

## **Economic Development of Eastern Region of India: A Study on the Entrepreneurial Scenario of the Region**

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### **Abstract**

Entrepreneurship is ever more considered to be essential to development of a region. Policymakers have recognized the association between entrepreneurship and economic development. Yet little attention is given to why this relationship has not been harnessed properly for the economic development of the eastern region, especially the North Eastern region. This paper tries to study and understand the potential opportunities and challenges faced by entrepreneurs in these parts of India. The study, being exploratory in nature, utilizes secondary research for the purpose. The study reveals that in general eastern region, particularly the North Eastern region, lacks in entrepreneurially induced development. Many factors are responsible for this situation foremost being governmental apathy, lack of access to capital and government funds, high investment costs, political unrest, insurgency, law and order problems, union related issues, infrastructural issues etc. This paper is an attempt to offer useful information for policymakers, practitioners and scholars.

**Keywords:** Eastern Region, Entrepreneurship, Development, Government

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## Introduction

Disparities among different regions in India are a foremost subject of economic, social and political significance in India which is supposed to be tackled through public policy. Eastern region consists of the least developed of the states, specially the northeastern parts. Several steps have been taken to reduce these disparities since independence. Some of them like the Finance Commission, and the Planning Commission, now NITI Ayog, and various policies and programmes are adopted from time to time to promote development of relatively less developed states and regions by giving them preferential treatment in central public investment, infrastructural developments, communication facilities, and fiscal and financial concessions and incentives. Although public policy instruments help in the growth of economic activity in a region, relative economic position of different regional entities depends on several other region-specific factors, and entrepreneurship is likely to play a major role in mitigating inequalities among different regions. Policy mechanisms and instruments were formulated to alleviate these disparities, particularly in industrial sector in the form of setting up of central public sector undertakings in less developed regions, special packages for underdevelopment states, and special fiscal and financial incentives for industrial development in backward areas. They are expected to encourage industrial development through promotion of entrepreneurship at local level in poorer regions thus leading to a diminution in inter-regional disparities.

## Historical Perspective and Current Scenario

A study of the past trends, leads to the unavoidable implication that regional inequalities are bound to increase in the coming years, if corrective measures are not adopted in time. Backward regions lack in growth impulse. In fact, some states were formed as a result of popular agitation based on perceived neglect of certain backward regions in some of the larger States e.g. the creation of Andhra Pradesh and Gujarat during the first decade of the republic, and Punjab, Haryana and Himachal Pradesh, Arunachal Pradesh, Meghalaya, Nagaland, Mizoram, Manipur, Tripura, and Sikkim in the Sixties and seventies. The recent instances are Telangana, Uttarakhand, Chhattisgarh, Jharkhand bifurcated from Andhra Pradesh, Uttar Pradesh, Madhya Pradesh, and Bihar respectively. These inequalities have generally been viewed as a north-south divide. Prime Minister Narendra Modi, couple of years ago, placed the problem along an east-west axis. Tadit Kundu and Primit Bhattacharya analysed the data from the National Family Health Survey's (NFHS') 2015-16 survey of more than 600,000 households published in Mint that clearly demonstrate that states in the north-west, west and south-west are very affluent compared to the deprived states that fall in the east and North East India. The eastern and northeastern states comprise of the highest number of poor households most of households in other regions fall in the affluent class. Northeast India has registered imbalanced regional growth though the situation is changing. It is heartening to note that the eight states in the region had outdone Indian average GSDP growth of 4.74 on 2004–2005 prices (updated 19 August 2015 by Ministry of Statistics and Programme Implementation, Govt. of India). As per the 2011 census, the region has almost 30% tribal population.

In this backdrop, it is really heartening to note that the eastern regional states of West Bengal, Bihar, Odisha, Jharkhand and northeastern states are expected to contribute a quarter of the total GDP by 2035, said a KPMG report in 2018, spearheaded by entrepreneurs of all sections and ages of the populace. Notwithstanding the agrarian nature of the economy, globalization has given entrepreneurship a big push forward. It is of particular interest to note in this respect that in the 'Advantage Assam: Global Investors' Summit 2018', MoUs worth Rs 1 lakh crore were signed.

Things are nevertheless changing for the better because as of November 2017, North East Institute of Advanced Studies launched a business incubator centre in alliance with Ashden India Renewable Energy Collective and Ekoenergy and Climate. This foretells the formation of a strong startups ecosystem in northeast India. Media also can play a positive role in accentuating the vast potential of this area. The vast East Asian market could present a huge opportunity for the northeast entrepreneurs too. Robust diplomatic and political relations with contagious countries and opening newer trade routes could be the key to realizing the full potential of this opportunity.

The key industries which would drive the eastern India's economy are jute, leather, tea, locomotives, petrochemicals, agro-based industry, forest-based industry, horticulture, steel and mining. A report by domestic rating agency Smera Ratings says the region contributes more than 20 per cent of the national output in each of these industries and the region has a direct influence on over 30 per cent of the IIP by weight and 57 per cent of the core industries. The strategic location of West Bengal makes it the prospective business hub of a \$3 trillion regional economy by 2035, when the size of national GDP is expected to reach \$11.34 trillion.

### **The Northeastern Region**

Northeast India comprises of seven separate but adjoining states, as well as standalone Sikkim, and is the most tribal region of India. Indian Chamber of Commerce (ICC) setup its northeast Regional Office in Guwahati way back in 2000 after organizing 1st North East Business Summit in New Delhi graced by all chief ministers of northeastern states to attract investors. The then Prime Minister of India, Atal Bihari Vajpayee had graced the 1st NEBS as Chief Guest and promoted northeast India not only as tourist destination but also as an ideal investment destination with unlimited opportunities. Northeast India shares 98% of its border with Bhutan, Bangladesh, China, and Myanmar, should be seen a trade and commerce opportunity than a political issue. Tourist numbers to the region have been dramatically increasing in recent years. Northeast India is the eastern-most region of India connected to East India via a narrow Siliguri corridor. These states are recognized under the North Eastern Council (NEC), constituted in 1971, and grouped under the Ministry of Development of North Eastern Region (DoNER), set up in 2001. The North Eastern Development Finance Corporation Ltd (NEDFi) was incorporated on 9 August 1995.

