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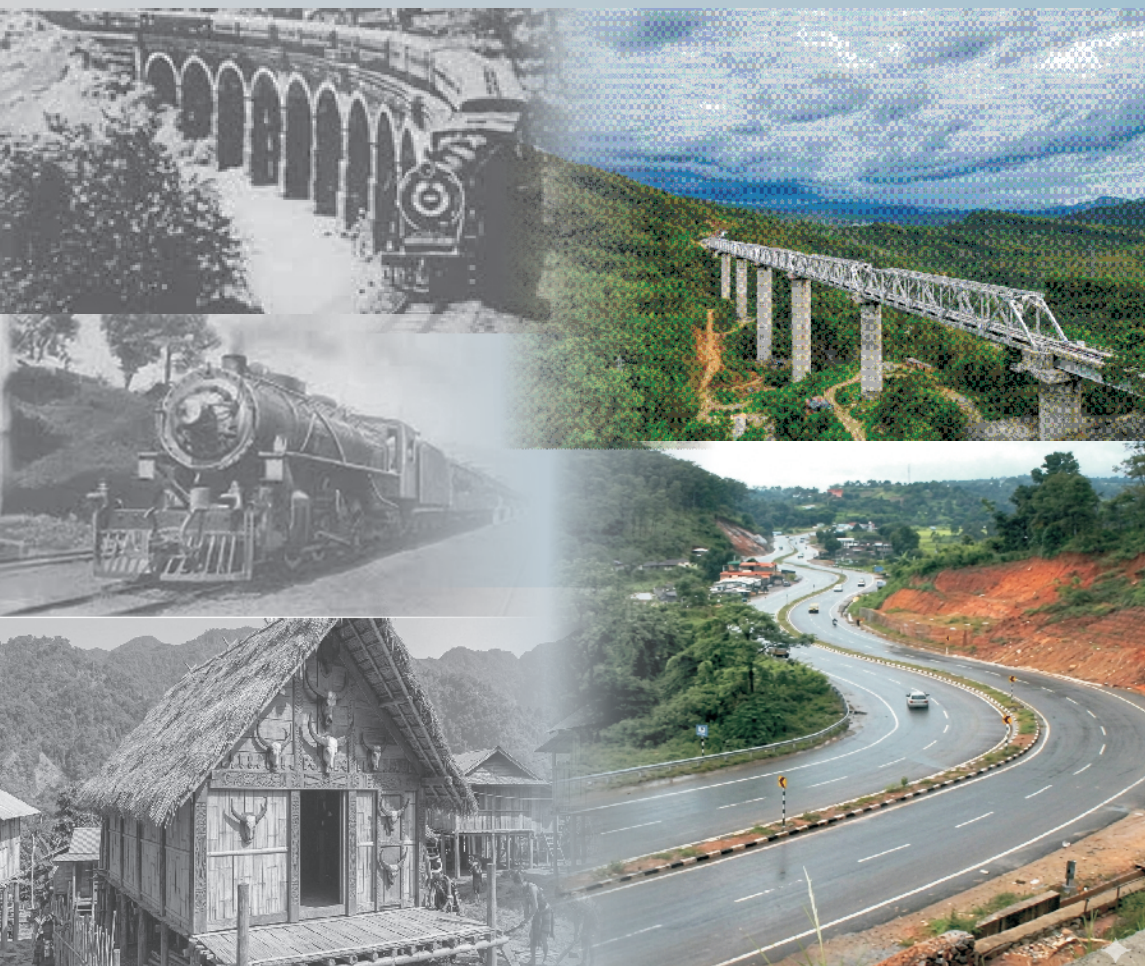
No. 104 June 2026

Northeast India

Developmental Initiatives And Structural Constraints



Pushpita Das

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Introduction

The Northeast region of India has long been perceived, both in popular as well as in policy discourses, as a space characterised by political violence, economic stagnation, geographical isolation, and cultural marginalisation. These conditions have commonly been understood to have engendered feelings of neglect and marginalisation among the region's inhabitants, undermining their emotional attachment to, and political integration with, the Indian nation-state. Within this framework, underdevelopment has been viewed not merely as an economic problem but as a principal cause of political instability and insurgency. Consequently, it was widely assumed that sustained economic development would alleviate conflict, promote social stability, and facilitate the region's closer incorporation into the national mainstream. From this perspective, expanded infrastructure, increased investment, and state-led growth were expected not only to address material underdevelopment but also to strengthen emotional and political integration.

This understanding informed the development strategy adopted by New Delhi since the Independence. The policymakers in Delhi realised that the Northeast region had special needs that would require significant levels of investments. Accordingly, concerted efforts have been undertaken since the inception of the planning process to address developmental challenges in critical sectors through targeted programmes and dedicated funding mechanisms. There has also been continuous attempt to supplement developmental efforts by conferring special category status to the north-eastern states by providing them with additional financial support to accelerate growth and reduce regional disparities.[1] However, it was only during the 1970s and 1980s,

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1 *Twelfth Five Year Plan (2012–2017) Faster, More Inclusive and Sustainable Growth*, *Vol-I*, Planning Commission, New Delhi, 2013, p. 330.

amidst rising insurgency and regional unrest, that the development strategy assumed a more explicit political function. Under this strategy, the Union government significantly expanded its fiscal role in the Northeast through a range of centrally sponsored schemes and special financial provisions. Some of the programmes, such as grants under Article 275(1), Border Area Development Programme (BADP), Hill Area Development Programme (HADP) and Backward Region Grant Funds (BRGF), are attempts to address some of the area specific problems in a limited way.[2]

By mid 1990s, economic development strategy for the Northeast received a renewed thrust. Financial initiatives such as the mandatory 10 per cent earmarking of the Gross Budgetary Support (GBS) of non-exempted Union ministries for the Northeast sought to correct historical neglect by increasing resource flows.[3] Industrial policies, including the North East Industrial Policy (1997, 2007), offered tax incentives, capital subsidies, and transport subsidies to attract private investment. Infrastructure development particularly in roads, railways, power, and telecommunications, both within the region and beyond under the Look East/Act East policy, became the central pillar of the development strategy. These investments contributed to the expansion of physical infrastructure, administrative capacity, and social services in the region.

Economically, the Northeast has experienced a gradual but discernible improvement in economic growth over the past two decades. Its share in India's Gross Domestic Product (GDP) more than doubled, rising from around 2.6 per cent in 2011–12 to nearly 6 per cent in 2024–25[4], reflecting broader structural and policy shifts aimed at unlocking regional potential. Assam, the largest economy within the region supported by

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2 Ibid.

3 Ibid.

4 Ishaan Gera, "Northeast's GDP share doubles in a decade, nears 6%", *Money Control*, 16 September 2025, https://www.moneycontrol.com/news/business/economy/northeast-s-gdp-share-doubles-in-a-decade-nears-6-13550363.html

agriculture, services, and improved industrial activity, has been a key driver of this expansion. Smaller states such as Tripura and Meghalaya have also registered significant growth, contributing to a more diversified regional economic base.[5] Public expenditure on infrastructure, especially roads, bridges, railways, and digital connectivity, has played a central role in stimulating economic activity and reducing isolation, even though private industrial investment remains limited.

As far as commerce is concerned, the Northeast saw an 85.34 per cent growth in the export of agricultural products in the last six years, it rose from US$ 2.52 million in 2016-17 to US$ 17.2 million in 2021-22.[6] These products were exported to the Middle East, far Eastern countries, European nations, and Australia, among others. Furthermore, greater connectivity is facilitating more people to people contact, with people from the Northeast travelling to the rest of the country and vice versa. This, in turn, is ensuring their greater exposure to other parts of the country, helping them shed their insular outlook. Similarly, improvements in education have ensured that qualified people of the region are choosing careers in civil and military services, sports, hospitability, etc. Many of them have emerged as role models not only for the people of the region but also for rest of the country.

Parallel to economic growth, fulfilment of basic minimum needs in the region in terms of essential services like water, sanitation, health, education, and other basic needs, has enabled the region to record impressive trends vis-à-vis Sustainable Development Goals (SDGs) have also recorded encouraging trends. The North Eastern Region District SDG Index 2023-24, provides a granular assessment of progress across 84 indicators aligned with the 17 SDGs. Significantly, 85 per cent of districts in the Northeast now fall under the 'Front Runner' category, indicating substantial improvements in areas such as poverty alleviation, education quality, clean water and sanitation, and

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5 Ibid.

6 "Government formulates strategy to promote NER as agri export hub", *Press Information Bureau*, Delhi, 12 July 2022, https://www.pib.gov.in/Pressreleaseshare.aspx?PRID=1840990&reg=3&lang=2

health outcomes.[7] All districts in Mizoram, Sikkim, and Tripura have been classified as 'Front Runners,' showcasing uniform development gains across the region. The progress documented in the SDG Index reveals how localised planning, community participation, and targeted interventions can accelerate sustainable outcomes, even in historically underserved areas.

Despite these gains, the developmental efforts failed to generate self-sustaining economic growth that policymakers had anticipated. The region remained dependent on central transfers, while private investment, industrialisation, and employment generation continued to lag behind national averages. This failure forced experts studying the problem to conclude that it is the geographical, historical, and structural realities of the region which is preventing the Northeast from achieving the desired economic well-being. Comprising eight states—Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, and Sikkim—the region is connected to the rest of India by a narrow corridor and shares extensive international borders with China, Myanmar, Bangladesh, Bhutan, and Nepal. This spatial configuration has rendered the Northeast strategic in terms of national security but peripheral as far as economic growth and market integration are concerned. Its rugged terrain, dense forests, and fragile ecology have raised the costs of infrastructure and industrialisation, while also reinforcing physical isolation between the region and the rest of India.

These geographical constraints were compounded by precolonial and colonial economic system. The pre-colonial economy of the Northeast was characterised by labour scarcity and a predominantly barter-based system, with limited integration into wider trade networks. Feudal institutions under Ahom rule constrained private property rights over cultivable land, weakening incentives for investment and innovation. The low degree of monetisation and the underdevelopment of markets further impeded economic specialisation and productivity growth.[8]

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7 *North Eastern Region District SDG Index Report 2023-24*, NITI Aayog & MDoNER, 2025, New Delhi, 2025, pp. 21-23.

8 Hiranya K Nath, "The Rise of an Enclave Economy", *SSRN Working Paper*, September 1997; revised March 1999, pp. 4-6.

With no big urban centres and absence of market-oriented activities, these centres could not grow into major business hubs.[9] These structural constraints were compounded by the region's challenging geography and sparse population, which together reinforced economic stagnation.

Colonial economic policies treated the Northeast primarily as a resource frontier rather than a space for balanced development. During the British rule, the region was integrated into global markets through tea plantations, oil extraction, timber, and export-oriented agriculture. Yet, the British employed labour and capital from outside the region to serve external markets, giving rise to enclave economies that were connected outward to imperial trade routes via Bengal rather than inward to local or regional markets.[10] Transport networks, such as railways and river ports, were designed to move commodities out, not to build internal economic linkages, while indigenous land systems and local production networks were displaced by plantation capitalism and commercial exploitation.[11]

Profits and wages accruing from the modern sector established by the British were predominantly remitted outside Assam, leading to a persistent outflow of surplus and limiting local capital formation. Indigenous entrepreneurship remained stunted, constrained by structural financial limitations and policy regimes that privileged external capital over local enterprise. As a result, the modern sector evolved as an isolated enclave, weakly linked to the traditional agrarian economy and indigenous production systems.[12] Despite significant investments, this pattern of enclave-led growth failed to generate wider economic spill-

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[9] Ibid, p. 7.

[10] Atul Sarma, "Economic Development of the Northeastern States in the Context of Globalisation", *Strategic Analysis*, Vol. 25, No. 2, 2001, at https://ciaotest.cc.columbia.edu/olj/sa/sa_may01saa01.html.

[11] For details on economy of the Northeast during colonial times see, Amalendu Guha, *Planter-Raj to Swaraj: Freedom Struggle and Electoral Politics in Assam, 1826-1947*, New Delhi, Tulika Books, 2019 (Fourth edition).

[12] Hiranya K Nath, "The Rise of an Enclave Economy", *SSRN Working Paper*, September 1997; revised March 1999, pp. 7-8.

overs, leaving the Northeast's economy largely underdeveloped and structurally dependent. These structural tendencies continued into the post-Independence period, entrenching the region's dependence on primary economic activities and its reliance on external markets for capital, technology, and demand.

The Northeast is also characterised by the preponderance of Scheduled Tribe (ST) population to the total state population. While the all India ST population according to the 2011 Census is 8.6 per cent, some states in the Northeast has very high ratio of ST population such as Mizoram (94.4), Nagaland (86.5) and Meghalaya (86.1).[13] Tribal societies have traditionally been organised around community-based resource use, subsistence agriculture, and customary institutions that emphasise social cohesion, ecological balance, and collective ownership of land. These features have provided cultural resilience and environmental sustainability but have also limited the scope for large-scale industrial development based on private property, capital accumulation, and labour mobility. Moreover, land and governance issues further complicate development efforts. Much of the Northeast is governed by constitutionally protected customary land tenure systems that prioritise community ownership and social cohesion, but at the same time impede land acquisition, valuation and transfer, discouraging private investment and delaying infrastructure projects.[14]

Security concerns and political instability have also shaped development trajectories in the region. Prolonged insurgencies, militarisation, and the application of exceptional laws have fostered an environment of uncertainty, deterring private capital and reinforcing a state-led

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13 *Scheduled Tribe Population in India*, Census 2011, https://www.census2011.co.in/scheduled-tribes.php

14 SIXTH SCHEDULE [Articles 244(2) and 275(1)] Provisions as to the Administration of Tribal Areas in [the States of Assam, Meghalaya, Tripura and Mizoram], *Constitution of India*, New Delhi, p. 281, 287, https://lddashboard.legislative.gov.in/sites/default/files/coi/COI_2024.pdf.

development model. Moreover, the region's strategic sensitivity has often meant that policy priorities are shaped more by security imperatives than by economic logic. Combined with difficult terrain and persistent connectivity gaps, these factors raise costs, limit economies of scale, and constrain the effectiveness of development initiatives.

Rationale of the Study

Literature on the development of the Northeast India has consistently highlighted the region's distinctive trajectory, shaped by historical legacies, structural constraints, and a persistent dependence on state-led intervention. Early historical and political economy studies emphasise the enduring impact of colonial rule, particularly the enclave nature of plantation capitalism and extractive resource use, which integrated the region into imperial markets while inhibiting the development of diversified local production systems.[15] Partition further exacerbated these vulnerabilities by severing traditional trade routes and isolating the Northeast from its economic hinterland—a disruption widely recognised as a foundational shock that conditioned postcolonial underdevelopment.[16]

Post-independence development planning literature situates the Northeast within India's broader framework of regional imbalance. Scholars analysing Five-Year Plans and constitutional provisions such as Article 275(1) argue that the Union government explicitly

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15 Amalendu Guha, *Planter-Raj to Swaraj: Freedom Struggle and Electoral Politics in Assam, 1826-1947*, New Delhi, Tulika Books, 2019 (Fourth edition). Hiranya K Nath, "The Rise of an Enclave Economy", *SSRN Working Paper*, September 1997; revised March 1999. Rana P. Behal, *One Hundred Years of Servitude: Political Economy of Tea Plantations in Colonial Assam*, New Delhi, Tulika, 2014. Ranajit Das Gupta, "From Peasants and Tribesmen to Plantation Workers: Colonial Captialism, Reproduction of Labour Power and Proletarianisation in North East India, 1850s to 1947", *Economic and Political Weekly*, Vol. 21, No. 4, January 25, 1986, pp. PE2-PE10.

16 *North Eastern Region Vision 2020*, Ministry of Development of North Eastern Region, Agartala, 2008; Jairam Ramesh, "Northeast India in a New Asia", *Seminar*, Vol. 550, 2005, https://www.india-seminar.com/2005/550/550%20jairam%20ramesh.htm

acknowledged the region's structural handicaps, including difficult terrain, sparse population, and weak revenue capacity. Fiscal transfers, Special Category Status, and preferential funding ratios are interpreted as compensatory mechanisms designed to offset these disadvantages.[17] However, critical assessments suggest that while these arrangements expanded public expenditure and improved basic social indicators, they also institutionalised a transfer-dependent growth model with limited incentives for productive diversification.[18]

A substantial body of literature interrogates the institutional architecture governing Northeast development. Studies of the North Eastern Council and the Ministry of Development of North Eastern Region point to their symbolic importance in recognising regional distinctiveness, but also underline persistent coordination failures, overlapping mandates, and limited planning authority.[19] These institutions, it is argued, have functioned more effectively as channels for fund allocation than as

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17 Govind Bhattacharjee, "Is the Special Category Status Really Dead?", *Economic and Political Weekly*, Vol. 53, Issue. 20, 19 May 2018, pp. 48-56; Govind Bhattacharjee, "Social Welfare through Centrally Sponsored Schemes", Indian Journal of Public Audit and Accountability, Vol. VIII (2), New Delhi, June 2014, p. Gulshan Sachdeva "Demystifying Northeast" *Dialogue*, Volume 7, No. 3, January - March, 2006, http://www.asthabharati.org/Dia_Jan06/Gul%20.htm; J. N. Sarma "Problems of Economic Development in Assam", *Economic and Political Weekly* , Vol. 1, No. 7, October 1966, pp. 281+283-286.

18 Anjan Chakrabarti, "Changing trajectories of economic growth and employment in Northeast India: An empirical assessment", in Virginius Xaxa, Debdulal Saha & Rajdeep Singha (eds.), *Employment and Labour Market in Northeast India: Interrogating Structural Changes*, Oxon, Routledge, 2019. Madhurjya Prasad Bezbaruah (ed.), *Identity Aspirations, Developmental Backlogs and Governance Issues in Northeast India*, Guwahati, Maliyata Offset Press, 2016.

19 Atul Sarma, "Economic Development of the Northeastern States in the Context of Globalisation", *Strategic Analysis*, Vol. 25, No. 2, 2001, at https://ciaotest.cc.columbia.edu/olj/sa/sa_may01saa01.html; Patricia Mukhim, "On re-invention path", *The Telegraph*, Shillong, 26 October 2004, https://www.telegraphindia.com/north-east/on-re-invention-path/cid/1551499; M. S. Prabhakar, "The North Eastern Council: Some Political Perspectives ", *Economic and Political Weekly*, Vol. 8, No. 40, October, 1973, pp. 1823+1825-1826. Narendra Bahadur Singh and Ankit, "The Role Of Zonal Council and the North Eastern Council In India's Federal Structure", *ShodhKosh: Journal of Visual and Performing Arts*, Vol. 5, No. 6, June 2024, pp. 2132–2141.

strategic regional planning bodies capable of addressing cross-state externalities or fostering integrated development. The proliferation of centrally sponsored schemes since the 1980s has further fragmented planning and diluted accountability, a concern echoed in governance and public finance analyses.

From the mid-1990s, literature reflects a shift towards infrastructure-led and connectivity-centric development, particularly under the Look East and later Act East Policy. Scholars acknowledge the strategic reimagining of the Northeast as India's gateway to Southeast Asia, with major investments in roads, railways, and multimodal corridors.[20] Yet empirical studies note that the economic dividends of these initiatives remain uneven, constrained by weak state capacity, delays in implementation, and limited cross-border cooperation with Bangladesh and Myanmar. As a result, improved physical connectivity has not consistently translated into market integration or industrial growth.[21]

More recent scholarship adopts a structural and political economy lens to explain these outcomes. Land tenure studies highlight how constitutionally protected customary systems, unclear property rights, and fragmented authority constrain land markets and capital formation.[22] Labour market analyses point to small, dispersed

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20 Jairam Ramesh, "Northeast India in a New Asia", *Seminar*, Vol. 550, 2005, https://www.india-seminar.com/2005/550/550%20jairam%20ramesh.htm; Prabir De, *Act East to Act Indo-Pacific: India's Expanding Neighbourhood*, New Delhi, Knowledge World, 2020. ; N. Ram, "India's "Look East" Policy—A Perspective", in K V Kesavan, *Building A Global Partnership, Fifty Years of Indo-Japanese Relations*, Lancer Books, New Delhi, 2002.

