1.1 Background of the Study

The process of industrial development in Assam has had a chequered history. The modern industries in Assam were first developed through investment of colonial capital in the 19th century. The modern industry sector in the colonial period was based on tea plantation, mining & oil refining and forest resources.

Soon after independence, the partition of the country had made a severe blow to the industrial development process in the state as the region's venturing routes to the rest of the country being cut off. After independence, more particularly during the first three five year plans, no serious attempts were made to raise investment by public or private sector for sustaining the growth of industry in the state. However, a break from the past has been observed following the setting up of a number of public sector industrial units in the state in the 1970s. In spite of the initiatives undertaken in the 1970s by the Union Government to revive the process of industrialization in the state, the major industries of Assam namely tea, oil and plywood had failed to establish linkages forward as well as backward with the regional economy (Goswami 1981). At the same time, the process had again suffered from stagnancy in 1980s mainly because of heavy disruption of mining activities in the state as a consequence of six year long Assam Movement (Bezbaruah 1999).

One of the adverse consequences of India's broad based liberalization which has been in operation since 1990s is that investment has tended to be

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1 However, some analysts feel that the industrialization process during the colonial period did not help economic development of the state in any significant manner. For instance, according to Alam (1987) 'The industrial development process undertaken during the pre-independence period produced little spread effects or growth stimuli for starting a cumulative process of economic expansion'.
concentrated in already advanced areas especially in the coastal regions. Under such a paradigm of development, the relatively backward regions like North East found itself in disadvantage to compete with India's average pace of development. Thus, the failure of industrialization in keeping pace with a consistent level of growth is a major concern when viewed from the development perspective of Assam. To compensate for such disadvantage, the policy for promotion of industries in Assam has been taken by both the Central and State Government by means of providing some economic incentive packages for industrial expansion and diversification in the State.

These post liberalization incentive packages are largely incorporated in the North East Industrial Policy (NEIP) 1997 and North East Industrial and Investment Promotion Policy (NEIIPP) 2007. These policies are aimed at promoting industrial growth in the region. The present study is an endeavour to examine the trends in industrial production and productivity in Assam with an eye to tracing the impact of post liberalization incentive packages on the industrial sector of Assam. The study covers the period from 1981-82 to 2009-10.

1.2 Objectives & Research Questions

1.2.1 Objectives

The Study has been taken up with the following specific objectives

a) To capture the trends in industrial production and composition in Assam since 1981-82 to 2009-10

b) To examine the production and productivity trends in the Registered Manufacturing Industries in the state.

c) To analyze the comparative performance of Registered Manufacturing Industry Groups with respect to their productivity & efficiency attainment.

d) To explore the impact of post liberalization economic incentive Packages as included in NEIP 1997 and NEIIPP 2007.
1.2.2 Research Question

The underlying Research Question of the study is whether the post liberalization economic incentives have had any significant impact upon industrial output growth in Assam.

1.3 Methodology

1.3.1 Data Sources

The study is based on secondary sources of data which are as follows:

a) The GSDP data series (At 1999-00 prices) covering the period from 1981-82 to 2009-10 and as prepared by Directorate of Economics & Statistics, Government of Assam is the main data base of the study.

b) The Summary Results of the Annual Survey of Industries covering the period from 1981-82 to 2007-08 is another principal data set used to estimate industry diversification, production and productivity growth in the Registered Manufacturing Sector in Assam.

c) The data from the 51\textsuperscript{st}, 56\textsuperscript{th} & 62\textsuperscript{nd} Rounds of NSSO Surveys on Unorganized Manufacturing Sector have been used to present some of the structural features of the Unregistered Manufacturing Segment of the state.

d) Two other data sets relating to the All India Whole Sale Price Indices (WPIs) of respective manufactured products and Consumer Price Index Number for Industrial workers (CPI) with different bases were used which had been collected from the Office of the Economic Adviser, Ministry of Industry & Commerce and Labour Bureau, Government of India, respectively.
1.3.2 Analytical Framework

a) The output growth rate of industry as a whole and its various components have been analyzed using graphs as well as fitting semi-log linear trend equations.

b) The semi-log quadratic equation has been used to test whether there has been any acceleration/deceleration in the growth rates.

c) For capturing the structural break in the growth process, a trend equation with dummy variable has also been used.

d) The trends and pattern of Manufacturing output have been observed using pie charts and by constructing Herfindahl Indices for industry diversification.

e) The Partial Productivity of Labour has been calculated, taking the ratio of GVA at 1981-82 prices to number of employees for individual industry group under Growth Accounting Method. Similarly, the Capital Labour Ratio has been estimated, taking the ratio of gross fixed real capital to the number of employees in each industry.

f) Total factor productivity growth (TFPG) has been estimated by using Divisia-Tornquist Approximation under Growth Accounting Approach. Gross fixed real capital stock series has been built up using Perpetual Inventory Accumulation Procedure. Splicing procedure has been adopted in the context of changing bases of prices.

Methodologies in details are discussed in the respective chapters.

1.4 Layout of the Thesis

The thesis is comprised of six chapters. This introductory chapter is followed by Chapter Two which concerns with the conceptual & theoretical background relating to industry, industrial development and industrialization. Chapter Three is dealing with in exploring the Trends & Composition of
industrial production in Assam. In this chapter, an attempt has been made to present an account of the changes in the composition of the State Unregistered Manufacturing output as well as some of its other features. The conceptual & measurement issues related to industrial productivity have been discussed in Chapter Four. A brief review of literature on industrial productivity in India has also been incorporated in Chapter Four. This is followed by Chapter Five where the production & productivity trends in the Registered Manufacturing Sector in Assam have been analyzed. The concluding chapter presents the summery of findings & abstractions of broad inferences with respect to objectives & research Question of the study.