

CHAPTER - V

ECONOMIC GROWTH & STRUCTURAL CHANGES

CHAPTER – V**ECONOMIC GROWTH & STRUCTURAL CHANGE¹**

5.1. Introduction: As a state, Meghalaya is yet to achieve the desired level of progress and prosperity in terms of infrastructure like communication, health care and education which is the main aspiration of the people when it came into existence 37 years ago. Despite possessing a fairly rich resource base, which could provide a platform for adequate economic growth, Meghalaya is still backward in terms of the presence of industries in the state. When it comes to the standard of living of the people as reflected by the Per Capita Income of the state which stands at Rs.30204/= (Advanced Estimates) at current prices during 2007-08 as against a national Per Capita income of Rs.33131/= (Advanced Estimates) during the same period. It shows that the level of income of the people is still far below that of the national level.

Meghalaya also witnessed high level of uneconomic and unscientific exploitation of natural and mineral resources by using age-old technique and exporting them to other states in the primary form has not only resulted in loss of forward and backward linkage benefits, value addition benefits and extra earning of tax and no-tax revenue, but also has serious environmental consequences. It is very essential, therefore, to evolve an appropriate strategy and approach for tapping the resources scientifically and economically with efforts to be made for processing the resources within the state and export them as finished goods. This along with the improvement of various skills required for meeting the demands and challenges of the changing economic scenario will help improve the economy of the state and open up new employment opportunities for the people.

There are various economic indicators to measure the progress and development of the state over the different periods. The estimates of the State Domestic Product (SDP) of the 'State Income' as commonly understood in common parlance along with Per Capita Income (PCI) are considered as the best Statistical devices for assessing the growth of the economy as well as the living standard of the people.

The concept of Gross State Domestic Product (GSDP) is more widely used in the analytical studies than the estimates of Net State Domestic Product (NSDP). However, in the present chapter, both the measures have been taken into consideration to analyse the economic scenario of the state.

¹ This chapter is largely the contribution from the Directorate of Economics & Statistics and figures quoted are from them.

5.2. Growth and Sectoral Distribution of Net State Domestic Product (NSDP) and Gross State Domestic Product (GSDP)

5.2.1 Growth of NSDP

The NSDP of the state at current prices has been estimated at Rs.3211.30 crore during 1999-2000. It increased to Rs.4722.58 crore in 2003-04 and increased further to Rs.6707.03 crore in 2007-08 (Adv). The average annual increase during the two periods between 1999-2000 and 2007-08 ranges from 6.23 p.c. to 12.90 p.c. The NSDP at constant (1999-2000) prices was Rs.3211.30 crore during 1999-2000 and went up to Rs.3993.01 crore during 2003-04. It went up further to Rs.5059.59 crore during 2007-08(Adv), thereby registering growths between 2.96 p.c. and 6.94 p.c. during the periods from 1999-2000 to 2007-08(Adv).

Table 5.1 ESTIMATES OF NSDP AT FACTOR COST

Sl. No.	Year	NSDP at Current Prices (Crore)	NSDP at Constant (1999-2000) Prices (Crore)
1	2	3	4
1	1999-2000	3211.30	3211.30
2	2000-01	3593.25 (11.89)	3421.73 (6.55)
3	2001-02	4056.91 (12.90)	3651.31 (6.71)
4	2002-03	4309.78 (6.23)	3759.38 (2.96)
5	2003-04	4722.58 (9.58)	3993.01 (6.21)
6	2004-05	5137.90 (8.79)	4270.24 (6.94)
7	2005-06	5616.99 (9.32)	4547.56 (6.49)
8	2006-07(Q)	6161.90 (9.70)	4799.75 (5.55)
9	2007-08 (Adv.)	6707.03 (8.85)	5059.59 (5.41)

Directorate of Economics & Statistics, Meghalaya (Figures within brackets are percentage increase/growth over previous year)

5.2.2. Sector-wise distribution NSDP

The economy of the state has been divided into three broad sectors, viz. Agriculture and Allied Activities which include Agriculture proper, Livestock, fishing activities and forestry & logging; Industrial sector which includes Manufacturing, Mining and Quarrying, Construction; and Services sector. On analyzing the three sectors, though Meghalaya is primarily an agriculture economy with agricultural activities engaging nearly 63 per cent of the total work force, yet the contribution of this sector towards the economy of the state during 1999-2000 to 2007-08 is between 18.70 p.c. and 23.96 p.c. according to NSDP estimates at current prices. The share of the Industrial sector

being in the range of 21.09 p.c. to 26.42 p.c.. On the other hand, the share of Service sector in terms of percentage contribution during the same periods, have been between 53.21 p.c. at the lowest and 54.95 p.c. at the highest.

5.2.3. Sectoral Composition of NSDP

As evident from the table below, the service sector continues to dominate the economy of the state by way of contributing the maximum share. Though its share in terms of percentage contribution marginally declined from 54.95 p.c. in 1999-2000 to 53.54 p.c. in 2003-04 it further declined to 52.37 p.c. in 2007-08(Adv.). The Industrial sector shows an increasing trend in terms of percentage contribution from 21.09 p.c. in 1999-2000. It went up to 23.73 p.c. in 2003-04 and rose further to 25.70 p.c. in 2007-08. On the other hand, the share of the Agriculture sector in the economy of the state shows a declining trend. The percentage contribution has come down from 23.96 p.c. in 1999-2000 to 22.74 p.c. in 2003-04 and went down further to 21.94 p.c. in 2007-08(Adv.). But this trend in terms of percentage contribution does not necessarily mean that the performance of Agriculture as an individual sector is going down. It only means that the Agriculture sector cannot compete with the other two sectors of the economy. On the whole, the pattern of growth observed in the three main sectors of the economy viz-a-viz their percentage contribution presents a healthy picture of the economy of the state which is in the stage of developing.