21 Atul Sharma and Saswati Choudhury (eds.), *Mainstreaming the Northeast in India's Look and Act East Policy*, Palgrave Macmillan, Singapore, 2018. Rubul Patgiri and Obja Borah Hazarika, "Locating Northeast in India's Neighbourhood Policy: Transnational Solutions to the Problems of a Periphery", *India Quarterly*, Vol. 72, No. 3, 2016, pp. 235-249.

populations, skill deficits, and preferences for public employment as barriers to private sector expansion.[23] Complementing this, research on entrepreneurship and finance underscores how limited collateral, low savings, and risk-averse social structures inhibit enterprise formation.[24]

Overall, the literature converges on the view that Northeast India's developmental challenges arise not from a lack of policy attention or public spending, but from mutually reinforcing structural constraints embedded in historical legacies, institutional arrangements, and fragmented markets. This body of work provides the analytical foundation for examining why successive policy innovations have produced only partial and fragile gains, and why future development strategies must move beyond fiscal accommodation towards

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22 B.P. Maithani, "Changing Land Relations and Poverty in the Eastern Himalayas", in Mahesh Banskota, Trilok S. Papola and Jiirgen Richter (eds.), *Growth, Poverty Alleviation and Sustainable Resource Management in the Mountain Areas of South Asia*, International Centre for Integrated Mountain Development, Kathmandu, 2000, pp. 433-443; Deepak K Mishra, "Development, Governance And Identity: 'Tribal Development' In North-East India", in H. Lasa, S.C. Nayak, & N. Thupten (Eds.), *Tribal Area Development and Northeast India,* New Delhi, Adhyayan. 2013, pp.1-9; Surendra Nath Tripathi, et al., *Evaluation Study On The Quality Of Land Records In Northeast India*, Indian Institute Of Public Administration, New Delhi, 2024,

23 Virginius Xaxa, Debdulal Saha & Rajdeep Singha (Eds.), Employment and Labour Market in Northeast India: Interrogating Structural Changes, Routledge, Oxon, 2019; Anupam Sarkar, "Vocational Training and Education in North-East India: Access and Labour Market Outcomes", *Social Change and Development*, Vol. XVII, No. 2, 2020, pp. 54-77; Reema Sarkar and Jogeswar Barman, "Skill Development: Problems and Prospects in North-East India", *International Education & Research Journal*, Volume, 9, No. 5, May 2023, pp. 29-31.

24 Keya Sengupta, "Cultural Issues related to Entrepreneurial development in the Northeast", in B. Datta Ray and P. Baishya (eds.), *Sociological Constraints to Industrial Development in North East India*, Concept Publishing Company, New Delhi, 1998; S. K. Nanda, "Socio-Cultural Factors in Entrepreneurial Development in the Northeast: Some Reflections", in J. U. Ahmed (ed.), *Development Vision of Northeast India*, Concept Publications, New Delhi, 2010, pp. 75-99.

institutional strengthening and endogenous social and economic transformation.

Outline of the Monograph

This Monograph analyses the development experience of the Northeast since Independence. It argues that the lack of economic growth of the region is not because of inadequate policy attention or insufficient public expenditure, but because of a structurally constrained and path-dependent development trajectory. It seeks to explain why sustained fiscal accommodation, repeated institutional innovations, and successive waves of region-specific policy interventions have failed to generate self-sustaining and diversified growth, despite the region's strategic importance, rich resource endowment, and long-standing prioritisation within India's development framework.

The Monograph focuses on three interrelated dimensions. First, it examines the historical foundations of underdevelopment, tracing how colonial extraction, Partition-induced isolation, and early postcolonial planning choices shaped a development model heavily reliant on funds transfers from the Union government. By analysing the evolution of fiscal federal arrangements, particularly Article 275(1), Special Category Status, and Finance Commission transfers, the paper highlights how these mechanisms simultaneously enabled administrative viability and entrenched long-term dependence, limiting incentives and capacity for endogenous growth.

Second, the Monograph analyses the institutional architecture governing development in the Northeast. It critically evaluates the role of key institutions and programmes, including the North Eastern Council, the Ministry of Development of North Eastern Region, centrally sponsored schemes, and infrastructure-led initiatives under the Look East and Act East Policies. Rather than assessing these interventions in isolation, the paper interrogates their cumulative impact, emphasising how fragmented mandates, weak coordination, and limited state capacity have constrained their effectiveness and reduced them to fund-dispersal mechanisms rather than engines of regional transformation.

Third, the Monograph investigates the deeper structural constraints that continue to shape economic outcomes in the Northeast. It adopts a political economy perspective to examine how land tenure regimes, labour market characteristics, capital scarcity, and weak entrepreneurial ecosystems interact to inhibit productive diversification and industrialisation. By demonstrating the mutually reinforcing nature of these constraints, the paper explains why improvements in infrastructure and social indicators have not translated into sustained economic dynamism. It also situates these internal constraints within a broader regional context, assessing how limited cross-border cooperation with neighbouring countries undermines the strategic objectives of the Act East Policy. The Monograph concludes by providing few recommendations that would serve as remedies to some of the problems that hinder the overall development of the Northeast region.

Chapter I

Northeast's Developmental Trajectory: Constitutional and Administrative Initiatives since Independence

As a border province with a substantial tribal population, undivided Assam entered the postcolonial era burdened by a legacy of colonial exploitation and prolonged infrastructural neglect, rendering it socio-economically backward relative to many other regions of India. This historical inheritance ensured that both the emotional integration and economic development of Assam emerged as recurring concerns for successive governments in New Delhi. Significantly, the Constituent Assembly of India devoted sustained attention to Assam's condition during its deliberations between 1946 and 1949. Several members, most notably Gopinath Bordoloi, argued that Assam's backwardness did not arise from local incapacity or administrative failure but from structural neglect and inequitable fiscal extraction under colonial rule.

Bordoloi illustrated this argument by drawing attention to the Meston Award of 1919, under which Assam was required to contribute ₹15 lakh annually to the central exchequer while receiving negligible public investment in return, particularly in education, healthcare, and social services.[1] Within a decade, this arrangement severely strained the

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[1] Gopinath Bardoloi's submission on 05 Aug 1949 while debating on Article 250 of the Draft Constitution. *Constituent Assembly Debates*, Volume 9, 09 Sep, 1949, https://www.constitutionofindia.net/debates/05-aug-1949/#110749

province's finances, significantly eroding its capacity to invest in human development and physical infrastructure. Reinforcing this position, British India's Prime Minister of Assam Syed Muhammad Saadulla noted that Sir Alexander Muddiman had acknowledged Assam's fiscal incapacity and consequently revised the arrangement in 1927 to partially relieve the province of its central obligations.[2] He further pointed out that the Percy Committee similarly recognised Assam's grievances and recommended more equitable fiscal treatment. Yet, these interventions failed to address the deeper structural inequities embedded in colonial fiscal policy.

Even the Niemeyer Award of 1936, which provided Assam with a subvention of ₹30 lakh, offered only limited relief and proved inadequate to meet the province's growing requirements for welfare provisioning, education, and social infrastructure. As a result, Assam continued to lag behind national averages in literacy, healthcare access, and broader human development indicators. This neglect was not incidental but systemic, reflecting the priorities of the colonial state. As Bordoloi incisively observed, "It was a planters' raj. It cannot be the object of an alien Government to educate the people, and when things could run so smoothly possibly without education and other social service to pay, they thought that things would go on like that."[3] His statement captures the extractive logic of colonial governance in Assam, where economic arrangements were structured to serve imperial interests while social development was consciously deprioritised. This entrenched fiscal marginalisation left the province structurally ill-prepared to confront the economic and social challenges of Independence.

Thus, despite being endowed with significant natural resources such as oil, tea, coal, and forest wealth, Assam remained economically underdeveloped under colonial rule. The fundamentally extractive

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[2] Syed Muhammad Saadulla's submission on Article 255 of the Draft Constitution. *Constituent Assembly Debates*, Volume 9, 8 August 1949, at https://www.constitutionofindia.net/debates/08-aug-1949/

[3] Gopinath Bardoloi's submission on 05 Aug 1949, n. 1.

character of British economic policies ensured that the gains from these resource-based industries accrued overwhelmingly to European firms, while the indigenous population derived few developmental benefits. Colonial investments in transport infrastructure were similarly shaped by extractive priorities. Railways, roads, and riverine routes were designed primarily to link tea plantations, coalfields, and oil installations directly to ports for export, rather than to integrate local markets or connect towns and villages within the province.[4] Consequently, the infrastructure that emerged was externally oriented and contributed little to internal economic integration or diversification.

These structural weaknesses were further exacerbated by the Partition of India in 1947, which severed Assam's traditional access to the Indian mainland through East Bengal, abruptly disrupting established trade routes and lines of communication. Reduced to tenuous and circuitous connectivity, and burdened by a legacy of colonial exploitation, Assam entered Independence with severe structural handicaps that entrenched its economic isolation and constrained the pace of modernisation and development.

At the time of Independence, Assam's economy was overwhelmingly agrarian, with nearly 95 per cent of its population dependent on agriculture. Yet this sector was marked by low productivity, extreme vulnerability to recurrent floods, and an acute lack of technological modernisation. Agricultural production remained largely subsistence-oriented, generating little surplus for reinvestment and industrial growth. The fragility of the economic base was starkly reflected in the provincial finances: the budget for 1947–48 recorded a deficit of approximately one crore rupees.[5]

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4 P.C. Goswami, *The Economic Development of Assam*, Asia Publishing House, Bombay, 1963, pp.178-198.

5 J. J. M. Nichols-Roy's submission on Article 254. 8 August 1949, *Constituent Assembly Debates*, Volume 9, 8 August, 1949, https://www.constitutionofindia.net/debates/08-aug-1949/ https://ignca.gov.in/Asi_data/7589.pdf.

Consequently, on the eve of Independence, Assam stood as an underdeveloped province lacking both the fiscal capacity and the institutional infrastructure necessary to initiate meaningful development. This stark reality prompted repeated demands for special financial assistance from the Union government in the postcolonial period, particularly for investment in transport, industrial development, education, and healthcare—sectors widely recognised as critical for overcoming Assam's inherited structural backwardness and narrowing the development gap.

Constitutional Provisions: Article 275 (1)

Recognising the disadvantageous position of Assam and the need to provide it with additional financial assistance, the drafters of the Constitution had introduced Article 255 in the Draft Constitution. This Article provided for a grant-in-aid to Assam to cover excess expenditure over revenues in the administration of tribal areas for the three years (amended as two years) immediately before the commencement of the Constitution. It also authorised grants for developmental schemes in tribal areas approved by the Government of India.[6]

During the Constituent Assembly debates on 9 September 1949 on grants-in-aid to provinces, it was argued that underdeveloped provinces such as Assam lacked the fiscal capacity to provide for the welfare of their backward populations and therefore required special financial assistance to 'raise the basic standard of expenditure'[7] in order to improve public health, education, and living standards. Members from Assam further emphasised the paradox of the province's fiscal position: despite its economic backwardness, Assam contributed substantially to Union revenues—estimated at around ₹12 crore annually—through royalties and export duties on tea, jute, and oil, its principal resource

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6 *Article 255 of the Draft Constitution of India*, 21 February 1948, New Delhi, p. 118-119, https://ignca.gov.in/Asi_data/7589.pdf

7 Biswanath Das while debating on Article 255 of the Draft Constitution, *Constituent Assembly Debates*, Volume 9, 9 September, 1949, https://www.constitutionofindia.net/debates/09-aug-1949/.

bases. In view of this contribution, they contended that Assam merited a correspondingly greater share of financial assistance from the Union government to meet its development needs, and that such assistance should be made obligatory rather than discretionary.[8]

In this context, Nichols Roy proposed a key amendment to Article 255, seeking to replace the term 'revenues of India' with 'Consolidated Fund of India' wherever it appeared, and to empower the President to prescribe a specified quantum of financial assistance to states in need. These amendments were accepted by the Constituent Assembly and subsequently incorporated as Article 275(1) of the Constitution of India.

With specific reference to Assam, the second proviso to Article 275 mandates the payment of a grant-in-aid equivalent to the average excess of expenditure over the state's revenues during the two years immediately preceding the commencement of the Constitution, insofar as such expenditure relates to the administration of tribal areas listed in Part A of the table under paragraph 20 of the Sixth Schedule. The provision also authorises grants for development schemes undertaken by the state with the approval of the Union government, with the explicit objective of bringing the administration of these tribal areas to a level comparable with other parts of the state.

The Partition of India in 1947 fundamentally disrupted Assam's physical connectivity with the rest of the country, constraining both administrative integration and economic activity. Consequently, the re-establishment of transport and communication links was accorded the highest priority in the state's early post-Independence reconstruction efforts. Alongside this, policy attention also turned towards strengthening the province's social and educational foundations. Rural welfare assumed particular significance, reflected in initiatives such as the *Village Upliftment Programme*, which sought to improve living standards and address basic developmental deficits in the countryside.

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8 Rohini Kumar Chaudhuri's submission on Article 255 of the Draft Constitution. *Constituent Assembly Debates*, Volume 9, 9 September, 1949, https://www.constitutionofindia.net/debates/09-aug-1949/.

In parallel, the promotion of higher education was viewed as essential for building local human capital and reducing Assam's dependence on the rest of India for trained professionals. This vision found concrete expression in the establishment of a university as well as medical and agricultural colleges, institutions that would later play a critical role in meeting the state's human resource requirements. However, during the initial years, the scale of development spending remained limited. Between 1946–47 and 1949–50, Assam's total developmental expenditure amounted to less than ₹576 lakh, of which as much as 84 per cent was financed through grants-in-aid from the Union government.[9] A substantial share of this expenditure was directed towards civil works—roads, bridges, and public buildings—reflecting the immediate necessity of reconstructing physical infrastructure to restore connectivity and enable longer-term economic development.

The Five-Year Plans:

Assam's journey from colonial legacies and Partition-induced disruptions towards balanced economic development began with the launch of India's Five-Year Plans. In line with the national planning framework, and under the guidance of the Planning Commission of India, Assam prepared its first Five-Year Development Plan (1951-56) in 1950 with a proposed outlay of ₹31.5 crore. However, due to financial constraints, this outlay was revised to ₹21.7 crore in 1953.[10] The main focus of the Plan was agricultural development, rehabilitation of refugees, and infrastructure building.

Being primarily an agrarian economy, Assam received targeted investments in irrigation, flood control, and rural development to stabilise and modernise its agriculture, which was frequently disrupted by annual floods. The projects included under the Plan were: protection of Dibrugarh town from erosion and flooding caused by the River Brahmaputra; construction of buildings for a Medical College and the

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9 P.C. Goswami, *The Economic Development of Assam*, n. 4, p. 211-212.

10 *Review of The First Five Year Plan*, Government of India, New Delhi, 1957, p. 340. P.C. Goswami, *The Economic Development of Assam*, n. 4, p. 213.

Reid Chest Hospital, improving health infrastructure in the state; partial implementation of rural development schemes; and welfare schemes for tribal communities.[11]

A separate developmental plan amounting to ₹4.2 crore for the North East Frontier Agency (NEFA), which was part of Assam but was centrally administered, was also prepared.[12] Assam also received ₹1 crore as grant-in-aid from the Union government, a jump from earlier amount of ₹30 lakh.[13] In addition, Assam also received ₹75 lakh per year starting from 1952 as a grant-in-aid under Article 273. Article 273 provided for financial compensation in lieu of Assam's share of export duty on jute and jute products.[14] The compensation received instead of export duties on jute was a temporary arrangement; Assam stopped getting any funds under this category from 1960 onwards.

Manipur and Tripura, which formed Part C states and were centrally administered by the Chief Commissioner, also received central assistance from the Union government. The total outlay for Manipur in the First Five-Year Plan was a meagre ₹1 crore, and that of Tripura was ₹1.61 crore.[15] Development of road transportation networks was given priority for both the provinces, with more than half of the allocated funds spent on this sector. This was followed by the development of social services, with Tripura focusing on education and Manipur spending comparatively more on public health.[16]

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11 P.C. Goswami, *The Economic Development of Assam*, ibid.

12 Ibid.

13 "Chapter VIII: Grants-in- aids in lieu of jute export duty", *1st Finance Commission Report, Government of India*, New Delhi, 1952, p. 89.

14 "Chapter VI: Grants-in- Aids to States", *1st Finance Commission Report*, Government of India, New Delhi, 1952, p. 89. Since Article 273 was a temporary provision in the Constitution of India, it ceased to exist 10 years after the Constitution was promulgated, i.e. 26 January, 1960.

15 *Review of the First Five Year Plan*, Government of India, New Delhi, 1957, p. 341.

16 Ibid.

Thus, the Northeast's first development plan was modest in scope but significant in its objective to address the immediate challenges of a vulnerable agrarian economy, while also investing in health, welfare, and infrastructure to lay the foundation for long-term economic growth. However, the implementation of the schemes proceeded excruciatingly slowly. Two main constraints were primarily responsible for this. First, there were delays in the release of sanctioned funds by the Union government, which had significant adverse impact on the execution of the schemes. This was particularly critical because as much as 60 per cent of the expenditure under the state Plan, and almost the entire expenditure of the Manipur, Tripura and the NEFA Plans, was financed by the Union government. Any disruption in the flow of central funds, therefore, paralysed the progress of projects on the ground. Second, the state administrative machinery was ill-prepared to cope with the scale of developmental work entrusted to it. Having inherited a weak institutional base from the colonial regime, Assam lacked adequately trained personnel, technical expertise and organisational capacity to plan and implement schemes efficiently. As a result, even where funds were available, execution lagged and outcomes fell short of expectations.

Be that as it may, the developmental horizon of Assam was expanded in the Second Five-Year Plan (1956–61) with a larger outlay of ₹67 crore[17], of which nearly two-thirds came from central assistance. Assam also received close to ₹10 crore for the development of NEFA. While this marked a significant increase in resources compared to the earlier Plan, the pattern of investment failed to address the state's underlying structural vulnerabilities. Nationally, the Second Five-Year Plan marked a dramatic shift toward rapid industrialisation, especially towards heavy and basic industries, with almost half the pan-Indian allocation was devoted to industry, minerals, transport and communication. However, in Assam, only about 22 per cent of the total allocations were directed towards industries and transport,[18] sectors that were crucial for generating sustainable economic growth and transforming the state into a modern monetary economy.

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17 P.C. Goswami, *the Economic Development of Assam*, n. 4, p. 218.

18 Ibid.

In contrast, agriculture and social services absorbed the largest share of funds, with health, education and welfare of backward classes alone consuming nearly two-thirds of the Plan budget. Although these investments improved social infrastructure, the neglect of transportation networks and industrial development contributed to poor connectivity, low private sector participation, and sluggish entrepreneurship growth, further exacerbating regional disparities. Furthermore, much of the central assistance was tied to pre-determined schemes, which restricted the flexibility of the state government to design policies suited to its unique developmental needs. As a result, the Second Five-Year Plan, despite expanded outlays, fell short of transforming Assam's economy in a manner that could sustain high levels of growth and reduce its structural backwardness.

The Third Five-Year Plan (1961–66) marked a further rise in developmental outlay to ₹127 crore, again largely sustained through central transfers. Agriculture, irrigation and flood control continued to dominate the agenda, reflecting the persistent vulnerability of Assam's agrarian economy. At the same time, the establishment of the Noonmati oil refinery in 1962 and the expansion of the Digboi refinery represented a visible step towards industrialisation, though these ventures were controlled by central public sector undertakings. Meanwhile, to address the increasing political discontentment in the Naga Hills District where insurgency was raging, New Delhi signed a 16 point agreement with the Naga People's Convention (NPC) in 1960. The Agreement, *inter alia*, stipulated that for supplementing the revenues of the proposed state of Nagaland and to pay for its administrative costs, the Government of India would provide finances through the Consolidated Funds of India and the grant-in-aid mechanism, respectively.[19] Eventually, the Naga Hill District was carved out of Assam as a separate state of Nagaland in 1963.

[19] Paragraph 11, *The 16 Point Agreement between the Government of India and the Naga People's Convention*, 26 July 1960, at https://peacemaker.un.org/sites/default/files/document/files/2024/05/in600726the20sixteen20point20agreement0.pdf.

As the Third Five-Year Plan was underway, India faced several unfortunate incidents that severely strained the country's finances and adversely impacted its economy. The wars with China and Pakistan in 1962 and 1965, respectively, caused a significant drop in the Gross Domestic Product (GDP). The foreign exchange reserves fell, while inflation skyrocketed. To make matters worse, the droughts in 1965-67 resulted in a drastic reduction in food grains production, causing substantial food shortage in the country.[20] Given the dire situation of the economy, the Third Five-Year Plan fell way short of achieving its economic goals.

Taken together, the experience of the first three Five-Year Plans reveals a paradox as far as the development of the Northeast is concerned. On the one hand, central financial assistance became indispensable for Assam's economic development. It financed the bulk of the state's developmental outlay, enabled the establishment of key infrastructural and educational institutions, and laid the foundations for industrial activity in oil and power. On the other hand, the assistance was limited in scale, uneven in flow, and centrally determined in its priorities. Assam's developmental trajectory during this period thus remained constrained by three interlinked problems: an inadequacy of funds relative to its needs, delays and rigidities in the release of central allocations, and the limited capacity of the state's administrative apparatus to absorb and implement assistance effectively.

