MSME has to travel outside Tripura to metros to get the feasibility report done which involves time and money. It was suggested that programs and workshops should be organized to educate and train MSMEs/service providers for preparing feasibility reports which meets the standard of financial institutions. There is a time lag in the disbursement of subsidy by NDEFI, this lag takes about a year's time disturbing the cash flow of investors. PMEGP scheme of Gol is doing well in Tripura, last year it achieved its target of sanctioning 1000 applications out of 2000 applications received, this year the target has been raised from 1000 to 1500.

Hence, there is a need for ensuring easy and convenient processing of documents and feasibility reports and resources required to open an industry by making extension services available and hand holding for the aspiring entrepreneurs in the state.