Table 5.2 NSDP By Main Sectors at Constant (1999-2000) Prices

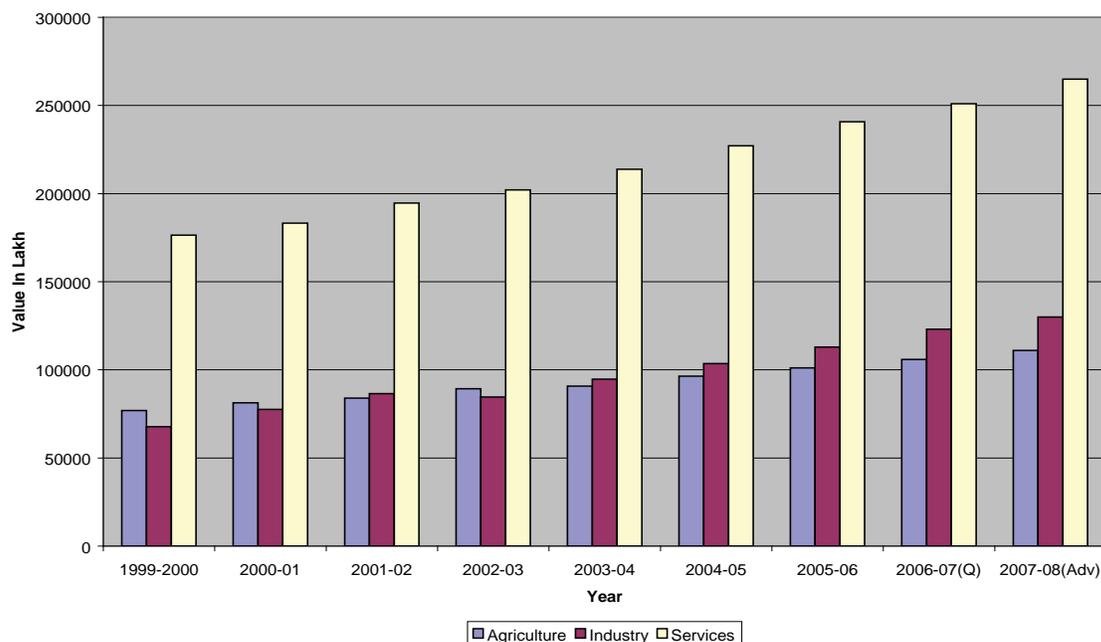
NSDP (Rs. In Crore)

Sl. No.	Year	Agriculture & Allied Activities (Primary)	Industry (Secondary)	Services (Tertiary)	Total
1	2	3	4	5	6
1	1999-2000	769.28 (23.96)	677.36 (21.09)	1764.66 (54.95)	3211.30 (100.00)
2	2000-01	813.33 (23.77)	775.87 (22.67)	1832.53 (53.56)	3421.73 (100.00)
3	2001-02	839.40 (22.99)	865.18 (23.70)	1946.73 (53.32)	3651.31 (100.00)
4	2002-03	892.63 (23.74)	845.67 (22.49)	2021.08 (53.76)	3759.38 (100.00)
5	2003-04	907.85 (22.74)	947.38 (23.73)	2137.78 (53.54)	3993.01 (100.00)
6	2004-05	964.33 (22.58)	1035.09 (24.24)	2270.82 (53.18)	4270.24 (100.00)
7	2005-06	1011.16 (22.24)	1129.17 (24.83)	2407.23 (52.93)	4547.56 (100.00)
8	2006-07(Q)	1059.35 (22.07)	1229.94 (25.63)	2510.46 (52.30)	4799.75 (100.00)
9	2007-08(Adv.)	1109.83 (21.94)	1300.09 (25.70)	2649.67 (52.37)	5059.59 (100.00)

Directorate of Economics & Statistics, Meghalaya

(Figures within brackets are percentage contribution to the Total)

NSDP By Main Sectors at Constant (1999-2000) Prices



5.2.4. Growth of GSDP

The estimates of GSDP at current prices, which recorded at Rs.3578.14 crore during 1999-2000 increased to Rs.5279.99 crore in 2003-04 and increased further to Rs.7605.28crore in 2007-08(Adv.), showing an annual percentage variance between 6.37 p.c. to 13.06 p.c. during the period 1999-2000 to 2007-08(Adv.). During the same periods, i.e. 1999-2000, 2003-04 and 2007-08(Adv.), the estimates of GSDP at Constant (1999-2000) prices stood at Rs.3578.14 crore, Rs.4469.66 crore and Rs.5628.25 crore respectively, registering an annual growth range of 3.78 p.c. to 7.13 p.c.

5.2.4(i) GROWTH OF GSDP

Year	GSDP at Current Prices (Rs. Crore)	GSDP at Constant (1999-2000) prices (Rs. Crore)
1999-2000	3578.14	3578.14
2000-01	3960.94(10.70)	3773.37 (5.46)
2001-02	4478.26(13.06)	4033.15 (6.88)
2002-03	4763.42 (6.37)	4185.52 (3.78)
2003-04	5279.99 (10.84)	4469.66 (6.79)
2004-05	5805.50 (9.95)	4788.22 (7.13)
2005-06	6318.85 (8.84)	5078.93 (6.07)
2006-07 (Q)	6959.29 (10.14)	5349.81 (5.33)
2007-08(Adv.)	7605.28(9.28)	5628.25(5.20)

Directorate of Economics & Statistics, Meghalaya

(Figures within brackets are percentage Variance/Growth over Previous Year)

According to the estimates of GSDP, there exists a huge gap in the district-wise distribution of SDP in the state economy. The East Khasi Hills District has the highest DDP with more than 39.9 p.c. and South Garo Hills has the lowest at about 6 p.c. during the period from 1999-2000 to 2007-08 (Adv.). But in terms of Per Capita Income, the picture is different, as South Garo Hills District registers the highest PCI with Rs.21300 during 1999-2000 and Rs.25786 during 2003-04, but in 2007-08 (Adv.) it was second with Rs. 28749 only to East Khasi Hills which has a PCI of Rs.31202 during the above period. The district with the lowest PCI being West Khasi Hills with Rs.9739, Rs.10632 and Rs.12592 during 1999-2000, 2003-04 and 2007-08(Adv.) respectively.

**5.2.4(ii) GSDP at Constant (1999-2000) Prices
District-wise Contribution (In Percentages)**

Year	Jaintia Hills	East Khasi Hills	West Khasi Hills	Ri Bhoi	East Garo Hills	West Garo Hills	South Garo Hills	Total
1999-2000	16.04	37.59	7.76	6.64	7.88	18.25	5.83	100.00
2000-01	15.69	38.16	8.00	6.83	7.47	17.76	6.10	100.00
2001-02	16.74	37.31	7.79	6.87	7.37	17.48	6.43	100.00
2002-03	9.50	49.57	6.55	6.49	7.14	17.75	3.00	100.00
2003-04	16.05	39.25	7.26	6.88	7.20	17.30	6.06	100.00
2004-05	15.47	39.96	7.12	7.08	7.29	17.16	5.92	100.00
2005-06	15.06	39.71	7.24	7.06	7.32	18.04	5.56	100.00
2006-07 (Q)	15.16	39.66	7.25	7.24	7.39	17.55	5.75	100.00
2007-08(Adv.)	14.98	39.81	7.18	7.39	7.44	17.57	5.63	100.00