The outcome of this paradox was a growing perception of neglect among the people of the region. This was because there was an understanding among the local people that while the region contributed significantly to the Union through royalties and duties, it remained heavily dependent on central assistance for even modest development. This sense of disparity fuelled widespread political discontent during the 1960s, giving rise to insurgencies and ultimately leading to the political reorganisation of the entire Northeast. The creation of Nagaland as a

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[20] P. R. Dubhashi, "Drought and Development", *Economic and Political Weekly*, Vol. 27, Issue. 13, Mar. 28, 1992, pp. A-28-A-29. Also see, Paul R. Brass, "The Political Uses of Crisis: The Bihar Famine of 1966-1967", *The Journal of Asian Studies*, Vol. 45, Issue. 2 (Feb., 1986), pp. 245-267.

state in 1963 set a precedent, opening the floodgates for demands for separate statehood by various tribal groups. By 1972, Manipur and Tripura, hitherto administered as union territories, were granted full statehood. Meghalaya, Mizoram, and Arunachal Pradesh were carved out of Assam and inaugurated as separate state and union territories, marking a major transformation in the political landscape of the region.

Special Category Status

The understanding that the Northeast would continue to require additional support from the Union government to safeguard the socio-economic and cultural interests of its indigenous communities endured in the policy outlook of New Delhi. So the Fifth Finance Commission, in its Report in 1969 on grants-in-aid under Article 275(1), reasoned that states with special features such as strategic location along international borders, a large proportion of Scheduled Tribe (ST) population, sparse population density, and socio-economically underdeveloped because of historical disadvantages, would necessarily face higher expenditure obligations compared to other states.[21]

Explaining the rationale behind formulating these criteria, the Report observed that although the Union government provided special assistance for the security and development of the border areas, the state governments concerned were also compelled to incur additional expenditure on guarding the borders against infiltration and sabotage, as well as on assisting the border populations in their day to day activities. In states with a predominance of tribal population where non-monetised tribal economy exists, the capacity of the state to mobilise internal revenues through taxation is highly constrained. Likewise, sparsely populated and socio-economically backward states bore disproportionately higher per capita costs in maintaining a minimum level of administrative and social services, such as education.[22] Put differently, the states that possessed a weak resource base and limited

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21 "Chapter 6: Grant in Aid under Article 275 of the Constitution", *Report of the Fifth Finance Commission*, New Delhi, Government of India, 1969, p. 57-58.

22 Ibid.

capacity for resource mobilisation, require preferential treatment through higher levels of central assistance for their overall socio-economic development.[23]

Therefore, the Fifth Finance Commission recommended much higher amounts of transfers to Assam, Jammu and Kashmir and Nagaland. It stated:

> We wish to indicate that we have, in assessing the revenue receipts and expenditure of the states and applying the principles and general conditions explained in the preceding paragraphs, particularly kept in view the special problems of the states of Assam, Jammu and Kashmir and Nagaland. We have tried to treat their needs and requirements with as much care and consideration as possible. The grants which we are recommending for these States are of similar size or have similar resources. We hope that these three states also will, on their part, make efforts to increase their resources and exercise better fiscal management and proper economy consistent with efficiency and take steps to improve the returns on their investments so that their financial position may steadily improve, and in course of time they may be enabled to have more adequate revenues to their social and administrative services.[24]

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[23] States receive central financial resources mainly from two institutions – the Finance Commission and the Planning Commission. The Finance Commission established under Article 280 of the Constitution, transfers funds through devolution of taxes (Article 270) and grants (Article 275). The transfer is guided by three principles: ensuring equalisation, equity and efficiency. Devolution of taxes are meant to reduce both vertical and horizontal inequalities between Centre and states and between states. Grant in aid are provided to the states for bridging their non-plan revenue deficits, for local bodies, disaster relief and providing social services. The Planning Commission, established through an official resolution (Resolution No. I.P(C)/50 in March 1950, allocated funds for the development plans of the states. In addition, union ministries can also give grants for implementation of plan as well as non-plan schemes.

[24] "Section 6.46, Chapter 6: Grant in Aid under Article 275 of the Constitution", *Report of the Fifth Finance Commission*, New Delhi, Government of India, 1969, p. 64.

The Planning Commission soon followed suit. At the start of the Fourth Five-Year Plan, the Planning Commission laid down that states displaying certain characteristics would "demand special considerations" and therefore should be granted 'Special Category Status' (SCS). These characteristics include: (1) hilly and difficult terrain, (2) low population density and/or sizable share of tribal population, (3) strategic location along borders with neighbouring countries, (4) economic and infrastructural backwardness, and (5) non-viable nature of state finances.[25] Accordingly, on the recommendation of the Planning Commission, the National Development Council (NDC) in 1969 conferred the Special Category Status to Assam and the newly created state of Nagaland, apart from Jammu and Kashmir.[26]

Thus, in the Fourth Five-Year Plan (1969–74), it was stipulated that the requirements of SCS states amounting to 30 per cent of the total pool of central assistance would be met first.[27] The balance 70 per cent of the amount would be then distributed among other states according to fixed criteria (a.k.a. the Gadgil formula) such as population (60 per cent); per capita income below the national average (10 per cent); tax effort (10 per cent), and commitments to major continuing projects in irrigation and power (10 per cent). Consequently, Assam received an outlay of ₹261.75 crore, of which ₹220 crore (84 per cent) came from central assistance and ₹41.75 crore (16 per cent) from state resources. Similarly,

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25 Note submitted by the adviser, Financial Resource Division, Planning Commission dated 16-11 2006 to the member (AS) and Deputy Chairman of the Commission. As quoted in Govind Bhattacharjee, "The Reality of Special Category States", *Economic and Political Weekly*, Vol. 49, Issue. 40, 4 October, 2014, p. 56.

26 Three states were given the 'special category status'- Jammu and Kashmir, Assam and Nagaland.

27 *Fourth Five Year Plan, 1969-74*, Planning Commission, New Delhi, 1969, pp. 54-55.

28 Ibid, p. 67.

Nagaland obtained an outlay of ₹40 crore, with central assistance amounting to ₹35 crore (85 per cent).[28]

In addition to enhanced Plan assistance by the Planning Commission, the SCS states also received substantial grants from the Finance Commission. Of the total Finance Commission grants of ₹637.85 crore for the entire five years (1969-74), Assam was allotted ₹101.97 crore and Nagaland ₹72.62 crore. These states were accorded fiscal concessions in excise duties, customs duties, income tax, and corporate tax by the Finance Commission. In addition, these states received certain subsidies, which include capital investment subsidies, transport subsidies, and subsidies with respect to interest, insurance, and so on.[29] These concessions and tax relaxations were granted to attract industrialists to set up manufacturing units in the region. Interest on loans taken by SCS states was also kept low, deferred, or waived, and provision was made for the amortisation of loans obtained either from the Union government under Article 275(1) grants or through market borrowings.

Over time, as new states in the Northeast were created, SCS was gradually extended to them, viz. Manipur, Meghalaya, and Tripura in 1972; Sikkim in 1975; and Mizoram and Arunachal Pradesh in 1987. The rationale for extending SCS to these states was quite evident. Being relatively small in both geographical size and population, they were inherently disadvantaged in securing central assistance under the Gadgil formula, which assigned significant weight to a state's total population. Consequently, larger states automatically received a greater share of central resources, while the smaller and less populous states—despite facing severe structural and developmental challenges—faced the challenge of limited fiscal support.

The receipt of substantial financial assistance from the Union government led to a temporary 'growth spurt' in several of these SCS

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[29] Govind Bhattacharjee, "Is the Special Category Status Really Dead?", *Economic and Political Weekly*, Vol. 53, Issue. 20, 19 May 2018, p. 25.

[30] Madhurjya Prasad Bezbaruah (ed.), *Identity Aspirations, Developmental Backlogs and Governance Issues in Northeast India*, Guwahati, Maliyata Offset Press, 2016, p. 9.

states in the Northeast. By the mid-1980s, states such as Arunachal Pradesh, Mizoram and Nagaland even recorded per capita income levels above the national average.[30] This growth, however, was not driven by large-scale industrialisation or other sustainable economic activities; rather, it was primarily driven by the expansion of 'public administration' and 'construction'. The creation of new states necessitated the establishment of new administrative centres, including state capitals and district headquarters, which in turn required extensive construction of office complexes, residential quarters, schools, roads, markets, and so on. These administrative hubs also required employing a large number of officers and staff to provide administrative as well as social services.

This pattern of central assistance to the SCS states, as envisaged by the NDC in 1969, continued till the Seventh Five-Year Plan, i.e. till 1990. In 1991, the Gadgil formula for central assistance to the states was revised, introducing a weighted combination of criteria.[31] A significant provision of the revised formula was that the needs of these SCS states were given priority over the needs of the other states by the Planning Commission. Both in respect to Plan as well as Non-Plan grants, they received much higher amounts compared to other states. The balance assistance was allocated to the general category states according to four well-defined criteria, each with assigned weightages, reflecting a calibrated attempt to balance equity with efficiency in inter-state resource transfer.[32]

An equally significant aspect was the favourable terms on which these funds were provided. Unlike the general category states, where a larger component of assistance was in the form of loans, SCS states received 90 per cent of their allocation as outright grants and only 10 per cent as interest-free loans. Here, it is important to mention that Assam (as a whole state) received the liberalised 90:10 funding ratio only from April

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31 Formula named after Dr Gadgil and Shri Pranab Mukherjee, the then Deputy Chairman of the Planning Commission.

32 The criteria were: (i) Population (1971): 60%; (ii) Per Capita Income: 25%; (iii) Fiscal and Financial Performance: 7.5%; (iv) Special problems of the states: 7.5 %.

1990. Before that, the 90:10 funding arrangement was applied only to the hill areas of Assam, as it was understood that the rest of the state, which was predominantly inhabited by non-tribal population had stronger revenue system. Furthermore, the SCS states are allowed to spend 20 per cent of the central assistance for Non-Plan expenditure as well.

As far as the Plan grants by the Union government to the states as part of their annual and Five Year Plans is concerned, it can be broadly classified into four categories[33] : (a) normal central assistance (NCA), comprising untied assistance for the annual plans of states, based on the Gadgil-Mukherjee formula; (b) additional central assistance for specific-purpose schemes and transfers; (c) special central assistance, comprising untied assistance for the north-eastern and certain hilly states; and (d) special Plan assistance. In addition, there are central Plan schemes and centrally sponsored schemes, which are conditional upon the implementation of specified schemes and programmes.[34] The non-Plan grants constitute a very small part of 'other transfers' by the Union government.

The pattern of allocations under the Gadgil formula revealed a steady increase in the share of SCS states in NCA between the Fourth and the Ninth Five-Year Plans. For instance, during the Fourth Plan, SCS states received ₹161 crore, which accounted for 8.97 per cent of the total NCA. By the Seventh Plan, this had risen significantly to ₹9,625 crore (24.85 per cent), and further to ₹60,453 crore (48.29 per cent) in the Ninth Plan. During the Tenth Plan period (2002-07), these states received per capita central assistance of ₹2,403.85 crore compared to all-India average of only ₹683.94 crore, which was 9.65% of their Gross State

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33 Govind Bhattacharjee, "Social Welfare through Centrally Sponsored Schemes", *Indian Journal of Public Audit and Accountability*, Vol. VIII (2), New Delhi, June 2014, p. 48-49.

34 *Report of the 14th Finance Commission*, Government of India, New Delhi, 5 December, 2014, p. 158

35 Govind Bhattacharjee, "The Reality of Special Category States", n. 25, p. 55.

Domestic Product (GSDP) compared to only 1.94% for the non-special category states in 2007.[35]

In the Tenth and Eleventh Five-Year Plans, although the absolute volume of transfers continued to expand, their proportion of the total NCA witnessed a relative decline to 42.37 per cent and 36.44 per cent, respectively.[36] The shrinkage of the funds under NCA was because of the proliferation of CSSs and the allocation of increasing volumes of resources under these schemes. Furthermore, while SCS states had increased from three in 1969 to 11 in 2001, there was no proportionate increase in the resources. As a result, the share of individual states within the category for the allocated funds declined.[37]

Interestingly, the Planning Commission, which had originally recommended the conferment of SCS on the north-eastern states, was dissolved in August 2014 and replaced by the NITI Aayog. With this institutional change, the SCS label, which earlier ensured preferential treatment in terms of financial transfers, was officially discontinued. However, despite the withdrawal of the nomenclature, the 90:10 funding pattern (Union government funding 90 per cent and states funding 10 per cent) for centrally sponsored schemes was retained for the eight north-eastern states. This continuation reflected recognition of their structural vulnerabilities, including geographical isolation, difficult terrain, and limited fiscal capacity. The Fourteenth Finance Commission, in its Report submitted in December 2014, provided the rationale for maintaining this special dispensation. It argued that:

> The North-eastern and hill States have several unique features that have a bearing on federal fiscal relations. These States are characterised by: (a) low level of economic activity and the consequential low revenue capacity; (b) the disability arising from large forest cover and hilly terrain; (c) remoteness; (d)

36 Govind Bhattacharjee, "Is the Special Category Status Really Dead?", n. 29, p. 27.

37 Govind Bhattacharjee, "The Reality of Special Category States", n. 25, p. 53.

> infrastructure deficit; (e) international borders and the law and order problems due to persistent insurgency; (f) high level of expenditures on public administration and police, relative to the overall gross state domestic product (GSDP) of the States and the large proportion of government employment in total employment. Most of these States are largely dependent on the resource flows from the Union Government, both for balancing their revenue account and for capital investment. There is, in addition, currently a special dispensation for flow of Plan grants to them.[38]

The Finance Commission recommended the creation of a 'new institutional arrangement' with a specific focus on these states, particularly to facilitate targeted investments in social and economic infrastructure. In other words, the Commission proposed the continuation of higher grants and lower cost sharing for the Union government and centrally sponsored projects. The Commission also sanctioned special grants for meeting specific challenges of these states. Accordingly, the Sub-Group of Chief Ministers on Rationalization of Centrally Sponsored Schemes recommended that the CSS be divided into core and optional schemes. The funding pattern for core schemes for the eight north-eastern states and three hilly states should be 90:10 (Centre: State). For optional schemes the funding pattern should be 80: 20 (Centre: State).[39]

The Fifteenth Finance Commission allocated 10.5 per cent of the devolved taxes to the eight north-eastern states along with the two hill states of Uttarakhand and Himachal Pradesh. In addition to addressing the revenue deficits of underprivileged states, both the Fourteenth and Fifteenth Finance Commissions introduced new criteria by assigning

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[38] *Report of the 14th Finance Commission*, n. 34, p. 166.

[39] *Annual Report 2015-16,* Niti Aayog, New Delhi, 2016, p. 11.

[40] "Chapter 8 : Sharing of Union Tax Revenues, *Report of the 14th Finance Commission*, n. 34, p. 94. "Chapter 3: Towards Cooperative Federalism: Vertical and Horizontal Devolution", *Report of the 15th Finance Commission, New Delhi*, November 2019, p. 27.

weightage to factors such as ecology and forest area.[40] The inclusion of forest area as a criterion in tax devolution is primarily justified on grounds of economic efficiency. While forests generate ecological benefits that accrue nationally, they impose opportunity costs on host states by limiting alternative land uses. Forest area-based devolution therefore acts as a compensatory mechanism that incentivises conservation by internalising these positive externalities.[41]

In India's context, this criterion also serves as a proxy for the cost disabilities faced by the north-eastern and hill states, where rugged terrain and poor connectivity raise the costs of transport and infrastructure provision. Consequently, since the seven north-eastern states accounted for 25.4 per cent of India's dense forest area in 2021, but only 3.8 per cent of the population as per the 2011 Census, the forest-area criterion results in substantially higher per capita revenue transfers to these states.[42] These adjustments resulted in a significant increase in the share of divisible taxes accruing to the north-eastern and hill states.

Notably, the aggregate share of the north-eastern and hill states rose under the Fifteenth Finance Commission compared both to its predecessor and to that of the plains states. This increase was driven primarily by the higher weight accorded to ecological criteria, particularly forest cover. The Commission also introduced a criterion of demographic performance by using a measure of total fertility rate (TFR) data of all states. This criterion has been computed by using the inverse of TFR of each state, scaled by the population data of Census 1971.[43] States which have achieved lower TFR will be scored higher on demographic performance whereas states with higher TFR will

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41 *Sixteenth Finance Commission, Report for 2026-31, Volume I - Main Report*, November 2025, p. 152, https://fincomindia.nic.in/asset/doc/commission-reports/16th-FC/reports/Vol1-Main-Report.pdf

42 Ibid, p. 159.

43 *Finance Commission in Covid Times, Fifteenth Finance Commission Report for 2021-26, Volume I - Main Report*, October 2020, p. 162, https://fincomindia.nic.in/asset/doc/commission-reports/XVFC%20VOL%20I%20Main%20Report.pdf

receive a lower score as it serves as an indirect indicator for better outcomes in health (especially maternal and child health), nutrition as well as education.

The Sixteenth Finance Commission reiterated that, with the exception of Assam, the north-eastern states remain heavily dependent on tax devolution from the Finance Commission devolutions and transfers from the Union government. Under the Fifteenth Finance Commission, these states received nearly twice the national average level of tax devolution on a per capita basis. Consequently, at least in fiscal terms, the north-eastern and hill states appear to be substantially compensated for the cost disadvantages arising from their hilly terrain.[44] In 2023–24, devolution and Union transfers accounted for 79 per cent or more of total revenue receipts in these states. This dependence was particularly pronounced in Arunachal Pradesh and Manipur, where such transfers constituted approximately 87 per cent and 90 per cent of revenue receipts, respectively. Moreover, with the exception of Mizoram and Tripura, the remaining four north-eastern states recorded debt-to-GSDP ratios exceeding 40 per cent in 2023–24, underscoring the persistence of fiscal fragility and structural dependence on central transfers.[45]

Conclusion

Assam's and the wider Northeast's postcolonial development experience reveals a coherent yet paradoxical trajectory shaped by historical disadvantage, sustained fiscal accommodation, and evolving institutional experimentation. Burdened by colonial extraction, Partition-induced isolation, and fragile administrative capacity, Assam entered independence with a weak economic and human development base despite its significant contribution to Union revenues. Early development planning, anchored in Article 275(1) and successive Five-Year Plans, explicitly recognised these structural handicaps and made central transfers indispensable for rebuilding connectivity, expanding social

44 *Sixteenth Finance Commission,* n. 41, p. 163.

45 Ibid, p. 105.

services, and initiating industrial activity. Yet the scale, rigidity, and implementation constraints of this assistance limited its transformative potential, producing a widening gap between resource contribution and developmental outcomes and fuelling political discontent, autonomy movements, and state reorganisation across the region.

India's evolving fiscal federal framework further institutionalised this recognition of regional disadvantage. The conferment of Special Category Status, preferential funding ratios, and successive Finance Commission transfers acknowledged the Northeast's limited revenue capacity, high per capita administrative costs, strategic border location, and large tribal population. These arrangements enabled higher public expenditure and, at times, short-term growth spurts driven largely by public administration and construction. However, they failed to generate durable structural transformation based on productive diversification or industrialisation. Over time, the multiplication of states within the SCS framework, changing institutional architectures, and the proliferation of centrally sponsored schemes diluted per-state benefits even as dependence on Union transfers deepened—entrenching a transfer-dependent development model.

Chapter II

Northeast's Developmental Trajectory: Key Initiatives for the Northeast since 1996

The conferment of special category status on the north-eastern states and the ensuing large-scale devolution of central assistance had generated a short-term growth spurt during the 1980s. However, by the early 1990s, the economic situation in the Northeast had deteriorated considerably compounded by widespread insurgencies. Even infusion of ₹510 billion between 1990-91 and 1998-99[1] as net devolution from the Union government could not bring about any meaningful development to the Northeast. Consequently, the region continued to remain backward as compared to the rest of the country. In terms of per capita state domestic products and other indices, such as power generation, length of roads, hospital beds, schools, etc., the Northeast ranked quite low in comparison to the national average. Most policymakers and experts reasoned that persistent dearth of social and physical infrastructure in the region was the primary factor in hindering its economic growth. Prime Minister H. D. Deve Gowda had observed:

> The North-Eastern region is endowed with abundant natural resources. In fact, Assam was in the forefront of the economic development of the country 100-150 years ago…However, in the recent years investors have shunned these areas because some of these states turned inward-looking while others have been afflicted by militancy and terrorism. This has set in a vicious circle of terrorism, discouraging investments and economic development, leading to growing unemployment which in turn

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1 Gulshan Sachdeva, *Economy of the Northeast: Policy, Present Conditions and Future Possibilities*, New Delhi, Konark, 2000.

