CHAPTER - II

ECONOMIC BACKGROUND OF ASSAM

2.1 Location:

Assam is the gateway to the North Eastern Region of India. Assam is located in the North East part of the India and situated with the longitude 90°E to 96°E and latitude 24°N to 28°N. The area of the State is 78,438 sq. kms as against the country's total area of 3,287,263 sq. kms constituting 2.39% of the total land area of the country. According to the census 2001, the population of Assam was 2,66,55,528 constituting 2.6% of the total population of the country. (Govt. of Assam, DES, 2006-07)

Assam is situated at the North-Eastern Himalayan sub-region of India. The State is bounded by Bangladesh on the West and South and is very near to Burma on the East and Bhutan on the North. Internally, the State has common boundary with Nagaland, Manipur, Mizoram, Tripura, Meghalaya, West Bengal and Arunachal Pradesh.
2.2 Natural Region:

From the geographical point of view, Assam is divided into two parts – Assam Plains and Assam Hills.

1) Assam Plains:

Assam plains consist of 25 districts - Goalpara, Dhubri, Bongaigaon, Kamrup, Barpeta, Nalbari, Darrang, Sonitpur, Dhemaji, Morigaon, Nowgaon, Golaghat, Jorhat, Tinsukia, Dibrugarh, Sibsagar, Lakhimpur, Cachar, Karimganj, Hailakandi, newly created Kamrup (Metro) district, four districts under newly created Bodoland Territorial Council (BTC) areas viz Kokrajhar, Baska, Chirang and Udalguri.

2) Assam Hills:

Assam Hills consist of the districts of Karbi Anglong and North Cachar Hills.

2.3 Climate:

Climatically, Assam has two seasons - the rainy season and winter season. The monsoons usually start in June and last until the
end of October. Rainfall in Assam is usually heavy due to its geographical location and monsoonal affect. The annual average rainfall of Assam is 2818 mm.

Flood is a regular feature in Assam particularly after the great earthquake in 1951. Since Brahmaputra Valley and Surma Valley of Assam are surrounded by Hills States, the monsoonal rain in the hills of North Eastern Region brings down water to these two valleys through their tributaries and creates havoc of flood almost every year.

2.4 Soil and Vegetation:

The soil of Assam is generally characterized by its acidity. There is much acidity on the soil of hills and the lands of river banks are less acidic. The phosphoric content of the upper Brahmaputra valley where tea is grown, is good but it is low in the lower valley. Soils of Barak Valley is not much different than that of Brahmaputra Valley. Low land areas containing heavy clays and high percentage of nitrogen provide a good return of rice. The sandy lands above inundation level give a good yield of jute. Besides fruit trees are found on both in plain as well as hill areas.
2.5 Natural Resources:

2.5 (i) Mineral Resources:

In Assam, a number of minerals like coal, crude oil, limestone, sillimanite etc. have been found in substantial quantities. Some others like asbestos, copper, gold, gypsum, iron, salt, etc. are also found in small quantities in Assam. Important mineral resources available in Assam are -

Coal:

The principal coalfields in upper Assam are Makum, Margherita, Nazira, Jaipur, Ledo etc. Most of the fields are exploited. The total coal reserves of some of the main coal fields in Assam are estimated to be 235.6 million tonnes for Makum, 30.0 million tonnes for Dilli-Joypura, 2.5 million tonnes for Janji-Disai (Nazira) and 0.6 million tonnes for Koilajan in Karbi Anglong district. Total production of coal in Assam was 956 thousand tonnes in 2005-06. (Govt. of Assam, DES, 2006-07)
Crude Oil:

Petroleum (crude) is the most important mineral product of Assam. Digboi remained the only source of petroleum in India upto 1953-54 when rich fields were discovered in the Naharkatiya, Hugrijan and Moran regions. Besides our important oil fields in Assam are Rudrasagar, Geleki, Lakwa, Nazira, Teok etc.