Directorate of Economics & Statistics, Meghalaya

**5.2.4(iii) GSDP at Constant (1999-2000) prices
District-Wise Per Capita Income (In Rupees)**

Year	Jaintia Hills	East Khasi Hills	West Khasi Hills	Ri Bhoi	East Garo Hills	West Garo Hills	South Garo Hills	STATE
1999-2000	19932	21084	9739	12775	11653	13060	21300	15995
2003-04	23246	25659	10632	15428	12408	14437	25786	18647
2007-08(Adv.)	26015	31202	12592	19866	15365	17566	28749	22352

Directorate of Economics & Statistics, Meghalaya

5.2.5. Sector-wise Distribution of GSDP

Taking into consideration the sector-wise performance of the economy by the three main sectors in terms of GSDP at Constant (1999-2000) prices, it is observed that the percentage contribution of the Services sector was 53.76 p.c. during 1999-2000. It went down to 52.58 p.c. in 2003-04 and to 52.74 p.c. in 2007-08(Adv.), thus remaining almost at the same level. The

share of Industrial Sector during the same periods have been 23.31 p.c., 25.69 p.c. and 26.13 p.c. respectively, thereby showing an increasing trend in terms of percentage contribution. The Agricultural sector on the other hand is showing a decreasing trend with regard to percentage contribution when it registered 22.93 p.c. in 1999-2000, it went down to 21.73 p.c. during 2003-04 and marginally again to 21.13 p.c. in 2007-08(Adv.).

While at the national level according to the estimates of GDP, the contribution of Services Sector have been recorded at 49.7 p.c. during 1999-2000, 52.7 p.c. in 2003-04 and 55.7 p.c. in 2007-08(Adv.). This shows an increasing trend during the three periods. On the contrary, the Agriculture sector has reduced in terms of contribution from 25.0 p.c. to 21.7 p.c. and again to 17.5 p.c. during the above periods. There has been marginal increase in the contribution of the Industries sector from 25.3 p.c. to 25.6 p.c. for the periods 1999-2000, 2003-04 and 26.8 p.c. during 2007-08(Adv.).

5.2.5. Sector-wise Distribution of All India GDP and State GSDP

Percentage of GSDP at Constant (1999-2000) Prices	1999-2000	2003-04	2007-08 (Adv.)
Agriculture & Allied Activities	25.00 (22.93)	21.70 (21.73)	17.47 (21.13)
Industries	25.30 (23.31)	25.60 (25.69)	26.79 (26.13)
Services	49.7 (53.76)	52.70 (52.58)	55.74 (52.74)
Total	100.00	100.00	100.00

(Figures in brackets are State figures)

5.2.6 Poverty Scenario

The National Tenth Plan document prepared by the Planning Commission indicates that the percentage of population below the poverty line at the national level has declined from 54.88 per cent in 1973-74 to 26.1 percent in 1999-2000 which is expected to decline further to 19.34 per cent in 2006-07. In respect of the State of Meghalaya, the figures of the Planning Commission indicate that the percentage of population below the poverty line was 50.20 per cent in 1973-74 and 33.87 per cent in 1999-2000 which is expected to decline further to 31.14 per cent in 2006-07 with a B.P.L population of 8.23 lakh. Among other states and UTs Meghalaya occupied 21st rank in the percentage of population below the poverty line. As per the estimates, the state had 37.92 % of population of below the poverty line with the national level figures at 35.97 % in 1993-94.

Since the poverty ratios used by the Planning Commission, GOI for Meghalaya are those of Assam, the incidence of poverty in Meghalaya in not very reliable.

However, as advised by the Ministry of Rural Development, GOI all the states and Union Territories are to conduct the BPL Census for identifying the households living below the poverty line at the

beginning of every Five Year Plan and accordingly the Government of Meghalaya had conducted the BPL Census in 1997 and 2002.

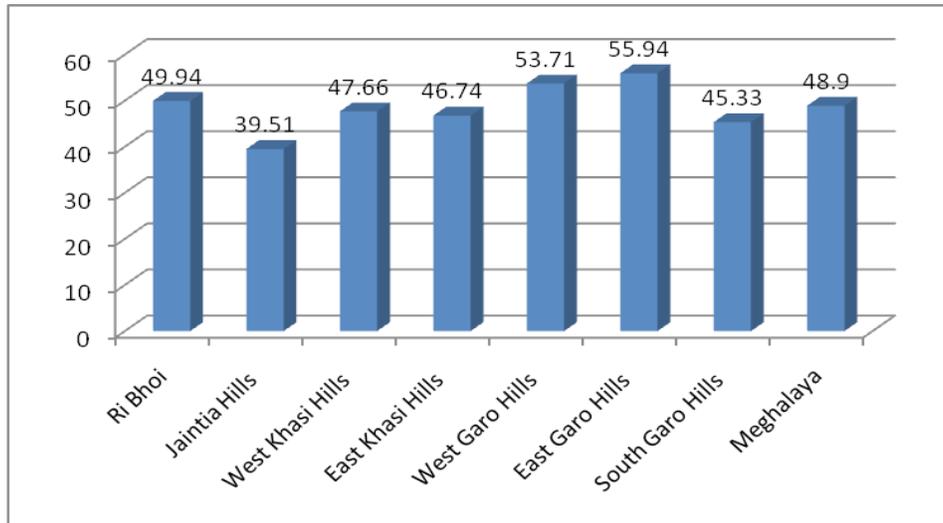
Table - 5.2.6(i) District-wise Poverty Incidence in Meghalaya

C&RD Block/ District/ State	Total Households	BPL Households	Percentage of BPL Households
Ri Bhoi District	32590	16276	49.94
Jaintia Hills District	49771	19663	39.51
West Khasi Hills District	63951	30480	47.66
East Khasi Hills District	109115	50997	46.74
West Garo Hills District	95699	51400	53.71
East Garo Hills District	50398	28192	55.94
South Garo Hills District	18148	8226	45.33
Total State	419672	205234	48.90

(Source – BPL Census, 2002)

Table - 5.2.6(i) shows that the proportion of households living below the poverty line is a staggeringly huge figure at 48.9 percent. East Garo Hills District has the highest incidence of poverty at 56 percent followed by West Garo Hills District at 54 percent. Jaintia Hills District has the lowest proportion of households below the poverty line at a little less than 40 percent. The incidence of poverty in the other districts is in the range of 45 – 50 percent.