> provided recruits to militancy. Today, there are no major industries or other economic activities which can absorb the educated unemployed…The only way out of unemployment or militancy is massive all round economic development leading to prosperity.[2]

Keeping this in mind, Prime Minister Deve Gowda announced "New Initiatives for the North Eastern Region" during his visit to the Northeast in October 1996. Some of these initiatives include: setting up of committees to determine infrastructure gaps as well as employment opportunities; sub-plans of Union ministries for the development of the Northeast; New Industrial Policy; full funding of ongoing projects; frequent visits by Union ministers and secretaries to the region; projects to develop transportation and communication infrastructure and tourism.[3]

As part of the Initiative, the Prime Minister constituted a high-level commission under the chairmanship of S.P. Shukla to critically examine the backlog in respect of Basic Minimum Services as well as identify gaps in important sectors such as power, communication, railways, roads, education, agriculture, etc. in the seven north-eastern states to suggest policies, programmes, and the requirement of funds to bridge the gaps.[4] The Shukla Committee in its Report submitted in 1997 observed:

> The Northeast is a latecomer to development. The trauma of partition, political evolution and reorganisation of Assam along the present state boundaries, and continuing internal adjustments to achieve decentralised sub-state structures such as autonomous councils, punctuated with protest movements and insurgencies,

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2 *Statement by the Prime Minister on October 27, 1996 at Guwahati announcing New Initiatives for the North Eastern Region*, https://eparlib.sansad.in/bitstream/123456789/793636/1/12_IV_04031999_p537_p543_u1230.pdf (Accessed 27 November 2025)

3 Ibid.

4 "Transforming The Northeast" Tackling Backlogs in Basic Minimum Services and Infrastructural Needs", *High Level Commission Report to the Prime Minister*, Planning Commission, 7 March 1997, p. ii.

> have interrupted progress. The building of new political institutions, with former districts graduating to statehood, has necessarily been a slow process. Traditional institutions were in some cases too soon or somewhat carelessly by-passed for newer structures that are perhaps not always well-suited to the region. Likewise, all-India norms and patterns of administration and planning have been extended to or have sometimes been sought by these units only to prove an embarrassment.[5]

Given the state of affairs, the Committee emphasised the need for substantial investments in social and economic infrastructure to catalyse meaningful progress in the Northeast. It estimated that ₹9,396 crore will be required to meet the gaps in Basic Minimum Services and ₹93,619 crore will be required to fund various infrastructural developmental programmes for the region.[6]

North East Sub-Plan in all Union Ministries/ Departments

Under the Initiative, the Union government mandated that all ministries and departments of the Union government, unless specifically exempted, should set aside 10 per cent of their plan gross budgetary support (GBS) for the development of the north-eastern states.[7] The reason behind this mandate was that instead of relying solely on a few specialised agencies like the North Eastern Council (NEC), the government wanted every Union ministry, from Roads and Railways to Health and Education, to contribute to the region's growth.

An assessment conducted by the Planning Commission in 1997-98, however, revealed that most Union ministries and departments were unable to spend the mandated 10 per cent of their GBS on the Northeast. To address the matter of unspent amount, the Planning Commission, in December 1997, suggested that a central pool of

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5 Ibid, p. 2.

6 Ibid, p. 7-8.

7 *Peace, Progress and Prosperity in the North Eastern Region: Annexures*, Volume III, North East Council, Agartala, 2008, p. 171.

resources be created where the unutilised portion of the 10 percent of the GBS will be deposited. Subsequently, a discussion on the proposal was held at a meeting of the chief ministers of the north-eastern states in May 1998. Finally, the creation of the central pool of resources was announced in the Union budget of 1998-99. The Finance Minister in his speech stated:

> Furthermore, it has been decided that a non-lapsable Central Resources Pool will be created for deposit of funds from all Ministries where the plan expenditure on the North Eastern Region is less than 10 per cent of the total plan allocation of the Ministry. The difference between 10 per cent of the allocation and the actual expenditure incurred on the North Eastern Region will be transferred to the Central Pool, which will be used for funding special programmes for economic and social upliftment of the North Eastern States.[8]

Thus, the Non-Lapsable Central Pool of Resources was created in 1998 as a new Reserve Fund in the Public Accounts. The funds from this Pool are to be used for financing new infrastructure projects/ schemes to ensure speedy development of infrastructure in the Northeast region. The Resource Pool is a notional pool, maintained on a proforma basis by the Ministry of Finance. This implies that funds left unspent by the ministries/departments do not go to any reserve fund as was perceived to be by the nomenclature of this special pool of resources.

NON-LAPSABLE CENTRAL POOL OF RESOURCES (NLCPR)

The primary objective of the NLCPR is to accelerate infrastructure development in the region by augmenting budgetary support for new

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[8] "Revised Guidelines for Administration of Non-Lapsable Central Pool of Resources (NLCPR) Scheme, 2H16 – Regarding", *Ministry of Development of North Eastern Region*, New Delhi, 29 April, 2016, at https://www.arunachalplan.gov.in/wp-content/uploads/2022/08/1.-NLCPR-Guidelines-Revised.pdf.

projects and schemes which are prioritised by the state governments. Both physical and social infrastructure sectors, such as power, roads & bridges, education, health, water supply, sports, etc., are considered for providing support under the Central Pool. Importantly, the resources from this pool are not intended to supplement the regular Plan programmes of either the state or the Union governments. Fifty four (54) non-exempted ministries and departments earmark funds for the region. The nodal central agency for planning and implementation of all development programmes in the Northeast was vested, initially, with the Planning Commission. Thereafter, the responsibility was transferred to the newly created Department of North Eastern Region (DoNER) in the Ministry of Home Affairs (MHA) in September 2001. In May 2004, the DoNER was upgraded to an independent Ministry, and since then, the Ministry of DoNER serves as the nodal agency responsible for monitoring and tracking the NLCPR funded schemes.[9]

For administering the NLCPR scheme, a NLCPR Committee headed by Secretary Ministry of DoNER with representatives from Finance, Home Affairs, Niti Aayog and other ministries concerned was constituted. Guidelines for administering the NLCPR were first formulated in November 2002 and were periodically revised, the last being in 2016. Revisions of the guidelines were done primarily to discourage states from parking the funds, facilitate optimum utilisation of the Pool funds and ensure timely completion of projects.[10] Funds for the scheme were distributed equitably among the states on the basis of weightage attached which are derived on certain parameters, e.g. Area, Population, Human Development Index, Road density, Percentage of census villages electrified, etc., besides performance of the states in implementing the NLCPR projects.[11] The normal projects duration under NLCPR scheme was three to four years.

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9 *Annual Report 2011-12*, Ministry of Development of the North Eastern Region, New Delhi, 2012, p. 13.

10 "Revised Guidelines for Administration of Non-Lapsable Central Pool of Resources (NLCPR) Scheme, n. 8.

11 Ibid. Also see, *Annual Report 2015-16*, Ministry of Development of the North Eastern Region, New Delhi, 2016, p. 12.

Under the NLCPR, projects for building economic infrastructure, drinking water supply, health, and sanitation, as well as projects in the Sixth Scheduled Areas were given priority and the state governments were given the responsibility for implementing them. Initially, the funds were released as 90 per cent 'grant' and 10 per cent 'loan' basis to the state governments. However, the 12th Finance Commission in 2005 observed that the states were burdened by the loans and were unable to even pay the interest accruing on the principal amount. Therefore, it recommended that the Union government should remove the loan component from the central assistance and allow the state governments the freedom to decide their own borrowing needs. Consequently, from 2005-06 onwards only grants from the Union government were released to the state governments. The state governments were free to raise the balance 10 per cent from any other source.[12] Additionally, the District Infrastructure Index (DII) was published by the Ministry of DoNER in 2009, which not only revealed the status of infrastructure in the districts but also provided a guide for drafting projects in the underdeveloped areas.

An assessment of the performance of the NLCRP Scheme by the Comptroller and Auditor General (CAG) in 2010 painted a very dismal state. The CAG Report revealed that NLCRP Scheme could not achieve its mandated objectives because the state governments were not able to complete the sanctioned projects because of several factors. First, amounts received by the states from the Union government every year was meagre, as a result implementing the projects satisfactorily was difficult. For instance, out of a total accrual of ₹6,525 crore from 2003-04 to 2007-08, only ₹3,205 crore was released to the north-eastern states.[13] Consequently, out of 959 projects sanctioned to be completed by 2008, only 435 projects were completed by the end of the scheduled

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12 *Annual Report 2015-16*, ibid.

13 *Report No. 5, Union Performance Audit of Non-Lapsable Central Pool of Resources (NLCPR) Scheme*, Comptroller and Auditor General, New Delhi, May 7, 2010, p. v.

time. Even the completed projects had huge time and costs overruns to the tune of five years or more.[14]

Second, the states themselves were responsible for the delay and shoddy implementation of the projects. They frequently revised estimates, took inordinate time to release tenders and award work, delayed release of funds to the executing agencies, and submitted utilisation certificate very late. Third, the state governments were unable to contribute their share of funds for the execution of the projects. They also defaulted in repayment of loans under the NCLPR assistance.[15]

In August 2011, the Union government introduced a new Central Sector Plan Scheme titled 'Non-Lapsable Central Pool of Resources – Central (NLCPR– Central)'. This scheme was formulated to fund projects in addition to projects taken up by the Union ministries and departments through the 10 per cent mandatory earmarking and projects of regional and/or national priorities.[16] It was stipulated that only subjects listed under the Union and the Concurrent Lists could be proposed for funding under the scheme. The scheme became operational in 2012-13.

The NLCPR, however, continued to suffer from serious issues such as delays in submitting priority list, delays in project completion, poor fund utilisation, and weak monitoring. As a result, the funds sanctioned for various projects under the NLCPR Scheme remained unspent. In fact, between 2014-15 and 2016-17, ₹4,982 crore of the NLCPR funds in the region remained unspent. To overcome these shortcomings, the Ministry of DoNER initiated several corrective measures. These include 'just-in-time release' of the first instalment of ₹10 lakh under NLCPR as token amount at finalisation of tender. The subsequent release of instalments are linked to utilisation of released funds and commensurate physical progress in the projects. The Ministry also undertook measures to expedite submission of utilisation certificates, including online reports

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14 Ibid.

15 Ibid, pp. vi-vii.

16 *Annual Report 2011-12*, n. 9, p. 10.

as well as conduct of extensive review meetings both in the Ministry and state capitals focussed on completion of ongoing projects.

All these measures, unfortunately, could not improve the already fraught situation. Added to the problem of the inability of the north-eastern states to utilise the funds was the fact that these states were still unable to contribute their mandated 10 per cent share for the NLCPR Scheme.[17]

Transition from NLCPR to NESIDS

To overcome these shortcomings and introduce a more flexible, transparent, and needs based scheme, the Ministry of DoNER restructured the NLCPR scheme as North East Special Infrastructure Development Scheme (NESIDS) in December 2017. The projects under the NESIDS are 100 per cent funded by the Union government.[18] The NESIDS is over and above the existing schemes of the Union and state governments in the Northeast. Under the scheme, only those projects are taken up which are not envisaged by either the Union or the state governments. Projects that are taken up under the NESIDS primarily focusses on building physical infrastructure, promoting tourism and strengthening health and education. For example, 35 projects were sanctioned for roads and bridges, 26 projects for education, 18 projects for water supply, 16 projects for health, and 4 projects for power sector.[19]

The total number of projects undertaken under the scheme were according to the normative allocation which was formulated under

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17 *159th Report on Petition Praying for improvement and strengthening of Non-Lapsable Central Pool of resources (NLCPR) Schemes in the North-eastern Region*, Committee on Petitions, Rajya Sabha Secretariat, New Delhi, 10 December 2021, p. 1.

18 *Annual Report 2017-18*, Ministry of Development of the North Eastern Region, New Delhi, 2018, p. 13.

19 *159th Report on Petition Praying for improvement and strengthening of Non-Lapsable Central Pool of resources (NLCPR) Schemes in the North-eastern Region*, n. 17, p. 8.

the NLCPR. The percentage of funds sanctioned to various north-eastern states according to the normative allocation were: Arunachal Pradesh: 13.06 %; Assam: 27.78 %; Manipur: 9.98 %; Meghalaya: 10.76 %; Mizoram: 10.42 %; Nagaland: 10.18 5; Sikkim: 6.54 %; Tripura: 11.28 %. Emphasis is given to initiate projects in the backward areas of the state by earmarking 25 per cent share for them.[20]

The NESIDS was approved initially for a period of three years, i.e. from 2017-18 to 2019-20. However, it was extended for two more years till March 2022, mainly because of the onset of COVID pandemic in 2020, which caused hurdles in the completion of the projects. In January 2023, the NESIDS was further extended for a period of four years, i.e. till March 2026. The NESIDS was restructured into two components viz. NESIDS (Roads) and NESIDS (Other than Road Infrastructure-OTRI). NESIDS (Roads) is managed by the North Eastern Council (NEC), and NESIDS (OTRI) is overseen by the Ministry of DoNER. NESIDS (OTRI) includes unfinished projects from previous schemes such as NLCPR, NESIDS, and Hill Area Development Programme (HADP). As far as the NLCPR Scheme was concerned, no new projects were sanctioned following its restructuring. However, the ongoing projects continued to receive funds with the stipulation that all the projects should be completed by March 2020.[21]

North East Industrial Policy

Another landmark intervention under the Initiative that marked a shift towards an investment-driven approach to regional development was the formulation of the North East Industrial Policy (NEIP) in December 1997. The policy emerged in response to a confluence of factors, including prolonged economic stagnation in the region, the limited effectiveness of state-level industrial policies, and heightened political

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[20] *Annual Report 2018-19,* Ministry of Development of the North Eastern Region, New Delhi, 2018, p. 19.

[21] Ibid.

intervention at the central level, particularly by Prime Minister H. D. Deve Gowda. NEIP articulated a uniform, region-wide strategy aimed at stimulating industrial investment across the North Eastern Region through a two-pronged framework. First, it emphasised the development of industrial infrastructure, notably through the establishment of Growth Centres (GCs) and Integrated Infrastructure Development Centres (IIDCs). Second, it proposed a comprehensive package of long-term fiscal incentives and subsidies, extending for up to ten years, designed to offset the region's structural disadvantages and attract private investment.[22]

The North East Industrial Policy (NEIP) did succeed in attracting some investment and in facilitating the establishment of new industrial units in the North-Eastern states, particularly in sectors such as food processing, cement, and small-scale manufacturing. However, despite the range of fiscal and non-fiscal incentives it offered, the region's overall industrial base remained weak. The policy resulted in the establishment of only about 650 new units, involving an investment of approximately ₹753.28 crore and generating around 17,279 jobs, the majority of which were concentrated in Assam.[23] Most of these units were small in scale, characterised by limited employment generation and low productivity. A significant proportion of enterprises were established primarily to avail fiscal incentives such as tax holidays and transport subsidies, rather than in response to genuine market demand or competitive advantage.

Structural constraints, including poor connectivity, unreliable power supply, and inadequate industrial infrastructure, continued to deter large-scale private investment and undermined the effectiveness of the policy.[24]

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22 *North East Industrial Policy*, Department Of Industrial Policy And Promotion, Ministry of Industry, New Delhi, 24th December, 1997, https://indarun.gov.in/htm/policies/neip1997.htm.

23 *Impact Evaluation of Northeast Industrial Policy 1997*, TATA Economic Consultancy Services, Mumbai, 2004, https://www.nedfi.com/wp-content/uploads/2021/11/ES-43_merged-1.pdf.

24 Ibid.

In light of these limitations, the NEIP 1997 was subsequently revisited and revised, culminating in the formulation of the North East Industrial and Investment Promotion Policy (NEIIPP) 2007, which came into effect on 1 April 2007.[25]

The NEIIPP 2007 represented a substantial expansion over the earlier NEIP 1997. It extended policy coverage to Sikkim, removed the distinction between thrust and non-thrust industries, and reduced the threshold for qualifying as substantial expansion from 33.5 per cent to 25 per cent of fixed capital investment. The policy retained full excise duty and income tax exemptions, while significantly enhancing the capital investment subsidy from 15 per cent to 30 per cent, with automatic approval for investments up to ₹1.5 crore. In addition, NEIIPP introduced 100 per cent reimbursement of insurance premiums and continued the provision of 3 per cent interest subsidy on working capital loans.[26]

The scope of the policy was further broadened to include select service sectors, such as hotels, adventure tourism, medical facilities, vocational training institutions, and Information Technology (IT) training centres, as well as hardware units, biotechnology enterprises, and power generation projects up to 10 MW. While the transport subsidy scheme was retained, it was subjected to stricter evaluation norms. The policy also sought to strengthen institutional oversight by establishing monitoring committees and designating the North Eastern Development Finance Corporation (NEDFi) as the nodal agency for subsidy disbursement.[27]

The NEIIPP, 2007 sought to accelerate industrialisation in the North Eastern Region by offering an expansive package of fiscal incentives

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25 *North East Industrial and Investment Promotion Policy (NEIIPP), 2007*, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, New Delhi, 1 April 2007, https://indarun.gov.in/htm/policies/neiipp2007.pdf.

26 Ibid, pp. 1-2.

27 Ibid, pp. 3-4.

aimed at attracting private investment. Under the policy, a total of 31,471 industrial units were established between April 2007 and March 2017, involving an investment of ₹19,097 crore and generating employment for 281,602 persons.[28] Despite being widely commended for its broader regional coverage and more generous incentive structure compared to earlier schemes, the implementation of NEIIPP encountered significant constraints. Persistent funding shortfalls led to the suspension of fresh registrations under the scheme in 2014, undermining investor confidence and policy continuity.

Although registrations were reinstated in 2016 through amendments, these revisions diluted key incentives, notably the Central Capital Investment Subsidy (CCIS) and the Freight Subsidy Scheme (FSS), thereby reducing the overall attractiveness of the policy.[29] Moreover, the scheme offered only limited and uneven support to micro and small enterprises, which constitute the backbone of the region's industrial base. Consequently, notwithstanding successive industrial promotion initiatives, industrial growth in the Northeast remained modest, averaging only 3.9 per cent per annum between 2004 and 2010, substantially below the national average of 10.4 per cent during the same period.[30]

This sluggish industrial performance reflected weak capital formation and low domestic savings, both of which are critical prerequisites for

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28 Sushanta Talukdar, "North East Industrial Development Scheme: Negative twist", *NEZINE*, 24 April 2018, https://www.nezine.com/info/VW81Z3hpNmR1Q0VtVUpFTm5WT245UT09/north-east-industrial-development-scheme-%3A-negative-twist.html?utm_source=chatgpt.com.

29 "Centre resumes Northeast industrial policy, but industry calls it a sham", *Business Standard*, Guwahati, 30 November 2016, https://www.business-standard.com/article/economy-policy/centre-resumes-northeast-industrial-policy-but-industry-calls-it-a-sham-116113001138_1.html?utm_source=chatgpt.com.

30 Alok Regon, "Industrialization in the North Eastern Region through Regional Planning", *Journal of Emerging Technologies and Innovative Research (JETIR)*, Volume 8, Issue 9, 2021, pp. c661-c662.

sustained industrialisation. Investor participation in the region remained limited, constrained by high operating costs, elevated investment risks, and persistently inadequate infrastructure. Indicatively, the share of investment proposals based on Letters of Intent (LoIs) in the Northeast accounted for only 0.58 per cent of total intended investment at the national level. These structural constraints were further compounded by limited entrepreneurial capacity, low risk appetite, and restricted access to institutional credit, particularly for micro and small enterprises. Additionally, high production costs, severe transport and logistics bottlenecks, restricted market access, and the region's vulnerability to recurrent natural calamities collectively undermined the commercial viability and competitiveness of industrial ventures in the Northeast.[31]

After the expiry of the 10 years term and in response to the persistently weak industrial outcomes and structural constraints identified above, the Government of India introduced the North East Industrial Development Scheme (NEIDS), 2017, which came into effect in March 2018, replacing the NEIIPP, 2007. Implemented for a five-year period up to 31 March 2022,[32] NEIDS marked a strategic shift towards addressing the region's limited entrepreneurial base and credit constraints by placing a sharper emphasis on the micro, small and medium enterprises (MSME) sector across both manufacturing and services in all eight North Eastern states. The scheme offered a comprehensive package of financial incentives, including a 30 per cent Central Capital Investment Incentive for Access to Credit (CCIIAC) subject to a ceiling of ₹5 crore per unit; a 3 per cent interest subvention on working capital loans for five years; reimbursement of the central share of goods and services tax (GST); income tax exemption; transport incentives for both raw materials and finished goods; and employment-

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31 Ibid.