Promotion of entrepreneurship among the youth of the country began in the 1960s starting with the state of Gujarat. Assam lead the way in this regard in the northeast India in the

year 1973 with by setting up district level agencies known as entrepreneurial motivational training centres (EMTC) to identify, select, and train potential entrepreneurs and make them available all support services to launch and run their ventures. Having done laudable work in advancing the cause of entrepreneurship in the state during the initial years of their operation, the EMTCs have now been merged with District Industries Centres. Other agencies working in this field are Small Industries Services Institutes (SISIs), North Eastern Industrial and Technical Consultancy Organization (NEITCO), North Eastern Industrial Consultant (NECON), and National Small Industries Corporation (NSIC). Indian Institute of Entrepreneurship (IIE) was set up in 1993 at Guwahati to act as catalyst on entrepreneurship development with North East as the hub. The State Bank of India has also done its part by taking up Entrepreneurship Development Programme (EDP) in this part of the country. Few other organizations also deserve mention: Rotary Club, Cotton College, Assam Engineering College, Assam Engineering Institute etc., who also occasionally organize training for promotion of entrepreneurship. The District Industries Centres (DICs), Small Industries Development Corporations, National Productivity Council (NPC), small industries associations and non-governmental organizations, consultants etc. have also taken up training of PMRY beneficiaries in the wake of implementation of Prime Minister's Rozgar Yojana (PMRY) since 1993. There are yet many NGOs who also actively promote entrepreneurship through training and support.

The North Eastern Council (NEC) commissioned a study on the entrepreneurial and managerial needs of the region through NISIET. As recommended in the study, the NEC initiated a number of steps for promoting entrepreneurship in the region which was also partnered by the Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI) and Industrial Credit and Investment Corporation of India (ICICI). Even though original target of training 5000 entrepreneurs fell short, the efforts of the four organizations, namely NEITCO, NISIET, NECON and EDII was commendable. Now the Khadi and Village Industries Commission (KVIC) have also started to participate in rural entrepreneurship development programme. Apart from NEC, IDBI and SIDBI and KVIC, there are now several other organizations that are supporting initiative for promotion of new entrepreneurs in the North East among them being Union Ministry of SSI and Agro and Rural Industries, Department of Science and Technology, Union Ministry of Non-Conventional Energy Sources, NABARD, Council for Advancement of People's Action and Rural Technologies (CAPART) under the Union Ministry of Rural Development. IIE has been organizing and conducting training for prospective entrepreneurs and has in fact gone one step ahead to encourage the college and university teachers to set up information and career guidance cell (ICGC) in their respective institutions.

Notwithstanding the increasing growth in India's trade ties with Southeast Asia and China currently, the Northeast's role has been insignificant when its contribution to trade and as a trade route is considered. As a matter of fact, the region has not been able to integrate and take advantage of the various regional and sub-regional initiatives that neighbouring countries have spawned. To make meaningful gains from the cross border trade initiatives,

industries in the region have to develop suitable goods ready for export to the neighbouring countries. The need of the hour is establishing processing industries to manufacture quality goods, which can be marketed in international markets at acceptable rates. Further, infrastructure and connectivity improvements in terms of strategic roads to border areas as well as Integrated Check Posts and border trade points need to be taken care of.

The growth of social entrepreneurship in North Eastern region is a consequence of failure to recognize the social needs of the people both by both apathetic public authorities and profit-hungry private entities. To rise above this predicament, individuals and organizations of the region with social purpose have taken initiative to carry out activities for sustainable social transformation (Alvord et al., 2004). Acknowledging the backwardness and economic disconnection of the region from the rest of the country and also to promote assimilation of this region with the mainland, the central government in collaboration with state governments is taking serious steps to make inroads into this region with a plethora of economic strategies. The government with an eye to developing the north Eastern region of India has allocated almost Rs. 56000 crore in the 2021-22 budget for the region (The Economic Times, February 02, 2021). Keeping this in mind, social entrepreneurs can play a major role in ensuring that money is spent well for the development of the region.

### **Conclusion and Managerial Implications**

It is really unfortunate that start-up ecosystem of India does not have any area or city from the eastern region. Cities such as Mumbai, Pune, Hyderabad, Bangalore etc. with their infrastructural and networking advantage catch the attention of not just the best minds of the country but also the investors, from around the world. It is heartening to note therefore, that a promising ecosystem has spread its wings in the North East. The start-up environment has really been spreading in the North East with the active encouragement and participation of state governments which aided in creating a space for entrepreneurs to ideate and innovate. But it is a matter of regret that communication, transportation and IT infra fall way short of the desired standard in these areas. These have proved to be an insurmountable hindrance making it very difficult to face competition posed by their counterparts from other parts of the country. In fact minimum 25 days is taken by transporters to ferry materials from Kolkata to these parts. Yet another peculiar challenge faced by the inhabitants and budding entrepreneurs of this area is that of an all pervasive perception in the rest of the country that it is unsafe and unsuitable in terms resources to start and sustain an enterprise. The state governments are rising up to this challenge and making all out effort to improve the entrepreneurial conditions. Various voluntary organizations, chambers of commerce, private establishments and individuals are also chipping in with their efforts in this regard. As the efforts are on to transform the North Eastern part of India, entrepreneurs are filled with hope about growth at a fast pace.

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