Assam produces about 4429 thousand tonnes total petroleum crude in 2005-06. (Govt. of Assam, DES, 2006-07)

Limestone:

Limestone is also an important mineral product of Assam. It is used as an important raw-material for the production of cement. Limestone mines are available at Garampani and Koilajan in the district of Karbi Anglong and North Cachar Hills.

Sillimanite:

Sillimanite is used for making refractory bricks and certain types of ceramic waves. Practically, a large part of India’s Sillimanite supply comes from Assam.
2.5 (ii) Water Resources:

Assam occupies first place in India as regards her potential water resources but it has lowest utilization for power generation and irrigation.

Brahmaputra and Barak are two major rivers of Assam, which have 35 and 9 tributaries respectively. Water in adequate quantity is important for the development of agriculture, fishery, animal husbandry and also for industrial development. But in spite of adequate available water, Assam’s water resources are only marginally utilized.

2.5 (iii) Forest Resources:

Assam is also rich in forest resources. Total area covered by forests in Assam is 26,781 sq. kms. (2002-03), which is 34.1 percent of the total geographical area of the State. But as per the official records, reserved forest area covers 19.4 percent of the total geographical area of the State. (Govt. of Assam, DES, 2002-03) Reserved forest in Assam are divided into six circles and 25 divisions and the areas under wildlife are divided into eight divisions including state zoo. About
11,000 man power are engaged to look after this large area under forest cover.

For smooth functioning, the development of forest is divided into two groups – (a) general forestry and (b) social forestry.

Forests provide important commercial timbers like Sal, Bonsum, Chegun, Sishu, Gamari, etc. They are used for making furniture and for construction works. Forests of Assam provides raw materials for various forest-based industries like plywood, matchbox making, paper and paper pulp, packaging Industry etc.

Moreover, a number of small scale industries of Assam are also based on forests resources and in particular mulbery trees are used in muga and silk industries.

Assam has a distinct position in the national map of rare animal and birds. One-horned rhino is the natural heritage of Assam spreading over a number of wildlife sanctuaries namely, Kaziranga, Pobitara, Nameri, Orang etc.
2.6 **Salient features of Assam Economy:**

1) **High Growth Rate of Population:**

In Assam, growth rate of population is high. Population growth has been increasing at alarming rate. But employment opportunities both in Agricultural and Industrial Sectors are not adequate. It results in the problems like unemployment, slow growth rate of development and so on. The overall population density per sq. km. of the State is 340 which is higher than the national average density of 325 persons. According to census 2001, the population of Assam stand at 2,66,55,528. (Govt. of Assam, DES, 2006-07)

2) **Slow and Decelerating Rate of Growth of State Income:**

The rate of growth of the economy of Assam is one of the slowest among the States in the country. It may be worth mentioning that the per capita income of Assam which was higher than the national average at the time of launching of the First Five Year Plan in 1951, was increasing at a decelerating rate over the years and it has become about two-thirds of the national average at present. The rate
of growth of the State's economy is consistently lower than the national average all throughout the planning period.

The rates of growth of state income at constant prices (1980-81) in Assam were 4.8% in 1988-89, 4% in 1990-91 and only 1.8% in 1998-99 and then to 3.21% in 2001-02 (Base : 1993-94). But the rate of growth of national income in India at constant prices (Base : 1980-81) stood at 10.7% in 1988-89, 5.1% in 1990-91, 6.8% in 1998-99, and then 6.3% in 2001-02 (base 1993-94).

The growth of national economy in terms of Gross Domestic Product at Constant (1999-2000) prices has been estimated at 9.2 percent for the year 2006-07 (Advance Estimates) as compared to the growth rate of 9 percent (Quick Estimates) achieved in 2005-06 as revealed by the Central Statistical Organisation, Government of India.

The growth of Assam economy in terms of the Net State Domestic Product (NSDP) at constant prices (1999-2000) has been estimated at 6.0 percent for the year 2006-07 as per Advance Estimates as against a growth rate of 5.9 percent during 2005-06 as per Quick Estimates. (Govt. of Assam, DES, 2006-07)
(3) Low Per Capita Income:

The divergence in the per-capita income between Assam and all India has been increasing at a considerable proportions since 1980-81. The divergence in per capita income at constant (1980-81) prices between Assam and India has been increasing considerably from Rs. 346.1 in 1980-81 to Rs. 640.1 in 1989-90.