32 *Gazette Notification No. 10(6)/2016-DBA-II.NER*, Department of Industrial Policy and Promotion, Ministry of Commerce and Industries, New Delhi, 12 April 2018, pp. 8-14, https://ncog.gov.in/NEIDS_SCHEME_NOTIFICATION.pdf.

linked support through reimbursement of the employer's contribution to employees' provident fund (EPF).[33]

Unlike earlier industrial promotion schemes that relied heavily on blanket excise and income tax exemptions and relatively higher capital subsidies, NEIDS represented a consolidation of incentives into a more structured and targeted framework, with a total approved outlay of ₹3,000 crore up to 2020. This redesign was intended to enhance fiscal discipline, improve monitoring, and strengthen outcome orientation. The central distinction between NEIIPP, 2007 and NEIDS, 2017 lies in their underlying policy philosophy: while NEIIPP was broader in coverage and more generous in its fiscal concessions, NEIDS deliberately narrowed its focus to the MSME sector, introduced caps on subsidies, and placed greater emphasis on accountability, employment generation, and performance-linked support. However, despite this recalibration, the scale of outcomes under NEIDS remained limited. Between 1 April 2017 and 17 March 2023, only 858 industrial units were registered under the scheme, and total subsidy disbursements amounted to ₹164.05 crore, raising questions about the scheme's ability to substantially alter the region's industrial trajectory.[34]

Following the expiry of NEIDS on 31 March 2022, a policy vacuum emerged in the industrial promotion framework for the North Eastern Region, prompting the Government of India to introduce a new generation of industrial policy interventions aimed at reinvigorating regional industrialisation. The most significant of these post-2022 initiatives is the Uttar Poorva Transformative Industrialization Scheme (UNNATI), launched on 9 March 2024, which seeks to promote

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[33] "Neid Scheme", *Press Information Bureau*, Delhi, 27 December 2018, https://www.pib.gov.in/Pressreleaseshare.aspx?PRID=1557423&reg=3&lang=2 . Also see, *Brief-NORTH EAST INDUSTRIAL DEVELOPMENT SCHEME (NEIDS), 2017*, Ministry of Food Processing Industries, Government of India, 2018, https://www.mofpi.gov.in/sites/default/files/neids_press_brief_21032018.pdf?utm_source=copilot.com.

[34] "Starred Question No. 253: New industries in the NE region", *Rajya Sabha,* 23 March 2023, https://sansad.in/getFile/annex/259/AS253.pdf?source=pqars.

investment, employment generation, and broader socio-economic development across all eight North Eastern states. Under UNNATI, the Union government approved a substantial outlay of ₹10,037 crore for a 10-year period, along with an additional eight years to meet committed liabilities. The scheme is designed to support both new industrial units and expansion of existing ones in manufacturing and services, with districts classified into differentiated zones to prioritise backward areas and enable targeted allocation of incentives.[35]

A notable departure from earlier schemes, UNNATI emphasises performance-linked and investment-based incentives, moving away from the reimbursement-centric model that characterised previous industrial policies.[36] By aligning incentives more closely with outcomes, the scheme aims to catalyse industrial growth and generate sustainable employment in the region. One of the flagship projects supported under UNNATI is the proposed ₹27,000 crore semiconductor assembly and testing plant at Jagiroad in Assam, which signals a strategic shift towards attracting large-scale, technology-intensive investments alongside MSME-oriented industrial development.

Thus, industrial policy in the Northeast has progressively evolved from an emphasis on broad, open-ended fiscal concessions towards more targeted, performance-linked forms of support. While earlier schemes succeeded in expanding the number of industrial units, they largely failed to generate sustained industrial dynamism or structural transformation. In contrast, NEIDS—and more decisively UNNATI—signal a shift towards a more disciplined, investment-driven and employment-oriented approach to industrialisation, reflecting an increasing recognition of the need to align incentives with outcomes rather than rely solely on fiscal generosity.

The Look East/Act East Policy

The Shukla Committee, in its report, underscored the strategic significance of the Northeast by describing it as "until recently a

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35 "UNNATI-2024: Revitalizing the Northeast Region", *Department for the Promotion of Industry and Internal Trade*, https://unnati.dpiit.gov.in/.

36 Ibid.

crossroads and a bridge to Southeast and East Asia, with its great rivers ending in ocean terminals at Calcutta and Chittagong."[37] It noted that developments such as the revival of border trade with Myanmar in 1994 and the signing of the Ganga Water Treaty with Bangladesh in 1996 signalled a renewed phase of regional cooperation. According to the Committee, this emerging context created an opportunity to revive the Northeast's traditional transit corridors and commercial networks through reciprocal access arrangements, thereby opening new avenues for mutually beneficial regional exchange.

Building on this renewed strategic relevance, the Committee highlighted growing international interest in several regional integration frameworks that position the Northeast as a key connective hub. These include the South Asia Development Triangle linking eastern and north-eastern India with Nepal, Bhutan, and Bangladesh; a wider growth corridor connecting Myanmar, Thailand, Laos, and southwestern China via the historic Burma Road and the proposed Trans-Asian Highway and Railway networks; and the Bay of Bengal economic triangle, anchored by Kolkata and Chittagong and extending across a vast hinterland reaching toward Sri Lanka and Singapore.[38] Collectively, these initiatives underscore the potential of the Northeast to re-emerge as a critical node in trans-regional connectivity and economic integration.

These observations and recommendations of the Shukla Committee Report became the basis for the policymakers to argue afresh that that the severance of means of transportation and communication following the partition of India made the region not only landlocked but also resulted in the loss of markets, hitting its economy hard.[39] The tenuous link through the narrow Siliguri corridor further isolated the Northeast

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[37] "Transforming The Northeast" Tackling Backlogs in Basic Minimum Services and Infrastructural Needs", *High Level Commission Report to the Prime Minister*, Planning Commission, 7 March 1997, p. 2.

[38] Ibid.

[39] *North Eastern Region Vision 2020*, Ministry of Development of North Eastern Region, Agartala, 2008, p. iii; *Transforming the Northeast: Tackling Backlogs in Basic Minimum Services and Infrastructural Needs*, n. 37, p. 1.

and increased transportation costs of supplies to and from India, which hindered higher trade between the region and rest of the country. The solution, therefore, lay in the economic integration of this region with the booming markets of Asia, especially Southeast Asia through Myanmar. The crux of this argument was that integration will allow increasing opportunities for trade for the Northeast region with the promising markets of the East and the Southeast Asia. International trade is expected to play the role of an 'engine of growth' so as to transform the Northeast into a highly modernised industrial region.[40]

An opportunity for achieving this goal was provided by the Look East Policy (LEP), which was launched in 1992[41] as an instrument of India's foreign policy to enhance its economic engagement with the Southeast Asian economies. The Northeast, however, did not figure initially in the LEP framework. This was because the grim security situation with raging insurgencies and rampant cross-border illegal activities in the region at that time did not inspire confidence for domestic as well as international investments. Many argued, especially in the security establishment, that the ground realities were not conducive for opening the region, and that the region does not have the capacity to benefit from an open economic policy.[42]

It was during the second phase in 2002 when India expanded the scope of the LEP to include East Asian countries – Japan, South Korea, Australia – that development of the Northeast became an important

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40 Jairam Ramesh, "Northeast India in a New Asia", *Seminar*, Vol. 550, 2005, https://www.india-seminar.com/2005/550/550%20jairam%20ramesh.htm.

41 A.N. Ram, "India's "Look East" Policy—A Perspective", in K V Kesavan, *Building A Global Partnership, Fifty Years of Indo-Japanese Relations*, Lancer Books, New Delhi, 2002, p. 78.

42 Rakhee Bhattacharjee, "Insider or an Outsider: Where Is the Northeast in India's Act East Policy", in Atul Sharma and Saswati Choudhury (eds.), *Mainstreaming the Northeast in India's Look and Act East Policy*, Palgrave Macmillan, Singapore, 2018, p. 46.

component of the Policy.[43] By taking advantage of Myanmar as a land bridge to Southeast Asia, India hoped to transform the Northeast from a security burden into a land of economic opportunity. Thus, regional connectivity from greater economic cooperation became one of the main pillars for the Look East Policy. It was during this time that a number of projects primarily focusing on surface transport were conceived to enhance connectivity between north-eastern India and western Myanmar.

The first project to be completed was the Tamu-Kalewa-Kalemyo Road, also known as the 'Friendship Road', was first conceived of in 1993. Construction of this 160 km road began in 1997 and was completed in 2001.[44] The second project is the 1360 km India-Myanmar-Thailand Trilateral Highway (TLH), which was proposed in 2002 and is the flagship connectivity project of the LEP. Through the Highway, India plans to connect the Northeast region with Thailand. The third most important project to be undertaken is the Kaladan Multi-Modal Transit Transport (KMTT) Project. The KMTT envisages connecting the Haldia/ Kolkata Ports with Sittwe Port through the sea route; then by the Kaladan River in Myanmar; and then through a road to Mizoram. First conceived in 2003, the KMTT is a multi-modal transport envisioned to provide alternative connectivity to the Northeast region through Mizoram.[45] The fourth project is the 80 km cross-border road from Rhi to Tiddim in Myanmar's Chin State.

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43 Rakhee Bhattacharjee, "Look East to Act East Policy: Is it a Renewal of Hope for Northeast India?", *Eastern Quarterly*, 11 (I & II), Spring & Monsoon 2015, pp. 4-5.

44 "The External Affairs Minister of India (EAM) Shri Jaswant Singh, accompanied by a high level delegation, paid an official visit to Myanmar", *Ministry of External Affairs*, 15 February 2001, https://www.mea.gov.in/press-releases.htm?dtl/18999/The+External+Affairs+Minister+of+India+EAM+Shri+Jaswant+Singh+accompanied+by+a+high+level+delegation+paid+an+official+visit+to+Myanmar.

45 An agreement to implement the KMTT Project was signed between India and Myanmar in April 2008. Amrita Nayak Dutta, "110-km road is final challenge for long-delayed India-Myanmar Kaladan connectivity project, *The Print*, 29 March 2021, Zorinpui, https://theprint.in/diplomacy/110-km-road-is-final-challenge-for-long-delayed-india-myanmar-kaladan-connectivity-project/629247/.

Besides Myanmar, projects to restore severed lines of communication such as road, rail, air, and water between the Northeast and Bangladesh were also proposed. Be that as it may, most of the proposed connectivity projects were put on hold or discontinued in the subsequent years as the military junta in Myanmar and the Khaleda Zia government in Bangladesh did not display any enthusiasm in developing these connectivity projects with India.

The Northeast was formally incorporated in the LEP in 2007, with the initiative of the Ministry of DoNER and the then Foreign Minister Pranab Mukherjee. In his speech at Shillong, Mukherjee stated,

> India is aware of the geo-economic potential of the north eastern region as a gateway to East and South East Asia. I am convinced that by integrating this region through cross-border market access, the North Eastern States can become a bridge between the Indian economy and what is beyond doubt the fastest growing and dynamic region of the world.[46]

Consequently, projects on improving cross-border connectivity between the Northeast and the neighbouring countries again took centre stage. The change in the political dispensations in Myanmar and Bangladesh also proved propitious.

The Look East Policy received a boost when in November 2014 at the Annual Summit of ASEAN, Prime Minister Narendra Modi rechristened Look East Policy as Act East Policy (AEP) and announced the new administration's intention to actively engage with its Asian neighbours.[47] The Northeast, yet again became central to the AEP. That

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46 "Speech by External Affairs Minister Shri Pranab Mukherjee at Seminar on 'Look East' Policy", 16 June 2007, Shillong, https://www.mea.gov.in/Uploads/PublicationDocs/1882_Speech-External-Affairs-Minister-Shri-Pranab-Mukherjee-Seminar-Look-East-Policy-Shillong.pdf.

47 "Opening Statement by Prime Minister at the 12th India-ASEAN Summit, Nay Pyi Taw, Myanmar*", Ministry of External Affairs,* 12 November 2014, https://www.mea.gov.in/Speeches-Statements.htm?dtl/24230/Opening+Statement+by+Prime+Minister+at+the+12th+IndiaASEAN+Summit+Nay+Pyi+Taw+Myanmar.

Northeast was focal to AEP was reiterated by Prime Minister Modi in May 2016, when he said,

> The government has been focussing on the development of the North East region through its pro-active 'Act East Policy'. As part of this policy, we are focussing on reducing the isolation of the region by improving all round connectivity through road, rail, telecom, power and waterways sectors...The North East is the gateway to South East Asia and we need to take advantage of this. We are opening up both road and rail routes to our neighbouring countries. This should give a boost to the economic development of the region.[48]

The Act East Policy rests on four central themes: Connectivity, Commerce, Culture and Capacity-building.[49] As stated earlier, connectivity is envisaged to break the Northeast's isolation through various connectivity projects such as the Trilateral and Asian Highways and integrate it with national, regional and global markets. Enhanced regional connectivity will facilitate greater Commerce, which will allow the region to explore wider markets for its products in the Southeast and East Asia. It will simultaneously provide greater product choices for the inhabitants of the region as the products from the Southeast and East Asia will be available to them. As people of the Northeast start trading, greater Commerce will usher in an era of economic prosperity in the region.

Enhanced regional connectivity and greater Commerce will facilitate greater people-to-people contact between the Northeast and the Southeast and East Asia. The Northeast shares ethnic and cultural ties with the Southeast Asian countries as the people inhabiting large parts of the region had also migrated from the Southeast Asia and South

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48 "PM's Address at the Plenary Session of the North-Eastern Council", *Press Information Bureau*, 27 May 2016, https://www.pib.gov.in/newsite/PrintRelease.aspx?relid=145734.

49 "Swaraj's 3-C formula for ties with Asean: culture, commerce, connectivity". *Business Standard*, Jakarta, 6 January 2018, https://www.business-standard.com/article/current-affairs/swaraj-s-3-c-formula-for-ties-with-asean-culture-commerce-connectivity-118010600452_1.html.

China many centuries ago. These cultural commonalities can be leveraged to foster people-to-people contacts and boost tourism in the region.[50] Given the renewed thrust on improving connectivity through the Act East Policy, a number of cross-border connectivity projects are either being completed or are on the verge of completion. These new projects which are being built in the Northeast under the Act East Policy are envisioned to provide the region with the required infrastructure, which will form the foundation to usher in growth and development.

Prime Ministers' Economic Packages

Since the mid-1990s, successive Prime Ministers of India have announced special economic packages for the Northeast as a focused instrument to address the region's historical neglect, structural disadvantages and developmental gaps. Prime Minister H.D. Deve Gowda laid the foundation of the "special package" approach to Northeast development with the announcement of a ₹6,100 crore economic package in October 1996.[51] Significantly, this preceded an unprecedented week-long tour of the region, during which the Prime Minister engaged directly with the Northeast's difficult terrain, infrastructural deficits, and socio-economic challenges. This hands-on engagement marked a new seriousness in the Centre's approach to the region.

While the economic package was later revised and merged into larger schemes, its original 1996 framework focused on several 'New Initiatives' to bridge the infrastructure and emotional gap between the region and the rest of India. One of the most far-reaching outcomes of this initiative was the introduction of the "10 per cent rule," which

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50 Dipanjan Roy Choudhury, "Northeast India gateway to Southeast Asia under Act East Policy: PM Modi in Bangkok", *The Economic Times*, New Delhi, 3 November 2019, https://economictimes.indiatimes.com/news/politics-and-nation/northeast-india-gateway-to-southeast-asia-under-act-east-policy-pm-modi-in-.

51 Gulshan Sachdeva, "Rejuvenating the Seven Sisters", *Business Standard*, 10 June 1997, https://www.business-standard.com/article/specials/rejuvenating-the-seven-sisters-197061001050_1.html.

mandated that every Union Ministry earmark at least 10 per cent of its plan budget for expenditure in the north-eastern states. This provision institutionalised regional prioritisation within the Union's fiscal framework and ensured a steady flow of resources beyond one-time package announcements. Deve Gowda also initiated several landmark projects, including the laying of the foundation stone of the Bogibeel Bridge, the commencement of the Numaligarh Refinery, and the constitution of the Shukla Commission to systematically assess infrastructural gaps in the region. Collectively, these measures transformed Northeast development from an episodic concern into a structured and policy-driven national commitment.

Deve Gowda's successor, I. K. Gujral, continued the practice of announcing Prime Ministerial special packages for the Northeast by unveiling a ₹7,300 crore package.[52] However, contemporary assessments suggested that a substantial portion of this amount did not consist of fresh financial commitments. Instead, many components were drawn from existing plan outlays or earlier sanctioned schemes that were regrouped and presented as a new package.[53] This led to considerable scepticism, with critics questioning both the additionality of resources and the credibility of the "special package" approach, particularly in terms of its tangible developmental impact and implementation on the ground.

A similar pattern was observed during Prime Minister Atal Bihari Vajpayee's tenure, when a ₹10,271 crore package for the "Agenda for Economic Development of the Northeast and Sikkim" was announced in 1998.[54] The Agenda included measures to strengthen banking and

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52 Dinesh Kotwal, "Prime Minister's Northeastern Package, *Strategic Analysis*, Vol. 23, Issue. 12, 2000, p. 2175.

53 J. Lalsangzuala, *Statement on the Budget for 1997-98 in the Mizoram Legislative Assembly*, Aizawl, 15 July 1997, p. 2, https://finance.mizoram.gov.in/uploads/attachments/2023/08/00ad028f1aab801b48d0a0a2e6a54fab/speech-english-1997-1998-fm-july.pdf.

54 Nitin Gogoi, "NE gets 'old wine in new bottle' from PM", *Rediff.com*, 24 January 2000, https://m.rediff.com/news/2000/jan/24ne.htm.

commerce, health, education, border trade, security, power, civil aviation, road, information technology, flood control, horticulture, etc., in the region.[55] While the announcement signalled renewed political attention and a stronger commitment to the region, closer scrutiny revealed that several components of the package comprised ongoing or previously approved projects. For instance, schemes related to border fencing and road construction along the Indo-Bangladesh border were already under implementation, while a significant portion such as the ₹500 crore allocation from the NLCPR amounted largely to a reclassification or transfer of budgetary heads rather than an infusion of new funds.[56]

Be that as it may, the Vajpayee regime marked a significant qualitative shift in the Union government's engagement with the Northeast, particularly through its emphasis on institution building and connectivity. Recognising that ad hoc financial packages alone were insufficient, Prime Minister Atal Bihari Vajpayee prioritised the creation of dedicated institutional mechanisms to ensure sustained and coordinated development of the region.[57] In 2001, his government established the Ministry of DoNER, providing, for the first time, a specialised administrative framework to plan, coordinate, and monitor development initiatives across the north-eastern states.[58] Complementing

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55 For details see, "Prime Minister Shri Atal Bihari Vajpayee's Rs. 10,271-cr Agenda for Socio-Economic Development in the North-East & Sikkim", *Rajya Sabha*, 26 April 2000, pp. 87-91, https://rsdebate.nic.in/bitstream/123456789/115865/1/PQ_189_26042000_U3443_p86_p91.pdf.

56 Nitin Gogoi, "NE gets 'old wine in new bottle' from PM", n. 54.

57 Mita Nath Bora, "Atal Bihari Vajpayee and the Northeast: How a statesman PM reimagined India's frontier", *The Sentinel*, 26 December 2025, https://www.sentinelassam.com/more-news/editorial/atal-bihari-vajpayee-and-the-northeast-how-a-statesman-pm-reimagined-indias-frontier.

58 "Atal Bihari Vajpayee: The Statesman who Conceptualized a Separate Ministry for Northeast", *moneycontrol*, 25 December 2024, https://www.moneycontrol.com/news/india/atal-bihari-vajpayee-the-statesman-who-conceptualized-a-separate-ministry-for-northeast-12897403.html#google_vignette.

this institutional reform was the strengthening of the NLCPR, which ensured a more predictable flow of funds for infrastructure and development projects in the region, rather than reliance on sporadic budgetary announcements.

Vajpayee's focus on physical connectivity was equally transformative. His government launched an ambitious national highway programme, including the East-West Corridor connecting Silchar in Assam to Saurashtra in Gujarat, aimed at integrating the Northeast with the rest of the country and overcoming the region's long-standing isolation.[59] A key feature of Vajpayee's approach was the recognition that economic stagnation and political instability in the Northeast were closely linked to its physical and economic isolation. Cross-border connectivity was, therefore, envisaged not merely as a diplomatic or trade initiative, but as a developmental strategy to integrate the region with dynamic economies to its east. The India–Myanmar Friendship Road, India–Myanmar–Thailand Trilateral Highway, Dhaka-Agartala Bus Service, etc., are some of projects which were initiated or completed during Vajpayee's regime.