5.2.6(ii) Proportion of Households Living Below the Poverty Line in Districts of Meghalaya in 2002



Source: BPL Census, 2002

However, the use of different score limits for different Blocks makes comparison impossible across the Blocks and districts except in cases where the poverty line (score limits) are the same. That is, two households which have more or less the same standard of living may be classified as poor in case of one household and non poor in case of another if they happen to be in two different Blocks with different score limits.

Estimation of the incidence of poverty as measured by the proportion of people living below the poverty line hinges crucially on the poverty line and how it is defined. There are several problems associated with the concept of poverty line, especially in Meghalaya and the other NE states. Nevertheless, poverty is pervasive and is evident to anyone who takes a look at the living conditions of the people of Meghalaya, especially those who reside in the remote rural areas of the state.

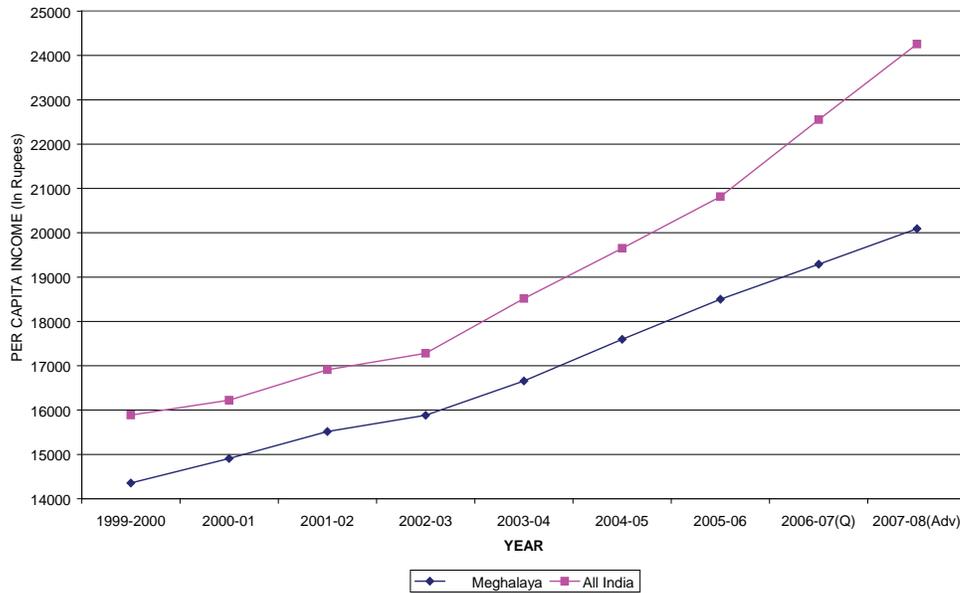
5.2.7 Per Capita NSDP – The PCI (NSDP) at current prices rose from Rs.14355 in 1999-2000 to Rs.19702 in 2003-04 and then to Rs.26636 during 2007-08(Adv.). While at constant (1999-2000) prices, the PCI was estimated at Rs.14355 in 1999-2000. It increased to Rs.16658 during 2003-04 and increased further to Rs.20094 during 2007-08(Adv.). The PCI of Meghalaya fall below the national level PCI which recorded Rs.15881, Rs.18317 and Rs.24256 respectively during the above periods at constant (1999-2000) prices.

5.2.7(i) Per Capita NSDP

Year	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Meghalaya	14355	14910	15518	15882	16658	17595	18501	19292	20094
All India	15886	16223	16910	17281	18517	19649	20813	22553	24256

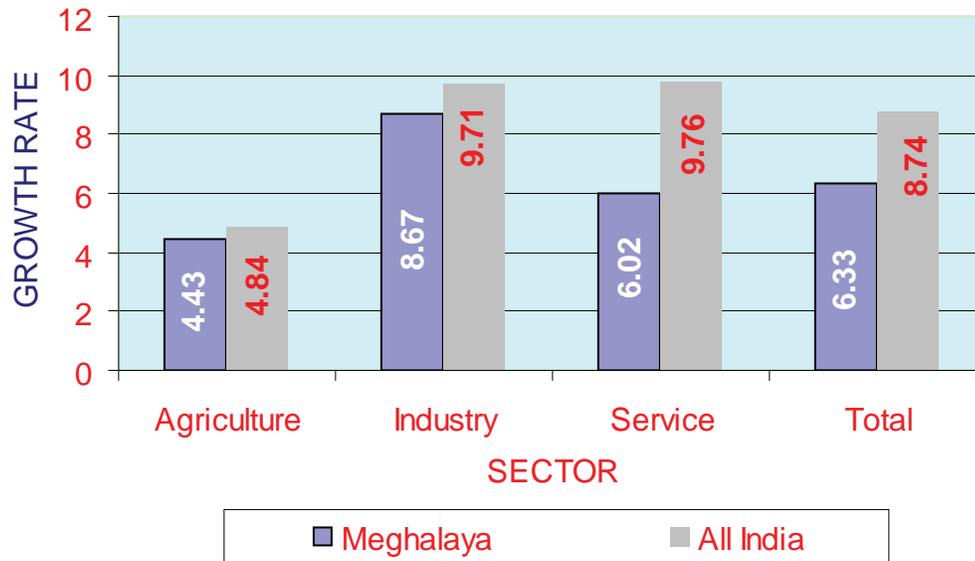
(Source: Central Statistical Organisation & Directorate of Economics & Statistics, Meghalaya)

COMPARATIVE PER CAPITA INCOME OF MEGHALAYA AND ALL INDIA



5.3 Growth Prospects: In the beginning of the Tenth Five Year Plan, the Planning Commission while preparing the Plan document of the country had envisaged an average target growth of 8 p.c. of Gross Domestic Product (GDP) of the nation during the period. The target growth for the GSDP in the case of Meghalaya had been fixed at 6.30 p.c. during the same period. Now, on analyzing the performance of the economy of the country at the national level and that of Meghalaya at the regional level, it is observed that according to the GDP estimates at constant (1999-2000) Prices, the country had achieved a growth of 8.74 p.c. which is 0.74 p.c. more than the target growth of 8.00 p.c. during the Tenth Five Year Plan. The state of Meghalaya on the other hand could somehow make it to the target of 6.3 p.c. growth of GSDP during the same period. The sector-wise performance by main sectors of the economy of the state shows an improvement in Agriculture and Industry by achieving growths of 4.43 p.c. and 8.67 p.c. respectively which are more than the target growths. The Services Sector, on the other hand could not reach the target and could achieve only 6.02 p.c. which is below the target of 7.5 p.c.