Since then the divergence between the per capita income of Assam and all India at constant (1993-94) prices gradually widened considerably from Rs.1983.2 in 1993-94 to Rs.2709.3 in 1995-96 and then to Rs.4744.1 in 2002-03.

The Economic Survey, Assam 2003-04 in this connection observed, “so far as per capita income is concerned it has been noticed that since long back Assam continued to lag much behind the per-capita income at national level.”

4) Capital Deficiency:

Assam economy is characterized by slow rate of capital formation. The low level of per capita income in the State is one of the
prime reasons for low rate of savings which is partially responsible for capital deficiency.

5) Excessive Dependence of Agriculture:

The economy of Assam is predominantly agrarian with its net cropped area excluding all plantation crops being 24.9 lakh hectares which is 32% of the total geographical area of the State. (Govt. of Assam, DES, 2006-07). About 70% of the total population of the State depends upon agriculture. The high growth of population and lack of adequate employment opportunities in the urban and semi-urban areas lead to pressure on agricultural land leading to disguised unemployment.

(6) Unemployment Problem:

The most alarming feature of the State is the growing unemployment problem. The job seekers specially educated job seekers are increasing at a faster rate due to the lack of absorption capacity in the State. From the record of the Live Register of Employment Exchanges, the registered educated job seekers stood at
12,48,561 during 2005. The percentage of educated job seekers to total job seekers was 71% approximately. The unemployment problem in the State is continued to be a matter of concern. Data available up to the first six months of 2006 reveals that during the period the Live Register of job seekers has increased by 9.5% over the position in the corresponding half year period of 2005. (Govt. of Assam, DES, 2006-07).

In order to increase employment avenues through generation of gainful employment opportunities the Government has been implementing various centrally sponsored schemes like Swarnajayanti Gram Swarojgar Yojana (SGSY), Special SGSY, Prime Minister’s Rojgar Yojana (PMRY) etc. The Government of Assam has launched an unique self employment scheme called Chief Minister’s Swaniyojan Yojana for imparting job-oriented training to educated unemployed youth of the State.

At present, it is encouraging to observe that more and more people of the State are taking keen interest in availing opportunities offered through implementation of these schemes.
(7) Lack of Adequate Infrastructure:

Assam economy has been facing the problem like poor transport facilities, inadequate credit facilities, interrupted power supply and so on. The Infra-structural facilities are wheels of rapid industrialization and economic development.

Assam being the gateway to the other States of the North Eastern Region of the Country, the need for development of transport and communication sector in the State is of vital important for speedy economic development of the Region. The State is no doubt served by the all modern means of transport viz, roads, railways, waterways and airways but they are inadequate and qualitatively inferior.

In Assam, Public Works Department (PWD) is mainly responsible for construction and maintenance of road network in the State and the poor state of the conditions of roads is indicated by the
following statistics.

- Table 2.01

Statistics of Roads in Assam

<table>
<thead>
<tr>
<th>Items</th>
<th>2005-06 (in Km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surfaced Road (excluding National Highways)</td>
<td>8424</td>
</tr>
<tr>
<td>Un-surfaced Road</td>
<td>26337</td>
</tr>
<tr>
<td>National Highway</td>
<td>2754</td>
</tr>
<tr>
<td>State Highway</td>
<td>2820</td>
</tr>
<tr>
<td>Major District Road</td>
<td>3839</td>
</tr>
<tr>
<td>Rural Road</td>
<td>26907</td>
</tr>
<tr>
<td>Urban Road</td>
<td>1194</td>
</tr>
</tbody>
</table>

Source: Economic Survey, Assam, 2006-07

As per information available from the N.F. Railway, Headquarters, Maligaon the railway route length in Assam at the end of 2005 was 2284.28 kms. Comprising 1227.16 kms under Broad Gauge and 1057.12 kms under Metre Gauge. However, the proportion of Broad Gauge route length to the railway route works out at 53.7% for the State. Various developmental activities in the Railway Sector continued to be undertaken in the State including extension of
railway line. During the last couple of years a good number of new passenger trains were introduced to connect different places within the State (Govt. of Assam, DES, 2006-07)

The transport facilities by roads, railways and waterways within Assam and the links with the neighbouring States and rest of India are not adequate and subject to severe hardships during the monsoons.