The tenure of Prime Minister Manmohan Singh, who represented Assam in the Rajya Sabha, was marked by a shift towards institutional consolidation and long-term capacity building in the Northeast. Dr. Singh's approach was characterised by multiple sector-specific economic packages, expanded plan allocations and large project-based interventions, combined with institutional and strategic initiatives. For example, in January 2008, Prime Minister Manmohan Singh visited Arunachal Pradesh and announced the ₹5,500 crore 1,840-km-long Trans-Arunachal Pradesh Highway project. In July 2008, Manmohan Singh, while unveiling the *Northeast Vision 2020* document, announced

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59 "Silchar-Saurashtra East-West Corridor", *Press Information Bureau*, Delhi, 25 March 2025, https://www.pib.gov.in/Pressreleaseshare.aspx?PRID=2115575&reg=3&lang=2#:~:text=SILCHAR%2DSAURASHTRA%20EAST%2DWEST%20CORRIDOR&text=Government%20has%20taken%20up%20the,is%20under%20implementation%20/%20bidding%20stage.&text=Drawing%20(GAD)%20of%20Road%20Over,reply%20to%20the%20Rajya%20Sabha.

a ₹31,000 crore investment for road improvements under the 'Special Accelerated Road Development Programme for the Northeast (SARDP-NE)' during the 11th Plan, alongside a pledge to connect all north-eastern state capitals by rail.[60] In August 2008, a separate package was announced for Assam, including a world-class university, model schools, and major bridges (Dhola-Sadiya and Numali-Gohpur).[61] Manmohan Singh government also established the Indian Institute of Management (IIM) in Shillong in 2007 and upgraded the Regional Institute of Medical Sciences (RIMS) in Imphal.

Equally significant was the strategic reorientation of the Northeast within India's broader foreign and economic policy framework through the 'Look East' Policy. Under Dr. Singh, the Northeast was increasingly conceptualised as India's gateway to Southeast Asia rather than a remote periphery. This reframing elevated the region's geopolitical and economic importance, laying the groundwork for cross-border connectivity, trade corridors, and people-to-people exchanges with neighbouring countries. Important cross-border projects initiated by the Manmohan Singh government were the Kaladan Multi-Modal Transit Transport Project, the India-Myanmar-Thailand Trilateral Highway, and the Agartala-Akhaura Rail Link.

During the tenure of Prime Minister Narendra Modi, India's economic strategy for the Northeast underwent a fundamental transformation. The earlier approach, characterised by sporadic, one-time "special packages", gave way to a sustained, high-budget "saturation model" that emphasised universal coverage, continuous capital expenditure, and mission-mode delivery. The Modi government institutionalised permanent development engines providing 100 per cent central funding and long-term policy certainty. The Prime Minister's Development Initiative for North East Region (PM-DevINE), a ₹6,600 crore scheme designed for a four-year period from 2022–23 to 2025–26, focuses

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60 "PM announces major development plans for north-east", *Rediff.com*, 2 July 2008, https://im.rediff.com/news/2008/jul/02pm.htm.

61 Ibid.

on closing critical last-mile gaps in social and physical infrastructure through high-impact, region-specific projects.[62] Some of the projects on roads, health and start-up ecosystem financed by the scheme are: the Aizawl Bypass, a State Cancer Institute in Itanagar, Multi-speciality hospital in Chümoukedima, NECTAR Livelihood Improvement Project (Multi-State) - Utilization of Banana Pseudo Stem for Value-Added Products, so on and so forth.[63] By 2025, cumulative public expenditure in the region since 2014 had crossed ₹5 lakh crore, reflecting an unprecedented scale of investment.[64] This spending has been guided by the 'HIRA' framework, i.e. Highways, Internet, Railways, and Airways, which treats connectivity as the backbone of economic integration, market access, and state capacity in the region.[65]

Simultaneously, the transition from the Look East to the more action-oriented Act East Policy redefined the Northeast's spatial and strategic identity, recasting it from a perceived geographic cul-de-sac into India's principal gateway to Southeast Asia. The Act East vision has been operationalised most clearly through large-scale connectivity projects integrating the Northeast with the rest of India and neighbouring countries. In railways, the completion of the Bairabi–Sairang line in

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62 "PM-DevINE Scheme", *Press Information Bureau*, Delhi, 24 July 2023, https://www.pib.gov.in/PressReleasePage.aspx?PRID=1942061&reg=3&lang=2

63 Ibid.

64 "North-East to be country's development engine, says Scindia; cites Rs 5L cr investment in 11 years", *Press Trust of India*, Indore, 7 July, 2025, https://www.ptinews.com/story/business/north-east-to-be-country-s-development-engine—says-scindia;-cites-rs-5l-cr-investment-in-11-years=/2707293.

65 "Northeast development will be based on HIRA: NITI Aayog", *ANI News*, Agartala, 10 April 2018, https://www.aninews.in/news/business/business/northeast-development-will-be-based-on-hira-niti-aayog201804102252360002/. Debraj Deb, "In Tripura, PM Modi advocates 'HIRA' model of development amid boycott call over Citizenship bill", *Indian Express*, Agartala, 9 February 2019, https://indianexpress.com/article/north-east-india/tripura/in-tripura-pm-modi-gives-hira-model-of-development-appeals-to-reject-mahamilavat-5576577/.

2025–26 finally connected Mizoram to the national rail network,[66] while the Agartala–Akhaura rail link (2023) enabled rail transit through Bangladesh, reducing travel time and logistics costs.[67] Road and bridge infrastructure witnessed transformative interventions. As of July 2025, a total of 16,207 km of National Highways have been constructed in the north-eastern region. In addition, under the 'Pradhan Mantri Gram Sadak Yojana (PMGSY)', 16,469 road projects spanning 80,933 km, along with 2,108 bridges, have been completed, which significantly improved rural connectivity and access across the region.[68]

Similarly, air connectivity expanded rapidly under the 'Ude Desh ka Aam Nagrik (UDAN)' scheme, with operational airports increasing from nine in 2014 to 17 by 2025, including the first-ever airports in Sikkim and Arunachal Pradesh. Complementing physical infrastructure, the government prioritised energy and digital integration as enablers of long-term structural change. Under the 'Pradhan Mantri Urja Ganga' scheme, the Indradhanush Gas Grid connected all eight north-easternstates to the national gas network.[69] Digital inclusion was advanced through the 4G Saturation Project, which by 2025 brought mobile connectivity to over 2,500 previously unconnected border villages. New

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66 "PM Modi Inaugrates Bairabi-Sairang Railway Line in Mizoram", *Directorate of Information & Public Relations*, Government of Mizoram, Aizawl, 13 September 2025, https://dipr.mizoram.gov.in/post/pm-modi-inaugrates-bairabi-sairang-railway-line-in-mizoram.

67 "Agartala-Akhaura railway project", *Press Information Bureau*, Delhi, 7 December 2023, https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=1983579&reg=3&lang=2.

68 "The North East: Where the Sun of Development Rises", *Press Information Bureau*, Delhi, 12 September 2025, https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=155194&ModuleId=3&reg=3&lang=2.

69 *Unstarred Question No. 3150: North East Gas Grid Project*, Lok Sabha, New Delhi, 4 August 2022, https://sansad.in/getFile/loksabhaquestions/annex/179/AU3150.pdf?source=pqals. "IGGL reports 85% progress in North East grid project", *India TodayNE*, 5 September 2025, https://www.indiatodayne.in/assam/story/indradhanush-gas-grid-85-percent-progress-brahmaputra-hdd-pipeline-commissioning-1272793-2025-09-05.

coordination platforms, including the NITI Forum for North East, ensured closer Centre–state planning and monitoring.[70]

Thus, Prime Minister Narendra Modi has given a decisive new impetus to the development of the Northeast by fundamentally altering both the visibility of the region in national politics and the institutional priority accorded to it. The most immediate shift in the Modi era was the elevation of the Northeast in the national consciousness. By branding the eight states as 'Ashtalakshmi' (the eight forms of the goddess of wealth), the Prime Minister integrated the region into the core of the *Viksit Bharat* vision. This visibility was not merely rhetorical; it was supported by massive cultural mainstreaming efforts such as the 'Ashtalakshmi Mahotsav' in Delhi.[71] Frequent and highly visible visits by the Prime Minister and senior Union ministers have signalled sustained political attention. The Prime Minister himself has visited the region over 70 times,[72] while Union ministers have conducted more than 800 visits.[73] This regular high-level engagement has helped reduce the sense

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70 The NITI Forum for North-East was set up in February 2018 to address various challenges in the region and recommend requisite interventions to achieve sustainable economic growth. *NITI Forum for North-East*, Niti Aayog, Government of India, New Delhi, https://niti.gov.in/cooperative-federalism/niti-forum-for-north-east.

71 "Prime Minister Shri Narendra Modi inaugurates the Ashtalakshmi Mahotsav", *Press Information Bureau*, Delhi, 6 December 2024, https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2081659&reg=3&lang=2.

72 "With 70 visits, PM Modi has been in Northeast more times than all other PMs combined: Jyotiraditya Scindia", *The Shillong Times*, New Delhi, 2 July 2025, https://theshillongtimes.com/2025/07/02/with-70-visits-pm-modi-has-been-in-northeast-more-times-than-all-other-pms-combined-jyotiraditya-scindia/.

73 "Prime Minister Shri Narendra Modi lays the foundation stone, inaugurates various development works worth over Rs 5,100 crore in Itanagar, Arunachal Pradesh", *Press Information Bureau*, Delhi, 22 September 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2169500&reg=3&lang=2#:~:text=In%20contrast%2C%20Shri%20Modi%20said,engage%20meaningfully%20with%20the%20region.

of peripheral neglect and has reinforced the message that the Northeast occupies a central place in India's development and strategic imagination.

Institutional Structures

The creation of five new states and two Union territories in the Northeast in 1960s and early 1970s to fulfil the political aspirations of the tribal elites also resulted in the political and administrative fragmentation of the region. The policy makers were cognizant that new states would likely pursue their own development priorities, often without adequate coordination with their neighbours. Such an approach risk undermining the integrated development of critical sectors such as transportation and communication network, power generation and flood control, and could result in overlapping projects and inefficient utilisation of resources. To address these challenges, the Government of India sought to establish an inter-state structural entity to provide a functional framework for ensuring all-round and balanced development of the north- eastern region as well as infuse a sense of cooperation and coordination among the states of the Northeast viz. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura. Consequently, the North Eastern Council was created in response to the twin needs of effecting better inter-state/ Union territories coordination for the maintenance of internal security and for facilitating planned, integrated development of the North East.[74]

North Eastern Council

The North Eastern Council (NEC) was established by an Act of the Parliament in 1971 (Act no. 84 of 1971) and formally inaugurated on 7 November, 1972 at Shillong. The NEC was set up as an apex level Regional Advisory Body for securing balanced and coordinated development and facilitating effective co-ordination amongst seven

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[74] *The North-Eastern Council (Amendment) Bill, 2013*, One Hundred Seventy First Report, Rajya Sabha, 5 August 2013, p. 3, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/15/15/171_2016_6_17.pdf?source=rajyasabha.

states of the Northeast.[75] It was mandated to discuss matters which were of common interest among states as well as the Union. These subject matters included projects regarding economic and social planning, inter-state transportation and communication, power or flood control.[76] The NEC was stipulated to formulate a unified and coordinated regional plan on matters of common interests, prioritise the projects, and specify the stages under which the project will be implemented and the location of the project. The Council was also mandated to periodically review the progress of projects and to recommend to the Union Government the quantum of financial assistance to be provided to the state or states responsible for their implementation.

In addition to its developmental mandate, the NEC was also entrusted with reviewing the measures adopted by the member states to maintain security and public order, and, where necessary, advising on supplementary actions required to strengthen peace and stability in the region.[77] Although the NEC initially devoted considerable attention to security coordination supported by the Inspector General of the Assam Rifles serving as its ex-officio Security Adviser, this function was later taken over by the Ministry of Home Affairs.[78] The NEC Secretariat functioned under the administrative authority of the Ministry of Home Affairs since 1972. In September 2001, this responsibility was transferred to the newly created Ministry of Development of the North Eastern Region (DoNER).

Since its inception, NEC has invested substantially in various schemes such as transportation and communication, water, power, health, and

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75 *North Eastern Council*, Shillong, Ministry for the Development of North Eastern Region, https://mdoner.gov.in/organisations.

76 *The North Eastern Council Act, 1971* (Act No. 84 of 1971), p. 2, https://necouncil.gov.in/sites/default/files/about-us/THE%20NORTH%20EASTERN%20COUNCIL%20ACT,%201971.pdf.

77 Ibid.

78 "Capacity Building for Conflict Resolution: Friction to Fusion", Seventh Report, *Second Administrative Reforms Commission*, Government of India, February 2008, p. 165.

education sector to usher in development and capacity building in the Northeast. Sector-wise investment of plan funds by the NEC from 1973-74 to 1999-2000 was Water and Power (50%), and Transport & Communication (39%).[79] NEC-funded projects have played an important role in strengthening inter-state road and air links, expanding power distribution networks, and fostering regional cooperation. There is a broad agreement that the medical, dental, technical, and paramedical institutions it has set up and supported across the Northeast have greatly contributed to developing skilled human resources. These institutions have also encouraged closer interaction and a stronger sense of mutual understanding among different parts of the region.[80]

Despite the substantial investments made by the NEC, its overall performance has remained contested. Various stakeholders, through reports and commentaries, have highlighted several shortcomings. For example, the 73rd Report on Demands for Grants of the MHA stated:

> …It [the NEC] is now in the 29th year of its existence but its performance record is not as impressive as it should have been. Its contribution lies in adding a mere 247.50 MW of power to the installed capacity, 1887 kms. of power transmission lines and 4800 kms. of roads. The achievements of the Council have belied the high expectations with which it was set up. Almost all projects of NEC have suffered from cost and time over-runs….Given the way NEC has performed, it raises doubts about its efficacy and puts a question mark on the continuation of its very existence in its present form.[81]

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79 *Demands for Grants 2001-02 of Ministry Home Affairs*, Seventy Third Report, Rajya Sabha, 19th April, 2001, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/15/15/73_2016_7_15.pdf?source=rajyasabha.

80 *The North-Eastern Council (Amendment) Bill, 2013*, n. 75. Also see, *Eleventh Five Year Plan 2007-2012, Vol. I: Inclusive Growth*, Planning Commission, New Delhi, p. 155.

81 *Demands for Grants 2001-02 of Ministry Home Affairs*, n. 79.

Critics argued that the failure of the NEC is because of several reasons. First, the NEC meetings often rely more on rhetoric than on substantive discussion. Second, the Council has struggled to withstand political pressures and has consequently supported schemes with a populist rather than strategic orientation. Third, growing availability of state plan funds and central grants has reduced member states' engagement with the NEC. Fourth, the NEC has not invested enough in sectors which are vital for transforming the economy of the region such as agriculture, health and education, and capacity building. Between 1973 and 2000, the NEC invested only 5 per cent in manpower, 2 per cent in Agriculture, 2 per cent in social and community services and 1 per cent in mining.[82] Fifth, the success of the NEC is heavily dependent on the cooperation of the Union ministries and the state governments, which, more often than not is abysmal; and that the amount allocated to the NEC has been substantially low. Additionally, the Council's limited administrative capacity, technical expertise, and enforcement powers contributed to persistent delays and cost overruns in the projects it finances.[83] In short, it is argued that the NEC's inability to understand the unique economic system of the region together with its inability to visualise its role appropriate to the unique characteristics of the region were responsible for its failure.[84]

The dismal performance of the NEC compelled the member states to demand restructuring of the NEC to make it more effective. In fact, the National Democratic Alliance in its manifesto had also promised

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[82] Ibid.

[83] *The North-Eastern Council (Amendment) Bill, 2013*, n. 75. *Demands for Grants 2013-14 of Ministry of Development of North Eastern Region*, One Hundred Seventieth Report, Rajya Sabha, 25th April, 2013, pp.12-13, https://sansad.in/getFile/rsnew/Committee_site/Committee_File/ReportFile/15/15/170_2016_6_17.pdf?source=rajyasabha. Patricia Mukhim, "On re-invention path", *The Telegraph*, Shillong, 26 October 2004, https://www.telegraphindia.com/north-east/on-re-invention-path/cid/1551499.

[84] Atul Sarma, "Economic Development of the Northeastern States in the Context of Globalisation", *Strategic Analysis*, Vol. 25, No. 2, 2001, https://ciaotest.cc.columbia.edu/olj/sa/sa_may01saa01.html.

to "revitalise NE [North East] Council."[85] In pursuance of the demands and promises, the Government enacted the North-Eastern Council (Amendment) Act, 2002, which came into force on 23 December, 2002. Following the amendment, the membership of the NEC was expanded to include Sikkim as the eight member. At the time of its establishment, the NEC was headed by the common governor of the north-eastern states, with the lieutenant governors of the Union territories and all the chief ministers serving as members. After individual governors were appointed to each state in 1981, the Council shifted to the convention of selecting either the governor of Assam or the most senior governor in the region to preside over its meetings.[86] The amendment included the governors and chief ministers of constituent states as the members of the Council along with three nominated non-official members.[87] The Union Home Minister became the ex-officio Chairman, and the Minister of DoNER became the ex-officio Vice-Chairman.

Importantly, the role of the NEC was redefined as a statutory Regional Planning Body for the north-eastern states. It is required to finance plans that would benefit two or more states with the exception of Sikkim for which the Council formulate state-specific projects and schemes. The Council was also stipulated to review, from time to time, implementation of projects and schemes, progress of expenditure and measures taken by the member states for the maintenance of security and public order and recommend to the state governments further measures to be taken in this regard.[88]

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85 *For a Proud, Prosperous India: an Agenda*, National Democratic Alliance, p. 131, https://library.bjp.org/jspui/bitstream/123456789/242/1/BJP%20ELECTION%20MANIFESTO%201999.pdfhttps://library.bjp.org/jspui/bitstream/123456789/242/1/BJP%20ELECTION%20MANIFESTO%201999.pdf.

86 *The North-Eastern Council (Amendment) Bill, 2013*, n. 74.

87 *The North-Eastern Council (Amendment) Act, 2002*, No. 68 of 2002, p.1, https://necouncil.gov.in/sites/default/files/about-us/Amendment%20Act%202002.pdf.

88 Ibid.

In October 2003, the Union government set up a Committee on Revitalization of NEC under the Chairmanship of P.P. Shrivastava which submitted its report on 30 July, 2004. The Report proposed a series of measures to operationalise NEC's expanded mandate, covering a wide range of areas, including the Council's composition, institutional structure, regional planning frameworks for sustainable development in the Northeast, mechanisms for financing and implementing regional plans, NEC's role in promoting border trade, and the review of State initiatives to maintain security and public order in the region. The Government of India broadly endorsed these recommendations. It approved the designation of the Minister for DoNER as the Chairperson of the NEC and agreed to include the Planning Commission's Member (North-East) as a Council member.[89]

These measures were undertaken to make the NEC more effective as planning body with the ability to design, appraise, and monitor regional projects which were not very successful. The then Prime Minister on the 50th Meeting of NEC in New Delhi in 2005 had observed, "We must recognize that the NEC has not fully lived up to these expectations. Rather, it has become a fund disbursing body, mechanically allocating whatever little resources it has among the States."[90]

Be that as it may, the NEC over the years has been able to substantially fulfil its mandate and has been instrumental in setting up iconic institutions such as the Regional Institute of Medical Sciences (RIMS), Imphal in 1972; Bhubaneswar Borooah Cancer Institute (BBCI) in 1974; North Eastern Electrical Power Corporation (NEEPCO) Ltd. Shillong in 1976; Regional Nursing College, Guwahati in 1977; North East Police Academy (NEPA) in Shillong in 1978; North Eastern Regional Institute of Science & Technology (NERIST), Itanagar in 1986; Regional Institute of Paramedical & Nursing Sciences (RIPANS), Aizawl in 1995; North East Cane & Bamboo Development Council (NECBDC),

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89 Ibid, p.1.

90 "Prime Minister Dr. Manmohan Singh on 50th Meeting of NEC in New Delhi", *North-East Sun*, New Delhi, May 31, 2005 p. 18.

Byrnihat in 2004, etc.[91] The Council has contributed immensely towards the improvement of the inter-state connectivity in the region and also power supply. So far, 11,432 km of roads have been constructed and a total of 694.5 MW of power plant installations and 10,341.63 circuit km of transmission and distribution lines have been laid.[92] The NEC is preparing NEC Vision 2047 for overall integrated socio-economic development of the region. The document is expected to lay the foundation for development planning of the region in various sectors, analysing the status while forecasting the vision for 2047.

Overall, the NEC was conceived as a powerful instrument for coordinated regional planning and development in the Northeast, but in practice, it has fallen short of this vision. Despite substantial investments and institutional reforms, it has largely remained a fund-disbursing body constrained by limited resources, weak enforcement powers, and dependence on Union ministries and state governments. Unless these structural and operational weaknesses are addressed, the NEC's ability to act as an effective regional planning and development authority will continue to remain limited.

Ministry of Development of the North Eastern Region

The mandatory allocation of 10 percent of the GBS by non-exempted Union ministries brought much-needed financial resources to the Northeast, but it also led to fragmented planning, uncoordinated interventions, duplication of projects, delays in implementation, and shifting priorities. The limited effectiveness of the North Eastern Council (NEC) to coordinate the projects of various ministries at New Delhi further compounded these challenges. To address these issues, the Government of India created the Department for the Development of the North Eastern Region in September 2001. This Department

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91 *Demands for Grants 2025-26 of Ministry of Development of North Eastern Region*, Two Hundred Fifty Third Report, Rajya Sabha, 10 March, 2025, p. 17.