**ASSESSMENT OF GROWTH DURING THE 10TH PLAN
(2002-03 TO 2006-07)**

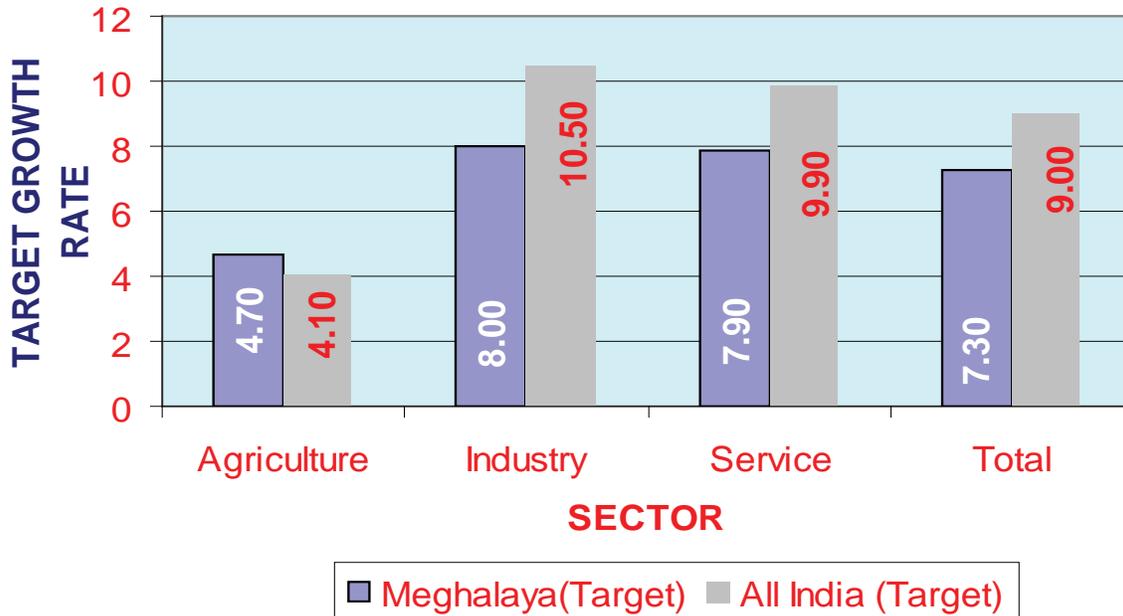


The feasibility of attaining the targeted growth rate may be evaluated on the basis of past achievements. The growth rate of NSDP just before the preceding decade from the commencement of Tenth Plan was 6.6%. The growth rate for primary secondary and tertiary sectors for the same period have been calculated as 7.07, 7.2 and 6.3 percent respectively. Given this track record the state can expect to achieve the targeted growth rate. However given the high growth rate of population the growth of per capita NSDP during this period was only 4.5 %. Thus the states need to have a thorough revision in the development outlook of the implementing agencies to maintain parity between over all growth and per capita NSDP.

With regard to the projected growth in the Eleventh Plan, based on the trends observed in previous years' performance of the state's economy, the average growth during the period is expected to be 6.54 p.c. with Agriculture accounting for 5.20 p.c., Industry 7.82 p.c. and Service Sector 6.43 p.c. This will fall short of the target growth of 7.3 p.c. with sector-wise growth of 4.7 p.c. in Agriculture, 8.00 p.c. in Industry and 7.9 p.c. in Service Sector as fixed by the Planning Commission for the state of Meghalaya in its approach paper. At the national level, the Planning Commission of India has targeted a growth of 9.00 p.c. with sector-wise growth targets of 4.1 p.c., 10.5 p.c. and 9.9 p.c. in Agriculture, Industry and Service Sectors respectively. Considering the state of Meghalaya, the gap in the Quantum of growth in the Eleventh Plan, between the projected growth figures according to the state's GSDP estimates at constant (1999-2000) prices and the target growth as fixed by the Planning Commission of India could be bridged depending on the volume of effort to be put in by the State Government which in turn will depend on the planning, executing and implementing agencies of the state. This is important in view of the fact that neither

the growth target nor the objective indicators of well being of the people can be achieved simply by the Quantum of resources that we may mobilize but by efficiency and effectiveness of our decisions, actions and implementation of our policies and programmes, as emphasized by the Planning Commission in its 'Tenth Five Year Plan' document.

ASSESSMENT OF GROWTH PROSPECTS DURING THE 11TH PLAN (2006-07 TO 2011-12)



5.4 General Development Indicators.

5.4.1 Food grain production

The net sown area constitutes 9.81 per cent of the total area of the State during 2001-02 and the double – cropped areas constitute 16.85 per cent of the total area sown. Only 23.8 per cent of the total cropped area is under irrigation as per 2001 -02 figures. Food grain production was 1.86 lakhs tones in 1998-99, which increased to 2.24 lakhs tones in 2001-2002 and 2.27 lakhs tones in 2003-04.

5.4.2 Industrialization

Though reasonable level of industrialization is necessary for boosting up the economy of the State, yet this has to take place along with the opening up of employment opportunities and improving the State’s income by way of more revenue returns. Meghalaya has not witnessed the desired level of investment in this area primarily because of the lack of proper basic infrastructure, both in physical and financial form. In recent years, due to the package of incentives offered by the State Government combined with the attractive subsidies offered by the

Central Government, a good number of industrial units have come up particularly at the EPIP at Byrnihat, Ri- Bhoi District and as a result, there has been tremendous pressure on the supply of power, thus making Meghalaya a power deficit State. However, the real economic benefits being accrued to the State of Meghalaya as a consequence of these investments in industrial units are yet to be ascertained.

5.4.3 Unemployment

The number of educated unemployed youth in the Live Register of Employment Exchanges in the State as on 2005 is 37,396. However, this figure does not fully reflect the scale of unemployment in the State since it is most likely that a good number of the unemployed do not get registered themselves with the Employment Exchanges. This may be because the unemployed have little or no faith in the ability of these Exchanges to secure employment for them. The increase in the number of students in higher educational institutions has not been accompanied by a matching increase in the number of employment opportunities, in the organized sector of the economy. In spite of the massive expansion in administration, the organized sector has not been able to absorb fully the additions to the literate labour force. Large number of persons passing from School and college are unable to secure regular salaried employment. The potential for self-employment needs to be explored in private industry and trade. Rising numbers of educated unemployed have created frustration and anger among the youth, which has probably contributed to unrest and tension in the region. During the Ninth and Tenth Plan a number of industrial units have come up in the State especially at Byrnihat and Barapani in Ri Bhoi District as a consequence of the State's incentives through its Industrial Policy of 1997, yet the level of employment of local people in most of these units which is supposed to be 60 per cent is far from satisfactory, perhaps due to lack of desired skill among the local youth or other unknown reasons. Development of local entrepreneurship and evolution of self-employment opportunities continue to stagnate. Diversified skill development among the working population at the grass root level is almost non-existent. As such in spite of unemployment in the State, many of the skilled labour required for construction of roads, bridges, building etc. continue to come from outside the State. This problem needs to be addressed. One way of solving the problem of unemployment is by way of massive expansion of vocational training facilities in various trades at the grass root level with emphasis on the youth after the 10 or 10+2 levels of studies. Possession of the desired skill would help the youth in finding self – employment opportunities or even in public and private enterprises.