Assam is well connected with the rest of the country through Air Transport. The airports of Assam are - Lokpriya Gopinath Bordoloi International Airport at Guwahati, Salonibari at Tezpur, Rowriah at Jorhat, Mahanbari at Dibrugarh, Lilabari at Lakhimpur and Kumbhiragram at Silchar.

The postal and telecommunication facilities in the State have been growing steadily in recent years.

Power is the basic infrastructural requirement for the growth of industries as well as overall economy of the State. The Assam State Electricity Board (ASEB) which was constituted in 1958 under Electricity (supply) Act 1948, has been facing prime responsibility of integrated power development of the State. The Board underwent a
minor re-organization in 1975 following the formation of the State of Meghalaya carved out of Assam in 1971. ASEB had accumulated huge losses over the years to the extent that it was not possible to run it profitably or get rid of liabilities. Because of this, there is heavy revenue deficit in every month in the running of ASEB. To tide over this un-sustainability in the operations of the Board and to improve the performance of ASEB, the Govt. of Assam along with the support of Asian Development Bank (ADB) and Govt. of India has taken up the Assam Power Sector Development Programme with effect from December 2003.

The Banking network operating in the country as well as in the State have been grouped under (i) State Bank of India and its Associates (ii) Nationalized Banks, (iii) Foreign Banks (iv) Regional Rural Banks and (v) Other Scheduled Commercial Banks. These groups of banks have a distinctive role to play in the economic scenario of the State.

8) Under Utilization of Natural Resources:

Although Assam is rich in natural resources, but till now various natural resources like water, mineral, forests, land etc. remain
under-utilized. Thus, natural wealth is being wasted due to lack of proper attention.

(9) Lack of Industrial Development:

Assam is lagging behind other States in regard to industrial development. This is due to absence of large investments in industry and Assam's geographical isolation. The industrial sector in the State has been centralized around some major industries i.e. Tea, Jute and Oil. The volume of private industrial investment in Assam is very low due to heavy risks involved in the investment. These risks are both natural risks, arising through natural calamities like flood, droughts and political risk as the State itself is a border State. Further geographical isolation of the State inhibits private investment from other regions. This is aggravated by transport bottlenecks.

The performance of manufacturing and processing sector of the State has not been much encouraging in the scenario of State's economy. The contribution of this sector to the total NSDP has been estimated at 10.5 per cent at constant (1999-2000) prices during 2005-
The Index of Industrial production has been worked out at 159.10 in 2005-06. (Govt. of Assam, DES, 2006-07)

Assam continue to make efforts for gearing up industrial activities not only by harnessing the untapped resources available in the State through various growth inducing factors but also taking steps for removal of existing infrastructure inadequacies.

10) Poverty:

Assam Economy is characterized by long standing poverty. Dandekar and Rath in their study ‘Poverty in India’ estimated from NSS Consumer expenditure data of 1960-61 that about 48% of the Assam’s population was below the poverty line on the basis of minimum nutritional needs. Planning Commission’s Expert Group Report (1993) shows that the percentage of people lying below the poverty line in Assam was 39%. Again the percentage of population lying below the poverty line as per Planning Commissions, estimates of 1999-2000 stands at 36.09%.

As per Planning Commission’s available estimates of 2004-05, 55.77 lakh of people are living below the poverty line in Assam.
Besides, the estimates released by the Planning Commission for the year 2004-05 reveals that the Uttar Pradesh has the largest below poverty line population (590.03 lakh) while Bihar with 369.15 lakh and Maharastra with 317.38 lakh below poverty line population. (Govt. of Assam, DES, 2006-07)

Thus Assam economy is facing various problems. Assam is full of resources. We can overcome the problems by proper utilization of resources.