92 Ibid.

was elevated to the status of a full-fledged Ministry in May 2004.[93] Thus, the Ministry of Development of the North Eastern Region came into being.

The central objective of Ministry of DoNER is to function as the nodal coordinating and planning authority for the Northeast by aligning policies, plans, and implementation mechanisms of Union government ministries, state governments, financial institutions and specialised agencies. One of its most critical responsibilities is to ensure the effective utilisation of the 10 per cent GBS, along with funds under the NLCPR and other special allocations for the region. To achieve this, the Ministry has assigned specific non-exempted Union ministries to senior officers for continuous monitoring and interaction, and works through nodal officers in line ministries to track project pipelines, approvals and expenditures.[94] It has also constituted Inter-Ministerial Committees (IMCs) in priority areas such as roads, health and nutrition, medicinal and aromatic plants, hill area development, and science and technology interventions, to resolve bottlenecks and improve sectoral coordination.

Beyond coordination, the Ministry of DoNER plays a key role in strategic regional planning and resource mobilisation. The Ministry formulates thematic and sector-based regional plans aimed at broad-based economic growth, human development, institutional capacity building and private sector participation. It actively seeks to attract investments from public agencies, corporate actors, and multilateral institutions by projecting the Northeast as a region of untapped economic potential, especially in sectors such as infrastructure, tourism, agro-processing, energy, and border trade.[95] In this way, Ministry of DoNER links regional development objectives with national strategies such as the Act East Policy.

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93 *Demands for Grants 2013-14 of Ministry of Development of North Eastern Region*, One Hundred Tenth Report, Rajya Sabha, 23rd August, 2004, p. 1.

94 *Demands for Grants 2025-26 of Ministry of Development of North Eastern Region*, n. 91, p. 3.

95 *Annual Report 2024-25*, Ministry for the Development of North Eastern Region, New Delhi, 2025, pp. 21-23.

The Ministry of DoNER also functions as the nodal funding and supervisory authority for key regional institutions. It oversees and provides guidance to the NEC as the regional planning body, the NEDFi for industrial and entrepreneurial finance, NERAMAC for agricultural marketing, and NEHHDC for handicrafts and handlooms. Through the NLCPR and flagship schemes such as NESIDS and the North Eastern Region Community Resource Management Project (NERCORMP), the Ministry of DoNER supports infrastructure, health, education, urban services, connectivity and livelihood-oriented projects across the eight states of the Northeast.[96]

Despite these broad responsibilities, the Ministry's effectiveness has been constrained by serious structural and institutional weaknesses. First, the Ministry has limited executive authority over powerful line ministries that implement major infrastructure and sectoral projects. While it monitors and coordinates, it cannot enforce compliance or redirect spending when national ministries deviate from regional priorities. Consequently, the 10 per cent GBS provision is often met in a mechanical or accounting sense rather than through transformative investments. The underutilisation of 10 percent of the GBS allocations is also attributed to the fact that Ministry of DoNER keeps a tight control over the funds which militates against timely deployment of these resources to schemes and projects for which they are intended for. Ideally, the northeastern states should have been the ultimate arbiter and controller of usage of the non-lapsable funds under DONER's oversight.[97]

Second, the Ministry has increasingly functioned as a fund-channeling and clearance body rather than a strategic planning institution. Project selection is often driven by state demands, political considerations, and short-term visibility rather than integrated regional development

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96 *Annual Report 2014-15*, Ministry of Development of the North eastern Region, New Delhi, 2015, p. 3.

97 The argument was forwarded by the anonymous referee who had been Adviser to two northeastern state governments on 14th and 15th Finance Commission.

strategies. This has resulted in fragmented investments with weak multiplier effects. Third, weaknesses in technical appraisal, monitoring, and evaluation have contributed to delays, cost overruns, and uneven project quality. Many projects funded through NLCPR and NEC do not generate durable economic or social outcomes due to poor design and weak follow-through. Finally, the Ministry of DoNER has limited leverage over deep-rooted structural constraints in the Northeast such as land tenure complexities, low private capital formation, weak entrepreneurship, difficult terrain, and high logistics costs. Without reforms in these areas, financial assistance alone cannot ensure sustained development.

In sum, the Ministry of DoNER represents an important institutional innovation that has brought greater visibility, resources, and policy attention to the Northeast. However, its potential as a regional development authority remains underutilised due to weak coordinating powers, fragmented planning, and an excessive focus on fund disbursement rather than outcomes.

CONCLUSION

From the mid-1990s, New Delhi's approach has undergone a partial reorientation. Initiatives such as the New Initiatives for the North Eastern Region, the mandatory 10 per cent GBS earmarking, the NLCPR and its successor NESIDS, and the strategic reframing of the region under the Look East and Act East Policies have signalled a shift towards infrastructure-led, region-specific, and externally oriented development. These measures have sought to overcome chronic connectivity deficits, integrating the Northeast with national and regional markets, and recasting it as a gateway to Southeast Asia. Yet, their impact has remained uneven, constrained by weak state capacity, fragmented planning, delays in fund utilisation, and uncertainties in cross-border cooperation.

Parallel institutional innovations such as the restructuring of the NEC and the establishment of the Ministry of DoNER have reflected attempts to manage political fragmentation and improve regional coordination. While these institutions have made important contributions, particularly in infrastructure and human capital, they have been limited by overlapping mandates, inadequate authority, and persistent coordination failures between the Centre and the states. As a result, they have functioned more as fund-dispersing mechanisms than as effective regional planning bodies.

Viewed together, these initiatives underscore a central continuity in India's approach to the Northeast. It is a fact that sustained central support has been indispensable for maintaining administrative viability, social stability, and basic development, yet it has simultaneously entrenched structural dependence and failed to resolve underlying economic backwardness. This enduring paradox highlights the limits of fiscally driven and centrally coordinated development strategies in the absence of strong local institutions, effective governance, and endogenous economic dynamism. It is against this backdrop that the deeper structural and institutional constraints to development in the Northeast must be examined, to understand why repeated waves of policy innovation and fiscal accommodation have fallen short of delivering self-sustaining growth.

Chapter III

Structural and Institutional Constraints to Economic Development in the Northeast

The development trajectory of Northeast India has long been shaped by a complex interplay of structural and institutional factors that distinguish the region from the rest of the country. Despite sustained policy attention and dedicated financial allocations, developmental outcomes in the Northeast continue to lag behind national averages across key sectors such as infrastructure, connectivity, human development, and economic diversification. These persistent gaps cannot be understood solely through the lens of resource deficits; rather, they stem from deeper structural constraints, including difficult terrain and relative physical isolation, diverse ethnic groups, political instability, scarcity of factors of production (land, labour, capital and entrepreneurship), and limited market integration. Institutional challenges include weak administrative capacity, fragmented governance arrangements, and inconsistencies in policy implementation. The region's unique socio-political environment and its security-related complexities have further compounded these constraints. As a result, development initiatives frequently encounter delays, cost overruns, and limited local absorption capacity. Understanding the structural and institutional impediments to development in Northeast India is, therefore, essential for ensuring that development interventions translate into tangible and sustainable outcomes for the region.

Structural Constraints on Development

Economic growth is the increase in the production of goods and services over a period of time and is dependent on the four factors of production — land, labour, capital, and entrepreneurship. To increase production and fuel growth, an economy must improve or expand its use of the factors of production. As far as the Northeast is concerned, its economic growth trajectory is largely influenced by the availability, quality, and institutional characteristics of the classical factors of production. A closer examination of each factor reveal how their insufficient availability, compromised quality, and complex regulatory frameworks stifle economic growth and exacerbate existing regional imbalances.

Land

Economic development hinges on the expansion of productive activities across sectors such as manufacturing, services, agriculture, infrastructure, housing, logistics, and urbanisation. Each of these activities demand physical space—factories and warehouses for industry, transport corridors for mobility, energy and irrigation networks for utilities, and towns and cities for labour and markets. Land, therefore, is not merely a backdrop but the most fundamental factor of production, and its assured availability is indispensable for sustained economic growth.

In the Northeast, however, securing large, contiguous parcels of land for productive use is particularly challenging. Two structural factors account for this difficulty. First, the region's rugged and mountainous terrain imposes inherent physical constraints: nearly 70 per cent of its land area is hilly and densely forested, limiting the extent of land that can be feasibly used for agricultural, industrial, infrastructural or urban development. Second, the Northeast is predominantly a tribal region, where communities historically lived in relatively isolated villages and relied extensively on shifting cultivation for their subsistence. A natural corollary of this agrarian system has been the prevalence of community-based ownership and management of land, with collective rights taking precedence over individualised land titles.

Land ownership in the Northeast can broadly be categorised into three distinct forms. First, in some tribal communities common village land is managed collectively and used for shared purposes such as shifting cultivation, grazing, or community forests. Under this system, cultivation rights are allocated to households by traditional authorities such as Chiefs or Village Councils. A new tract of forest is typically cleared by the community, after which individual plots are temporarily assigned to families or clan groups for cultivation. When the shifting cultivation cycle returns to the same tract, there is no assurance that a household will regain the same plot it previously cultivated. Consequently, this land tenure arrangement does not allow permanent, individualised ownership or long-term possessory rights over agricultural land.[1]

Second, in other tribal communities a significant portion of land is held by clans or lineage groups, reflecting the strong kinship-based organisation of many tribal societies. In such cases, rights of access and cultivation are typically confined to members of the clan. Only certain areas are retained as common village property. Here, families or clans conduct shifting cultivation within their allotted territorial segments, and rights are confined to those lineage-based portions. Third, land held by individual households or families. Under this customary system, families or individuals have the option to transform their allotted plots into permanent holdings by constructing terraces, erecting fences, or establishing plantations. They are not required to pay any monetary charge for converting *jhum* land into a more durable form of ownership. Instead, the labour and effort invested by the household in developing the land are regarded as the equivalent of rent or payment, thereby legitimising the family's claim to the plot as its private property. In both forms of customary tenure, an individual's cultivation rights are tied to their membership in the village community. Once a member leaves the village, he or she forfeits any claim to the land previously cultivated.[2]

The land rights in the Northeast are governed by traditional tribal laws, which vary from tribe to tribe according to the customs and tradition of each tribe. The customary land rights are safeguarded by statutory provisions such as the Bengal Eastern Frontier Regulations (BEFR) of 1873, the Chin Hills Regulations (Regulation V) of 1896, Articles 371 (A, G & H) for Nagaland, Mizoram and Arunachal Pradesh respectively, and the Sixth Schedule to the Constitution of India. The BEFR created

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1 B.P. Maithani, "Changing Land Relations and Poverty in the Eastern Himalayas", in Mahesh Banskota, Trilok S. Papola and Jiirgen Richter (eds.), *Growth, Poverty Alleviation and Sustainable Resource Management in the Mountain Areas of South Asia*, International Centre for Integrated Mountain Development, Kathmandu, 2000, p. 434.

2 Ibid.

an 'inner line' beyond which the movement of non-tribals are regulated.[3] Similarly, the Chin Hills Regulations empowers the district commissioner to remove any person who is not native to place if the officer "is satisfied that the presence" of such person "is injurious to the peace or good administration of the area".[4] Thus under these Regulations, the non-tribal people are prohibited from settling or buying land as well as constrains the State's ability to acquire land in the tribal areas.

The Sixth Schedule, applicable to tribal-majority areas in Assam, Meghalaya, Mizoram and Tripura, provides robust constitutional safeguards for the land rights of tribal communities while formally recognising and empowering their customary laws and institutions. It mandates the creation of Autonomous District Councils (ADCs) and Regional Councils (RCs), which exercise substantial authority over land administration. Under Section 3 (1) (a) of the Sixth Schedule, these bodies possess legislative powers in matters relating to land use, allotment, transfer, tenure, inheritance, and shifting cultivation.[5] Thus, the ADCs and RCs are constitutionally empowered to restrict or regulate the transfer of land from tribal to non-tribal individuals, thereby preventing land alienation and ensuring that land remains within indigenous communities. In effect, this framework removes land from the direct jurisdiction of the state's revenue department, placing it under the authority of autonomous or traditional bodies. Consequently, for any land acquisition in the tribal areas, the state governments must negotiate not just with individual title holders, but with statutory or customary authorities such as the ADC or village councils whose rights

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3 *REGULATION V OF 1873 (Bengal East Frontier Regulation, 1873),* 27th August 1873, https://www.mha.gov.in/sites/default/files/27_RTI_NE_JPS_280714.PDF.

4 *REGULATION V OF 1896 (THE Chin Hills Regulation, 1896),* 13th August 1896, https://www.indiacode.nic.in/bitstream/123456789/15910/1/the_chin_hills_regulation._1896.pdf.

5 *SIXTH SCHEDULE [Articles 244(2) and 275(1)] Provisions as to the Administration of Tribal Areas in [the States of Assam, Meghalaya, Tripura and Mizoram]*, Constitution of India, New Delhi, p. 281, 287, https://lddashboard.legislative.gov.in/sites/default/files/coi/COI_2024.pdf.

are constitutionally backed. This complexity transforms acquisition from a direct administrative process into a prolonged political and legal negotiation. This requirement significantly limits the State's ability to acquire tribal land unilaterally.

Besides local consents, acquisition of land by the State is further hindered by the absence of formal codified customary laws which makes the land-tenure arrangement complex and unclear.[6] Although the ADCs and RCs were empowered to codify customary laws including those governing land tenure, they have not been able to translate these long-standing practices into a formal legal framework. As a result, cadastral surveys, which are essential for creating modern land records remain largely unfinished. For example, cadastral mapping remains underdeveloped in Arunachal Pradesh.[7] In Assam and Nagaland, most of the land survey were done in sixties and early seventies, which have not been updated adequately.[8] This lack of comprehensive spatial records hinders efficient land management. The limited progress in codification reflects a combination of factors such as the inherent difficulty of fitting complex communal tenure systems into standardised legal categories, local resistance to altering customary arrangements, and the institutional constraints under which these Councils operate.

As stated earlier, customary laws on land ownership differ not just between tribes, but often between different villages within the same district. For example, in Nagaland, the Angami tribe practices permanent terrace cultivation, leading to defined, inheritable individual land parcels in the terraces, but surrounding forest/grazing land remains

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6 B.P. Maithani, "Changing Land Relations and Poverty in the Eastern Himalayas", n. 1.

7 Surendra Nath Tripathi, et al, *Evaluation Study On The Quality Of Land Records In Northeast India*, Indian Institute of Public Administration, New Delhi, 2024, p. 66, https://cdnbbsr.s3waas.gov.in/s3d69116f8b0140cdeb1f99a4d5096ffe4/uploads/2025/08/20250811312044441.pdf.

8 Ibid, p. 73.

communal. Other Naga tribes, like the Ao, might prioritise communal shifting cultivation land distribution. Similarly, in Arunachal Pradesh, among tribes like the Apatani, land is privately owned, while shifting cultivation (jhum) is often managed under collective ownership.[9] Attempting to unify these distinct rules into a single legal code proved administratively and legislatively daunting.

Moreover, many traditional leaders and communities resisted codification, fearing that formal, written law would introduce rigidity, erase the local adaptability of customs, and eventually pave the way for state encroachment or the dilution of communal rights in favour of individual proprietorship. The inherent flexibility of customary law, which allows for ad-hoc dispute resolution, was seen as superior to the rigidity of a formal legal statute. Codification was often viewed as a move by the elected ADCs to centralise power and undermine the traditional authority of village chiefs and local headmen who were the historical custodians and interpreters of land custom. These traditional bodies often resisted the transfer of legal and adjudicatory power to the elected Councils, leading to institutional inertia. The conflict of power between the institution of *Siyemship* and the District Council in Meghalaya is a case in point.[10]

In such a situation, when the state attempts to acquire a parcel for a highway or power plant, it cannot identify a single, legal owner (a *patta* holder) to serve notice or pay compensation. Determining who legally represents the 'community' or 'clan' often leads to internal disputes and legal challenges, delaying the project indefinitely. Without clear title deeds and land use records, calculating 'fair compensation' becomes arbitrary and contentious. Governments rely on local customs and often inflate compensation amounts to satisfy all claimants, leading to massive

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9 Ibid. 66.

10 Asok Kumar Ray, Bhupen Sarmah and Gorky Chakraborty, *Accumulation and Dispossession, Communal Land in North East India*, Aakar, Delhi, 2017, pp. 171-173.

cost overruns and public exchequer burdens. Since land is not surveyed and its value is determined by custom, communities often demand exorbitant compensation rates, sometimes significantly higher than market rates. This difficulty in securing a clear title also prevents the use of land pooling or land exchange mechanisms, which require legally defined property values and boundaries. Moreover, land records, where they exist, are often maintained separately by the ADCs, not the Union or state governments. This fragmentation of administrative authority prevents a unified, efficient land bank system necessary for planning large-scale regional infrastructure.

LABOUR

Labour is an active factor of production that drives economic development and growth, as it brings together land and capital to generate value. Economic development relies on labour to transform raw material into finished goods and services. In this aspect, the quantity and quality of labour are also crucial to determine the total output. A large, skilled, and healthy workforce contribute to the innovation and technological advancement, which boosts efficient production of goods and services. Increased production leads to higher corporate profits and national income, and higher incomes promote higher investment, which in turn results in higher production.

In the case of Northeast India, labour is scarce. The small population base of the region limits the availability of labour. Although the Northeast covers 7.98 per cent of India's total geographical area, the region only accounts for 3.78 per cent of the total population.[11] Moreover, the density of population is low at 175 persons per sq. km, and the population inhabits dispersed settlements. In fact, more than half of the population resides in Assam. As a result, pooling of labour necessary for manufacturing, construction, and large-scale agricultural

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[11] "About Rising Northeast", *Ministry of Development of the North Eastern Region*, https://risingnortheast.in/why-northeast/.

operations becomes difficult. On top of that, local workers are unwilling to take up certain types of wage labour, especially in construction and manual sectors.

Dearth of labour means that labour required for activities such as agriculture, construction, manufacturing, agro-processing, etc., is imported from other states. However, the import of labour is fiercely resisted by local inhabitants due to deep-seated anxieties over demographic change, loss of ethnic identity, and economic competition. The locals fear that if largescale migrant labourers are imported from rest of India, the small indigenous population will be outnumbered and marginalised in their own ancestral lands. The fact that mass undocumented migration from East Pakistan and Bangladesh has significantly altered the ethnic composition of Tripura and parts of the Assam lends credence to this fear. The belief that the indigenous culture, language, and traditions will be overwhelmed by the culture of the dominant migrant groups had triggered anti-foreigner agitations in Assam and Tripura, which soon morphed into raging insurgencies in these states. Locals often feel that migrants, who may be willing to work for lower wages, corner the limited formal and informal job opportunities available. As it stands, there is a persistent resentment against non-locals for dominating trading and business sectors in the region.[12]

This insecurity has driven the locals to vehemently oppose any developmental project which would facilitate an easy egress of people from outside into their states. In fact, there have been demands for the effective implementation and extension of protective laws, such as the Inner Line Permit (ILP) system (in place in Arunachal Pradesh, Mizoram, and Nagaland) to Manipur, Meghalaya, and even to Assam by local

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[12] H. K. Barpujari, "General President's Address: North-East India: the Problems and Policies since 1947", *Proceedings of the Indian History Congress*, Vol. 56, 1995, p. 26. Also see, Nandini Bhattacharyya Panda, "Beyond 'Frontier'", in M. Amarjeet Singh (ed.), *Northeast India and India's Act East Policy*, Routledge, London, 2019,

people. In response to these demands, the Union government in December 2019 extended the ILP to Manipur.[13] In November 2019, the chief minister of Meghalaya said that "tourists and other visitors would need to go through a mandatory registration process" before entering the state.[14] The existence of the ILP and other travel restrictions which strictly regulate the entry of persons in these states hampers the developmental process in the region.

The perceived labour shortage in the Northeast is not merely a function of population size but stems largely from inadequate skill levels and limited technical knowledge. Although the region's literacy levels are relatively high, the employability of its youth, particularly in skill-intensive occupations and in the manufacturing and services sectors, remains considerably low.[15] As noted in the MSDE's Skill India Report (2023), only about 7–8 per cent of youth in the region have undergone any form of formal vocational or technical training. Consequently, the Northeast contributes less to India's skilled workforce, revealing a stark disconnect between its demographic potential and actual employability. Although the Northeast reports a higher overall literacy rate—78.5 per cent compared to the national average of 74 per cent—the picture becomes far less encouraging when examined through indicators such as years of schooling and grade-wise retention.

At the foundational stage, the Net Enrolment Ratio (NER) of all the north-eastern states is 100 surpassing the national average of 96.5 per cent. However, this early momentum declines sharply at the secondary

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13 Amit Anand Choudhary, "ILP: SC agrees to examine validity of Inner Line Permit (ILP) system in Manipur", *The Times of India*, New Delhi, 3 January 2022, https://timesofindia.indiatimes.com/india/sc-agrees-to-examine-validity-of-inner-line-permit-ilp-system-in-manipur/articleshow/88671843.cms.