5.4.4 State of PSUs :

Meghalaya ranks third from last (only before Nagaland and Sikkim) among other states in the Compounded Annual Rate of Growth (CARG) of Investment in state PSU's. The Government hasn't taken much initiative to boost the investment in the state PSU's. In 1990-91 the total investment of state PSU's by state was Rs. 340.7 crores, which has increased to Rs. 451.4 crores in 1998-99 registering a CARG of 3.6 % only. This is significantly below the national CARG of 12.33 % during the same period. On the other hand, states like Assam, Himachal Pradesh, and Andhra Pradesh had invested at a CARG of 6.1 %, 10.8% and 18.4 % respectively.

With the exception of a few State PSU's, all the other units are loss making and can be considered as sick PSU's. These PSU's have acted as a drain on the resources of the State with their growing dependence on budgetary support of the State Government. One of the major reasons for the failure of the State PSU's is the high level of employment that these have been saddled with, resulting in high spending on salaries and leaving lesser resources for productive investment. In order to tackle this problem, the State Government has implemented the Golden Handshake/Voluntary retirement scheme for the employees of the State PSU's. This is expected to restore the financial health of these units to some extent.

No.	Name of PSU	Number of Employees taking VRS
1.	MECOFED	114
2.	MTC	206
3.	MGCC	76
4.	MWL (Already wound up)	87

5.4.5 Disbursement of Financial Assistance by all financial institutions

Though the cumulative financial assistance has increased from Rs. 30.9 crores in March 1986 to Rs. 243.90 crores in March 2003, but it is still extremely low as compared to the national level. The financial institutions have provided an assistance aggregating to Rs. 600,133.30 cumulative up to end March 2003. In comparison Assam and Himachal Pradesh constitute 0.4% and 0.9 % of the total cumulative financial assistance. This has consequently resulted in poor growth and development of state as a whole.

5.4.6 Administrative Overhead Costs.

Given the hilly terrain and low density of population, administrative overhead costs in Meghalaya are bound to be much higher than those in the rest of the country. With the emergence of the new State, there have been efforts to bring the administration closer to the people by opening new districts, Sub- Division, Development Blocks, etc. All development agencies have by now positioned their technical and administrative manpower. This process had resulted in a massive expansion in the number of Government employees both in the regulatory and development spheres. The administrative expansion was accompanied by a sustained rise in investments in Government buildings, both for residential and office purposes. Building activities have generated employment opportunities for contractors, masons, carpenters and unskilled workers in a significant manner. The combined effect of the road building construction programmes on demand for labour and materials has been very substantial.

5.5 Investment Opportunities and Openings.

The State Government offers subsidies such as, on cost of infrastructure, on Transport, on Training, on Power etc., the Central Government has since declared that new units in the North – Eastern Region will be eligible for exemption from income tax for a period of five years from the date

of commercial production. There are a number of potential sectors that have been identified as Minerals Based Industry, Horticulture & Agro based Industry, Power, Tourism, Health care etc.

5.5.1 Mineral Based Industry.

Meghalaya with its wealth of mineral deposits has tremendous industrial potential. There are extensive deposits of coal, limestone, granite, clay and other minerals. Coal deposits are available in all districts and particularly in the southern slopes of the State. The coal bears a low ash content and its calorific value ranges between 6500 to 7500 K.Cal/Kg. The total estimated reserve of coal is in the region of 640 million tones. The coal is mainly of sub- bituminous type and can be utilized in varied industries ranging from power, fertilizer, cement and textile to paper, rubber, brick burning and also pottery based industries,. The coal that is found in the State can also be converted into coke to recover value added chemicals like light, medium and heavy oil, phenol and producer gas. Limestone is another mineral that occurs in an extensive belt (approx. 200 Km. Long) along the southern boarder of Meghalaya. The quality of limestone found here varies from cement grade to chemical grade having three brands. Total inferred reserve limestone within the State is about 5,000 million tones. The quality of limestone in the state has CaO content of 53 % and can be of use in steel, fertilizer and chemical industries. Granite of excellent quality is at present being mined in the East and West districts of Khasi Hills. Sizeable deposits are estimated and can be found in various shades and colours Clay of various types such as Kaolin (China clay), white clay and fire clay are found in various parts of the states. This clay is suitable for the ceramic, paper, rubber and refractory industries. It has been estimated that there are a few hundred million tones of clay reserved in the State. Beside the above, other economically viable minerals like gypsum, phosphorite, glass- sand, base metals, quartz and feldspar can be located in various parts of the state. More details about the occurrences of minerals is provided in the chapter of Natural Resources of the report. The state is also credited with having one of the most valuable silimanite deposits in the World.

5.5.2 Horticulture & Agro Based Industries.

The potential for Agro- based industries in the state of Meghalaya is very high. The state produces substantial quantities of oranges, peaches, pineapples, pears, guavas, plums, and bananas. Potatoes, tapioca, bay leaves, ginger, maize and jackfruit are also grown in plenty in the region. Meghalaya's turmeric, particularly the variety that is grown in Lakadong in the Jaintia Hills, is considered the best in the world and its curcumine content is as high as 7.5 %.

It may be mentioned that there is enough potential for setting up a starch based processing unit in the State.

Plantation crops like coffee, rubber, black pepper and arecanut are also becoming important products. A major breakthrough has been made in tea cultivation and small tea gardens have come up in such parts of the State.

One of the areas in which there is tremendous potential for investment and development is food processing. There is ample scope for setting up a medium scale fruit processing unit.

5.5.3 Power Generation.

Meghalaya has been one of the few states in the country with a history of surplus power generation. Industrial units in Meghalaya had the unique privilege of uninterrupted power supply prior to 1998. The state possesses an assessed hydro-electricity potential of nearly 3000 MW. The state is a major beneficiary of the South West Monsoon. The average annual rainfall is 11,000 mm. The Umiam – Umtru basins have only been partly developed during the past forty years. The power scenario in the state is discussed in detail in Chapter 15- Power Sector Reforms.

