CHAPTER VII

SUMMARY OF FINDINGS AND CONCLUSION

The quantitative analysis—both theoretical and empirical—carried out in the earlier chapters, brings out certain significant characteristics relating to the interdependence of sectoral output and prices between Assam and the rest of India. There has always been a common impression that the sectoral output and prices in Assam are intimately dependant on the rest of the country and vice versa. It has been observed that a change in the final demand of a particular commodity in one region produces some direct and indirect effects on the different activity levels of the other. Similarly, a change in the residual coefficients of different commodities in one region bring about a change in the prices of all the commodities in the other region. Two different mathematical models—one for interdependence of sectoral output and the other for interdependence of sectoral prices between Assam and the rest of India—have been formulated within the framework of inter-regional inter-sectoral input-output system and have been empirically tested.

The thesis starts with a brief summary of the basic features of the economy of Assam. It has been observed that in spite of her vast natural resources, Assam is one of the economically backward States in the country. Her vast natural resource potential has been either unutilised or under utilised mainly, inter alia, due to the lack of infrastructural facilities, the lack of local entrepreneurs and the smallness of market.
It has been revealed that the demographic characteristics of Assam is of peculiar nature due to the heavy immigration to the state from other parts of the country as well as from neighbouring foreign countries.

Assam may be one of the backward states of India but the state is full of natural resources—mineral, forest and water. The important mineral resources are crude oil, coal, natural gas and lime stone. Assam produces about 40 percent of the total crude oil and about 50 percent of the natural gas of the country.

Assam's forest are full of various types of wood and animals. The timber species, which are abundant in the forests of Assam, are Nahar, Bonsom, Chaps, Gamari, Sal etc. A large number of industries based on forestry have grown up in the state. The important wild animals of Assam are one horned rhino, elephant, tiger, reptiles and birds. Kaziranga, a place of Upper Assam, is famous sanctuary for one horned rhino.

So far water resources are concerned the existence of Brahmaputra and Barak rivers and its numerous rivulets make the state very rich in hydro electric power potential. But the huge water resource potential has not been properly tapped.

This study also shows that infrastructural facilities available in the state are poor. For example, per capita electricity consumption in the state in 1982-83 was 36 kWh whereas in Gujarat and Haryana, it was more than 250 kWh during the same time. Banking facilities, transport and communication facilities are also poor in the state. So, more attention should be paid for infrastructural development in the state.
It has been shown that there exists a close trading interdependence between Assam and the rest of India. The magnitude and composition of trading between Assam and the rest of India during the period 1960-61 to 1975-76 reveals that Assam mainly exports goods like tea, raw jute, wood and timber, plywood, kerosene oil, crude oil etc. The imports to Assam are composed of mainly food-staff and manufactured goods like, wheat, pulses, grams, sugar, mustard oil, textiles, iron and steel, machinery and equipments and pharmaceutical products. Because of this trading interdependence we observe a close inter-dependence of sectoral output and prices between these two regions.

The empirical verification of the interdependence of sectoral output between Assam and the rest of India reveals that the rest of India's sectors like tea, petroleum products, printing, fertilizers, paper and paper products have prominent effect on the economic activity of Assam in absolute term. It has also been found that the economy of Assam is most sensitive in relative changes (1 percent change) in final demand in the rest of India's sectors like tea, petroleum products, food grains, textiles, other agriculture, sugar and gur, paper and paper products, vegetable oil and printing.

On the other hand, this study shows that Assam's sectors like textiles (cotton and silk), tea machinery, tea, vegetable oil have most pronounced impact on the economic activity of the rest of India in absolute term and in relative term (1 percent change in final demand) the economy of the rest of India is most sensitive to the changes in final demand of Assam's sectors like tea, vegetable oil, textiles and food grains.
The empirical verification of interdependence of sectoral prices between Assam and the rest of India reveals that if the residual costs in one economy change, prices are changed in both the economies. When residual coefficients are increased by 10 percent only in the rest of India, prices are changed not only in the rest of India but also in Assam. The Assam's sectors which are greatly affected by increase in the residual costs in the rest of India include textiles and vegetable oil. The prices in the other sectors of Assam also increase. In the sectors like tea, miscellaneous products of petroleum and coal, paper and paper products and tea machinery the increase in prices is more than 1 percent due to 10 percent in the residual coefficients of the various sectors of the rest of India, and in the sectors like grain mill products, sugar and gur, jute textiles, fertilizers, petroleum products, iron and steel, wood products, printing and power, the sectoral prices increase less than 1 percent.

Similarly when residual coefficients in Assam increase by 10 percent, prices also increase both in Assam and in the rest of India. In Assam's sectors where price increases almost at the same rate include grain mill products, sugar and gur, jute textiles, fertilizers, petroleum products, iron and steel, wood products, printing and power. In the sectors like miscellaneous products of petroleum and coal, tea machinery, tea, paper and paper products, the rate of increase in prices is being more than 8 percent. The prices in vegetable oil and textiles sectors of Assam increase by 7.86 percent and 3.91 percent respectively. A 10 percent increase in the residual costs in the different sectors of Assam also brings a change in the sectoral prices in the rest of India. The sectoral
price in the tea sector of the rest of India increases by 3.22 percent and in the other sectors of the rest of India such as grain mill products, miscellaneous products of petroleum and coal, tea machinery, sugar and gur, vegetable oil, textiles, jute textiles, fertilizers, petroleum products, iron and steel, wood products, paper and paper products, printing and power, sectoral prices increase by less than 1 percent.

Thus this study both from the angle of output and prices shows that the two economies—Assam and the rest of India—are closely interdependent on each other.

In conclusion, it can be said that it will be highly profitable if the model of sectoral interdependence between Assam and the rest of India is applied for forecasting for the next few years consistent level of output for Assam and the rest of India such forecasting of consistent levels of sectoral output is bound to be of great value in State's planning effort. The empirical results of price model* are expected to provide a basis for formulating a scientific price policy of the State keeping in view of the national pricing pattern.

*What do you mean by consistent level of output?