The State is in the process of identifying agencies including IPP that can invest in the development of Meghalaya's considerable hydropower potential. The investors in Power Sector will find a favourable atmosphere in the State of Meghalaya once it is rolled out.

5.5.4 Export Promotion Industrial Park (EPIP)

An Export Promotion Industrial Park is set up at Byrnihat, nearer to Guwahati. It has an area of about 250 acres. The EPIP supported by the Government of India, Ministry of Commerce. The scheme is to encourage development of exports. The scheme required the State Government to provide infrastructure facilities like power, water, roads, sewage and drainage, telecommunication facilities and other facilities for the Park. Units that are establishment in the park should have to export not less than 25 % of their total product in value terms. There are proposals to expand this. There is also re – evaluation of Industries & types as impact for local employment and economy.

5.5.5 Synergy with Central Government Departments and Other Agencies.

Effort is being made through these proposals to dovetail various schemes to the extent possible with schemes proposed to DONER and NEC so that all round development is assured and that some schemes do not suffer in isolation. The assistance of NESAC also is being actively sought and their intervention in G.I.S. mapping for fisheries and horticultural development forms and important bulwark of the concerned sector. The assistance under the IFAD and other externally aided project has to be factored into for various proposals.

5.6. Guiding principles for public action² :

Addressing the problem of equitable access to opportunities remains a crucial issue in achieving the Millennium Developmental Goals (MDG). The **policy challenge** is to facilitate access to improved livelihood opportunities closely associated with poverty eradication strategies catering to the context, needs and potentials of local communities in a sustainable manner. Breaking out

² Dr. Shreeranjana (2006) Credit Related Issues in Meghalaya.

of poverty traps and stagnant rural development would require a **multifaceted approach** revolving mainly upon **Nine policy clusters** as considered crucial in the context of Meghalaya:

- i. **Investing in human development** such as nutrition, health (including reproductive health), education, water and sanitation etc. which foster a productive labour force;
- ii. In order to break out of subsistence farming and chronic hunger **Helping small farmers increase productivity** through investment, especially in rural areas;
- iii. **Investing in infrastructure** such as roads, communications, power, etc in order to attract new investments in non-traditional areas;
- iv. **evolving industrial development and investment policies** that bolster non-traditional private sector activities, **with special attention to small and medium-size enterprises**. Such policies might include export processing zones, tax incentives and other initiatives to promote investment and public spending on research and development;
- v. **Building and Evolving development centric, accountable people's institutions towards effective participation and empowerment** : this may involve restructuring and refashioning the Governmental set up, Traditional hierarchical and non hierarchical institutions, refashioned District councils and making them partners in governance and delivery of development with accountability. This should address role-ambiguity, overlaps, confusion and disputes in functions and aim at decentralisation with empowerment;
- vi. **Building Capacities at various levels**: This may involve organizational and institutional capacities; skills and expertise for employment, livelihoods and entrepreneurship; building capacities for newer economy with freedom of choice;
- vii. **A framework for integrated planning and development** with institutional arrangements for spatial and location specific hill area perspective for Meghalaya and attending to the critical inter-sectoral gaps and linkages;
- viii. **Emphasizing human rights and social equity** to promote the well-being of all sections of people who have the freedom and voice to influence decisions that affect their lives;
- ix. **Promoting environmental sustainability** and improving urban management. There is a need to protect the biodiversity and ecosystems that support life (clean water and air, soil nutrients, forests, fisheries, other key ecosystems) and ensure that natural resources are well managed to provide livelihoods and safe environments.

Access to credit, especially to poor and rural areas is essential element of harmonizing such aims of development as enunciated in the introduction and chapter III. A differentiated local context-specific approach is required in working the action plans for asset creation. Given the broad range of assets and their interactions which matters a lot to the poor; access to potable water, basic health facility and education may be considered critical assets. But for hungry and poor, food security, access to land, energy requirements and rural road connectivity would be more important in the rural areas. In urban areas, housing (shelter) and water and sanitation services would assume greater importance. Besides, environmental protection and sustainability pose major challenge to a society where quick fix solutions and quick bucks take precedence.

For financial sector focus, drawing upon “A holistic natural resource based development paradigm” (suggested by the author in another work which indicated five closely interrelated general guiding principles) with some additions, can be followed as generic prescription:

- Prioritise and reallocate public expenditures by making it pro-poor and be more proactive to ensure that the resources are allocated to meet the diverse needs of the poor.
- National/state level actions towards Reforms, including land reforms and redistributing land are given priority.
- Improving the legal, regulatory and enforcement environment in general. A system of complementary institutions to tackle collateral laws, collateral registries, improving information about loanees in formal and informal sector through credit registries, use of computerised credit scoring models will enhance access to credit as mentioned in the WDR, 2002.
- Focus on building mechanisms at the local level that can hold National/State and local levels accountable through effective empowerment through decentralization and participation.
- Evolve closer working among six group of institutions government [(Central and State (including local)], private sector, civil society, aid organisations and academic/ scientific institutions working for the poor to work on the demand and supply sides of asset and economy buildup.
- Focusing on the demand side to ensure that supply-side interventions contribute to asset and economy buildup at a matching rate.
- While working out rural and urban development strategies synergise and build on actions taken for assets creation for increased well-being of the poor.
- The above principles should take on board:
- **More proactive actions to address inequalities** of assets, across gender, rural urban and ethnic groups, etc. that impede poverty reduction and growth
 - Realistic and implementable land reform programs.
 - Removing gender bias in legislation and
 - Improving and Operationalisation of rule of law and legal systems;
 - Accelerating skill acquisition process by the poor with demand- and supply-side interventions.
- Support for making institutions of /in the state (both local and national) pro-poor and accountable to the poor.
- Support for capacity building of pro-poor membership-based organizations ; scaling up CBO; building alliances/cooperative federations;
- Initiating creation of qualitative and quantitative information base detailing local- and household-level knowledge on the nature and coping mechanism of risks in the life cycle of poor. Taking risk and vulnerability of the poor for further detailed analysis for its impact on poverty, efficiency, and growth.
- Working on multi-pronged/-dimensional programmatic approach in development and credit interventions to cushion the poor against shocks/ different risks.
- Recognition of strong cross-sectoral linkages; of cross-cutting impacts on empowerment,

security, and opportunity; and of the importance of holding service delivery accountable to the poor.

- Formulation of Perspective Block/District Plan and Annual Action Plan for infrastructure development and promotion of core activities; Linkage of the Perspective/Annual Plan with Programmes, schemes that facilitate creation of infrastructure and Capacity to improve efficiency of extension and delivery systems.
- Taking local realities that matter and catering to the contingent institution building. Strengthening and evolving decentralised village or cluster level institutions in the state for better participation, delivery and impact. Promoting SHGs with the help of NGOs;
- Support for the provision of public goods from all over.
- Innovation and Proactive actions in development assistance, increasing the role of civil society and the private sector in implementations, and turning leadership more responsible and responsive, enhancing ownerships.
- Intensive training of the Government Officials (DRDA, Block and Line Departments), Bank Officials and NGOs as well as capacity building of the functionaries of Grass root organisations/traditional organisations/Local Bodies and Community Based Organization etc are desirable; and
- There is a need for developing a strong net-work for effective monitoring of the development programmes in general and the Self-employment programmes, in particular. In this process, social auditing by the grass root organisations would become necessary.

5.7. Recommendations

The study of economic growth is an abstraction of the objective performance of the various sector of the economy. Thus the study of economic growth of a state must be supplemented with the analysis of the various economic sectors that has been dealt in the other chapters such as finance, industry, agriculture, labour and employment etc. The recommendations of this chapter also take into account of the findings and recommendations from the other chapters related to it.

Another point has to be taken into consideration that the Tenth Plan emphasized that neither the growth target nor the objective indicators of well being of the people can be achieved simply by the quantum of resources that is mobilized but by efficiency and effectiveness of the decisions actions and implementation of policies and programmes. Hence the recommendations of this chapter have been made in the light of these approaches.

- The high growth rate figures may be due to low initial base; therefore these mere statistical figures should not be treated as true reflection of the reality. In fact the high growth of GSDP/NSDP is found to be dependent largely on the contribution of tertiary sector that is backed by large proportion of public sector employment in organized sector. It cannot be sustained unless and until a supporting growth rate is attained by the industrial sector. Therefore, there is an urgent need for

ensuring congenial environment for the sustained growth of tertiary sector. This can be ensured by the help of a host of factors such as faster growth of domestic capital formation, development of entrepreneurship, congenial environment to attract investors from other states by opening up the state economy with more liberal policy.

- Resource – industry linkage has to be strengthened for ensuring faster growth in the secondary sector that in turn would help to induce momentum of growth in the activities forming backward linkage to it.
- Scope for irrigation and rural infrastructure has to be improved both in terms of quantity and quality. This will ensure food security and reduction of rural poverty on the one hand and improving resource- industry linkage on the other hand.
- Targets of rural development schemes have to be framed in terms of physical and social parameters, not merely in terms of financial units. The Plan objectives in this regard must be followed in letter and spirit.
- A shift in the policy outlook is urgently needed to reduce the rural – urban gap in terms of economic growth. Industrial opportunities in the rural sector, considering the resource availability has to be identified and proper steps have to be taken for its implementation.
- Inter-sectoral balance has to be ensured with the direct intervention of the state. Other wise the growth potential of Meghalaya cannot be sustained for a longer period of time.
- The nature of employment and terrain in the state to some extent pushes up the overhead expenditure. Still the other areas of possible leakages have to be identified to reduce the overhead expenditure of the Government that will help in ensuring greater government investment in physical terms.
- There is an urgent need for effective decentralization of the decision- making processes. Being formed under the provision of the Sixth Schedule of the Constitution, the 73rd and 74th Amendments are not applicable in the State. Introduction of reforms in this area may usher in the decentralized planning processes in the state that will help to a great extent to bring momentum in the economic growth in the state of Meghalaya.
- Finally any assessment of economic growth and subsequent development plan requires substantial reliable database. The entire North East region is lagging behind in this respect and Meghalaya is no exception. Serious effort at par with the other states is needed to address this problem of data gap. The involvement of competent external agencies to formulate methodology and operational plan in this respect should be considered by the State Government.
- Economic growth of the state will be contingent to it undertaking a reform programme which helps it to attract entrepreneurs both from within and outside to make investments. This reform programme in the State could follow the export model of growth, which has been successfully implemented in small countries with limited domestic market base.

5.8. Conclusion

In the economic scenario of the state it has been observed that both GSDP and NSDP have grown at a reasonable rate during the preceding ten year period of commencement of the Tenth Five Year Plan. However, the high rate of growth of population has somewhat undermined the rate of growth of per capita GSDP and NSDP.

All three sectors of the economy maintained a growth rate above 6 %. This has strengthened the objective basis of attaining various sectoral targets as envisaged in the Tenth Plan. Although, in spite of growth in different the sectors of economy, there has been no change in the overall structure of the economy.

The change in the occupational pattern cannot be portrayed in detail due to the incomplete database in the workforce tables of the Census 2001.

There has been a perceptible change in the pattern in employment within the agricultural sector with decreasing proportion of cultivators and increasing proportion of agricultural labourers. There has been a substantial fall in percentage share of agricultural workers (cultivators and agricultural labourers taken together), no significant change in the proportion of main workers in the secondary sectors and rise in employment in tertiary sector.

The growth of employment in the tertiary sector is expected to have been responsible for the expansion of informal sector.

There has been no definite database on poverty in Meghalaya and the poverty analysis of the State is based mainly on the apportioned figures of the state of Assam at the national level. However, the available estimates point out high incidence of poverty in the rural areas of the state. Somewhat ineffective delivery system has led to the high incidence of poverty in rural areas in spite of substantial increase in the investment in rural sector.

In spite of growth in urban organized sector the unemployment among the educated youth has registered a rising trend. The growth of employment opportunities in the state, it seems, did not maintain pace with the growth of white – collared labour force.

The state is deficient in technically skilled labour force at present. Development of local entrepreneurship and evolution of self – employment opportunities continue to stagnate. Diversified skill development among the working population at the grass root level is almost non-existent.

5.9. Annexure

Estimates of GSDP at Factor Cost

YEAR	GSDP AT CURRENT PRICES (Rupees in Crore)	GSDP AT CONSTANT (1999-2000) PRICES (Rupees in Crore)
1999-2000	3578.14	3578.14
2000-01	3960.94	3773.37 (5.46)
2001-02	4478.26	4033.15 (6.88)
2002-03	4763.42	4185.52 (3.78)
2003-04	5279.99	4469.66 (6.79)
2004-05	5805.50	4788.22 (7.13)
2005-06	6318.85	5078.93 (6.07)
2006-07 (Q)	6959.29	5349.81 (5.33)
2007-08 (Adv)	7605.28	5628.25 (5.20)