14 ScribeShah, "CM says registration a must to visit Meghalaya, tourism industry fears a setback", *Enews Room*, 13 November 2019, https://enewsroom.in/tourists-registration-meghalaya-tourism-industry/.

15 *North Eastern Region Vision 2020*, Ministry of Development of North Eastern Region, Agartala, 2008, p. 27.

and higher secondary levels. The Gross Enrolment Ratio (GER) falls to 35.8 per cent in Nagaland, 46 in Meghalaya and 40.1 per cent in Assam—well below the national average of 57.6 per cent.[16] These patterns are further reinforced by high dropout rates in higher education. At the secondary level in 2021-22, dropout figures stood at 21.7 per cent in Meghalaya, 20.3 per cent in Assam and 17.5 per cent in Nagaland, compared to the national average of 12.6 per cent[17], underscoring deep-seated issues of educational continuity and advancement in the region. In fact, inadequacy in higher education severely impacts the ability of an individual to acquire skills, as they limit the development of critical thinking, technological adaptability, and access to high-value career pathways. This, in turn, becomes a major constraint on the long-term economic productivity of the region.

Adding to this problem is the limited number of engineering colleges, polytechnics, and vocational training centres across the region. As of 2017, out of the 11,964 Industrial Technical Institutes (ITIs) across India, only a miniscule per cent were located in the north-eastern region. In several states such as Arunachal Pradesh, Mizoram, and Meghalaya, there are districts which did not have even one ITI.[18] To address this gap, the "Enhancing Skill Development in NE States and Sikkim" (ESDI) scheme was formulated in 2011 to enhance the existing infrastructure of skill development in the north-eastern states. Under the scheme, 34 new ITIs were planned to be established in eight north-eastern states, 22 ITIs were to be upgraded and 28 were to be enhanced

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16 SDG India Index 2023-24: Towards Viksit Bharat, Sustainable Progress Inclusive Growth, *Niti Aayog*, New Delhi, 2024, p. 102, https://www.niti.gov.in/sites/default/files/2024-07/SDG_India_Index_2023-24.pdf.

17 *Unstarred Question No – 976: School Dropout Rate In India*, Rajya Sabha, 4 December 2024, https://sansad.in/getFile/annex/266/AU976_20vj71.pdf?source=pqars.

18 Anupam Sarkar, "Vocational Training and Education in North-East India: Access and Labour Market Outcomes", *Social Change and Development*, Vol. XVII, No. 2, 2020, pp. 56-57.

with infrastructure. An evaluation of the scheme conducted after 10 years indicated that the implementation of the scheme remained shoddy. For example, out of 34 new ITIs approved, only six were established.[19] Tripura, Sikkim, and Manipur fared poorly in completing the work.

Even where such institutions exist, they often struggle to attract eligible students and operate at sub-optimal capacity. Across most north-eastern states, seat utilisation in technical institutions remains far below the national average. This under-enrolment indicates that existing resources, including faculty and physical infrastructure, are not being used effectively, with a significant proportion of seats remaining vacant. Several structural constraints explain this pattern. Foremost among them is the fiscal weakness of north-eastern states, which hampers their ability to recruit qualified faculty, upgrade laboratories and workshops, and expand infrastructure. This financial constraint also prevents institutions from introducing new, industry-aligned courses that could enhance relevance and employability. As a result, training centres fail to meet market expectations, enrolment remains low, and the region continues to face a persistent shortage of skilled manpower.[20]

Another reason is the limited accessibility of training centres for populations residing in remote, sparsely populated, and geographically isolated areas. Despite the expansion of government-sponsored programmes, the physical distance, poor connectivity, and inadequate awareness prevent many potential beneficiaries from enrolling in these centres, which are generally located in the urban centres.[21] Lack of

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[19] Pitam Singh, Kamala Devi , et al., *An Evaluation Study on Enhancing Skill Development Infrastructure in NE States (ESDI)*, National Institute of Labour Economics Research and Development, New Delhi, April 2021, p. 9, https://dgt.gov.in/sites/default/files/ESDI_FINAL_Report_WTM.pdf.

[20] *Skill India: Report of the Sub-Group of Chief Ministers on Skill Development*, Niti Aayog, September 2015, https://niti.gov.in/sites/default/files/2025-06/Final-report-of-Sub-Group-Report-on-Skill-Development.pdf.

[21] *An Insight into East and Northeast India from a Skilling vantage Point*, KPMG and CII, 2021, p. 6, at https://assets.kpmg.com/content/dam/kpmg/in/pdf/2021/09/east-northeast-india-from-skilling-vantage-point-mobilization.pdf.

industrialisation in the region also ensures that the demand for specific skills required for industries is very less. As a result, training institutions consistently fall short of their enrolment targets and operate with chronically low trainee numbers. In fact, attendance levels in the north-eastern states remain persistently weak, with participation rates rarely exceeding 35 per cent.[22]

This consistently low turnout highlights enduring difficulties in ensuring sustained trainee engagement. With insufficient trainees, centres struggle to generate the requisite resources to maintain staff, upgrade equipment, and deliver training of adequate quality. Over time, the inability to sustain operations combined with weak local demand and the absence of viable outreach mechanisms lead many of these centres to scale back their activities or close down entirely.[23] This cycle of poor access, low enrolment, and eventual closure further entrenches regional disparities in skill formation and limits the broader developmental impact of such programmes.

One of the most significant consequences of low skill levels among the working population in the Northeast is the continued concentration of labour in low-productivity traditional activities, particularly shifting cultivation and subsistence agriculture. Such forms of agriculture generate limited surplus and absorb labour beyond what is economically required, resulting in widespread disguised unemployment and low productivity per worker. This situation severely constrains the region's ability to undergo structural transformation from low-value primary activities to higher-value secondary and tertiary sectors.

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22 Amit Kapoor, et al, *Skills for the Future Transforming India's Workforce Landscape*, Institute for Competitiveness, June 2025, p. 99, https://competitiveness.in/wp-content/uploads/2025/06/Report_Skill_Roadmap_Final_Compressed.pdf.

23 Reema Sarkar and Jogeswar Barman, "Skill Development: Problems and Prospects in North-East India", *International Education & Research Journal*, Volume, 9, No. 5, May 2023, p. 31.

Agriculture continues to be the dominant source of livelihood in the Northeast, with over 70 per cent of the population dependent on it. However, this high dependence on agriculture stands in sharp contrast to its declining contribution to the states' domestic product (SDP). Over the years, the share of agriculture in SDP has steadily fallen, indicating stagnation and declining productivity within the sector. Crucially, this decline has not been accompanied by a commensurate expansion of the secondary sector, particularly manufacturing. Instead of labour moving from agriculture into productive industrial employment, this trend points towards increasing marginalisation and casualisation of agricultural workers, many of whom are pushed into informal, low-quality employment or underemployment.[24]

The weakness of the secondary sector is a defining feature of the region's economic structure. Its overall contribution to SDP remains low and is overwhelmingly dominated by construction, which accounts for over 60 per cent of secondary sector output in most north-eastern states, except Assam. Manufacturing, which is the core driver of industrialisation, productivity growth, and employment generation remains extremely limited, typically contributing only about 2–5 per cent to SDP. Assam stands as a partial exception, having developed a modest manufacturing base supported by industries such as oil and natural gas, textiles and handlooms, sugar, fertilisers, and petrochemicals. In the rest of the region, however, weak private sector presence, limited entrepreneurial capacity, and inadequate industrial infrastructure have constrained manufacturing growth.

A similar imbalance is evident in the tertiary sector. Although services contribute a substantial share to SDP, 50–60 per cent of this output is derived from public administration and government-related services.

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24 Anjan Chakrabarti, "Changing trajectories of economic growth and employment in Northeast India: An empirical assessment", in Virginius Xaxa, Debdulal Saha & Rajdeep Singha (Eds.), *Employment and Labour Market in Northeast India: Interrogating Structural Changes*, Routledge, Oxon, 2019, p. 50.

This reflects the region's heavy dependence on the state as the primary employer and growth driver, rather than on dynamic private services such as finance, logistics, tourism, or knowledge-based industries.

Taken together, these patterns reveal an economy characterised by low skills, limited industrialisation, and excessive reliance on agriculture and government services. The absence of a robust manufacturing base and skill-intensive service sector has impeded structural transformation, perpetuating low productivity, underemployment, and economic vulnerability in the Northeast.

Lack of Capital

While land and labour are primary factors, capital is the accelerator that allows an economy to move from subsistence to industrialisation. Capital provides the investment needed for factories, transportation, and complex machinery that replace manual labour, making production faster and cheaper, thus allowing large-scale production. In the Northeast, while the public sector investment and central grants have sustained the region's basic developmental requirements, the chronic absence of private capital holds up sustainable growth. One of the most significant barriers to the generation of private capital in the region is the nature of land ownership. As discussed earlier, a large proportion of land in the Northeast is governed by customary laws and the protective provisions of the Sixth Schedule of the Constitution, under which land cannot be freely sold to *"outsiders"* and, in many cases, cannot be easily transferred even within the community for commercial or industrial use. While these arrangements are crucial for safeguarding tribal rights and preventing alienation of indigenous land, they also impose severe constraints on the use of land as an economic asset.

A key consequence of this system is that land cannot be readily mortgaged or offered as collateral for bank loans.[25] Financial institutions require clear, individual, and transferable title to secure lending. However,

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[25] Asok Kumar Ray, Bhupen Sarmah and Gorky Chakraborty, *Accumulation and Dispossession, Communal Land in North East India*, n. 10.

community ownership, clan-based rights, and uncodified customary practices create legal ambiguity. As a result, banks are reluctant to extend credit, particularly for long-term industrial projects. This severely limits access to formal finance for local entrepreneurs and discourages external investors who depend on land-backed financing. Consequently, despite the apparent abundance of land, much of it remains economically underutilised. For local communities, land often becomes a "dead asset," valuable in social and cultural terms, but incapable of being leveraged to mobilise capital or attract investment. This disconnect between land ownership and capital formation hampers industrialisation, restricts enterprise development, and perpetuates reliance on government funding and subsistence activities.

The Northeast also suffers from persistently low capital formation, which means there is a limited accumulation of financial resources available for productive investment. This is primarily due to low per capita incomes and modest household savings, which restrict the internal generation of investible surplus. One of the significant indicators of capital scarcity is the low Credit–Deposit Ratio (CDR). A consistent low credit deposit of below 50 per cent in the north eastern states, which is far lower than the national average of approx. 76 per cent indicate that a significant portion of bank deposits mobilised in the region is not reinvested locally. Instead, these funds are often channelled to other states where industrial opportunities are perceived to be more profitable and less risky.[26] As a result, the region experiences a chronic shortage of investible capital, weakening the financial base required for both industrial expansion and infrastructure development.

This scarcity of capital, particularly private capital, acts as a critical bottleneck in several ways. First, it limits the establishment of new industrial units, especially in capital-intensive sectors such as manufacturing, agro-processing, and energy, which are essential for

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[26] Silu Muduli and Tejadipta Behera, "An Anatomy of Credit-Deposit Ratios among Indian States", *The IUP Journal of Applied Economics*, Vol. 25, No. 1, 2026, p. 3, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5175568.

structural transformation. Second, existing enterprises face severe constraints in modernising technology, expanding capacity or achieving economies of scale, thereby remaining small, informal and low in productivity. Third, inadequate availability of risk capital discourages entrepreneurial entry, as potential entrepreneurs are unable to access long-term finance or venture funding and are forced to rely on personal savings or informal credit, significantly increasing business risk.

Moreover, weak private investment places excessive reliance on public expenditure to drive growth. While government spending can create basic infrastructure and provide initial momentum, it cannot substitute for sustained private investment that brings managerial expertise, innovation, and market linkages. The absence of a robust private capital base thus perpetuates low industrialisation, limited employment generation and continued dependence on agriculture and government services, trapping the Northeast in a cycle of low productivity and underdevelopment.

The process of development cannot be sustained solely through government intervention. Recognising this, the Union government initiated a strategy to attract private capital, including foreign direct investment, through organised domestic business summits and sustained engagement with potential foreign investors. As part of this effort, the first North East Business Summit (NEBS) was jointly organised in Mumbai in 2002 by the DoNER and the Indian Chamber of Commerce (ICC), with the objective of showcasing the region's strengths and highlighting the range of business opportunities available in the Northeast.[27]

The key thrust areas identified for investment included agriculture and forestry, tourism and hospitality, information technology and IT-enabled services, biotechnology, handicrafts and handloom industries, petrochemicals, hydropower, and the cement industry. These business

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[27] Deepak Kumar Rath, "Focus: North-East A new era of peace, progress and prosperity", *Organiser*, 1 February 2004, https://organiser.org/2004/02/01/26732/general/r4c9dce11/.

summits were typically attended by a wide cross-section of domestic and international investors, senior policymakers, Chief Ministers of the North-Eastern states, and Heads of foreign missions.[28] They were often preceded by roadshows in major metropolitan cities across India to initiate dialogue between interested business houses and Industry leaders with the state governments.

The NEBS series continued until 2017,[29] with the 12th and final edition marking the conclusion of this phase of investor outreach, after which the summit series was discontinued. The series of NEBS can be regarded largely an awareness building exercise about the Northeast and its business potentials to the outside world. Post-2017, the government opted for rebranded and diversified engagement platforms, such as 'Destination North East/North East India Festival' (tourism and cultural-economic promotion), 'Advantage Assam' (2018 & 2025), 'North East Global Investors Summit' (2023 & 2024), and 'Rising North East Investors Summit' (2025). These newer platforms were designed to be larger in scale, globally oriented and more aligned with national initiatives like 'Act East Policy,' 'Make in India,' and 'Atmanirbhar Bharat'.

These newer platforms have played a significant role in rebranding the North-East from a peripheral and conflict-prone region to one with considerable economic potential. They have succeeded in generating substantial investor interest, as reflected in the scale of investment proposals announced. For instance, the North East Global Investors Summit witnessed the signing of 120 Memoranda of Understanding (MoUs) valued at ₹43,939 crore.[30] Similarly, Advantage Assam 2.0

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28 *Annual Report 2007-08*, Ministry of Development of the North Eastern Region, New Delhi, 2008, p. 10.

29 "Two-day 12th North East Business Summit inaugurated in New Delhi", *Press Information Bureau*, New Delhi, 16 November, 2017, https://www.pib.gov.in/newsite/printrelease.aspx?relid=173566&reg=3&lang=2.

30 *Annual Report 2024-25*, Ministry of Development of the North eastern Region, New Delhi, 2025, p. 23.

attracted investment commitments worth ₹5.18 lakh crore,[31] while the Rising North East Investors Summit 2025 generated investment interest of approximately ₹4.3 lakh crore.[32] Importantly, the fructification of several projects emerging from earlier summits demonstrates a degree of success in investment outreach. Projects originating from Advantage Assam 1.0 include the ₹2,000 crore Tata Cancer Hospital, the ₹250 crore Campa Cola bottling plant, and the ₹1,600 crore 'Medicity' project by the Indo-UK Institute of Health, all of which underscore the tangible outcomes of these initiatives.

However, while these projects and MoUs signal a renewed and intensified effort to position the Northeast as an attractive destination for large-scale domestic and foreign investment, the conversion rate of MoUs into operational projects has generally remained between 30 and 50 per cent. For example, Advantage Assam 1.0, organised in 2018, saw the signing of 200 MoUs worth approximately ₹1 lakh crore,[33] but actual investments materialised to only ₹51,958.20 crore. Moreover, a significant share of these realised investments originated from Public Sector Undertakings (PSUs) such as Numaligarh Refinery

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31 "Assam received Rs 5.18 lakh crore investment proposals in biz summit: CM Himanta Biswa Sarma", *The Economic Times*, 28 February 2025, https://economictimes.indiatimes.com/news/economy/finance/assam-received-rs-5-18-lakh-crore-investment-proposals-in-biz-summit-cm-himanta/articleshow/118627493.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst.

32 "Over 4 Lakh Crore Investment Proposals: Rising North East Summit Concludes on a Successful Note", *Press Information Bureau*, Delhi, 25 May 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2131072&reg=3&lang=2.

33 Bikash Singh, "Advantage Assam Summit: Investment of Rs 1,00,000 crore committed", *The Economic Times*, Guwahati, 4 February 2018, https://economictimes.indiatimes.com/news/economy/finance/advantage-assam-summit-investment-of-rs-100000-crore-committed/articleshow/62779498.cms?from=mdr.

Limited (NRL), Oil and Natural Gas Corporation (ONGC), and Oil India Limited (OIL) rather than from entirely new private capital.[34]

Many investment commitments announced at successive summits failed to materialise due to persistent structural and institutional bottlenecks. These include inadequate physical connectivity, high logistics and transportation costs, limited industrial infrastructure, complex and often fragmented land tenure systems, and bureaucratic inertia. Collectively, these constraints have prevented the emergence of a supportive investment ecosystem, without which large-scale private investment cannot be sustained. A critical weakness has been the gap between policy intent and administrative capacity at the ground level. Although mechanisms such as the 'single-window clearance' system were formally introduced to facilitate ease of doing business, in practice they have largely remained notional. Civil administration at the cutting edge has often been insufficiently trained, poorly sensitised, and inadequately empowered to engage with investors and process investment proposals efficiently. Consequently, investors frequently encounter delays, procedural ambiguity, and multiple layers of approvals, making the process of securing clearances both time-consuming and uncertain.[35]

Equally significant has been the absence of systematic post-summit follow-up mechanisms. Low levels of awareness and ownership among sections of the bureaucracy resulted in weak monitoring of MoUs. Moreover, little efforts were made by the bureaucrats to track progress, resolve bottlenecks, or facilitate project implementation.[36] This revealed not only the dismal state of policy execution, but also raised concerns about the seriousness of certain investment commitments, many of

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34 "Broken promises & paper plans: What went wrong with Advantage Assam 1.0", *The Assam Tribune*, 19 January 2025, https://assamtribune.com/assam/broken-promises-paper-plans-what-went-wrong-with-advantage-assam-10-1565208.

35 Ibid.

36 Ibid.

which appeared aspirational rather than project-ready.[37] In effect, while investor summits succeeded in generating visibility and intent, the lack of an enabling administrative and institutional framework significantly undermined their outcomes. Without sustained bureaucratic capacity building, effective inter-departmental coordination, and rigorous follow-through, summit-driven investment promotion has struggled to translate into tangible economic transformation in the region.

Drawing lessons from earlier experiences in which several MoUs remained merely on paper, the Government of Assam adopted a more rigorous and selective approach towards investment proposals for the 2025 investment summits. In a marked departure from past practices, the state introduced stricter pre-screening and due-diligence mechanisms to ensure that only credible, project-ready, and financially viable proposals were entertained. Significantly, prior to the commencement of *Advantage Assam 2.0* in February 2025, all major investment proposals were placed before the State Cabinet for detailed examination. This step was aimed at assessing the seriousness of investors, the technical and financial feasibility of projects, land and regulatory requirements, and their alignment with the state's development priorities. As a result of this stringent scrutiny, investment proposals amounting to approximately ₹45,000 crore were rejected, having been assessed as non-serious, flimsy, or casual in nature.[38] The experience underscores an important policy lesson for the north-eastern region that investment promotion must be accompanied by institutional discipline and project readiness if summits are to translate into tangible economic outcomes rather than symbolic commitments.

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[37] "Advantage Assam 2.0: Bigger MoUs, higher stakes & a cautious approach", *The Assam Tribune*, 27 February 2025, Guwahati, https://assamtribune.com/assam/advantage-assam-20-a-game-changer-or-a-repeat-of-2018s-investment-shortfall-1569521.

[38] "Advantage Assam 2.0: Cabinet clears investment proposals worth Rs 1.22 lakh crore ahead of Summit", *ANI*, Guwahati, 23 February 2025, https://www.aninews.in/news/business/advantage-assam-20-cabinet-clears-investment-proposals-worth-rs-122-lakh-crore-ahead-of-summit20250223155756/.

LACK OF ENTREPRENEURSHIP

As discussed, the Northeast is richly endowed with natural resources, yet these resources remain largely underutilised owing to the region's limited level of industrialisation. Industrial development does not occur automatically in the presence of resources; it requires a strong entrepreneurial base capable of mobilising raw materials, organising production, accessing markets, and securing financial capital.[39] Entrepreneurship thus serves as the critical link between natural endowments and sustained industrial growth. In the Northeast, however, entrepreneurship has historically remained stunted, resulting in an economic structure dominated by subsistence activities and a heavy reliance on government employment. The absence of a robust entrepreneurial culture compounded by structural, financial, and socio-cultural barriers has been a major factor behind the region's inability to translate its immense natural potential into self-sustaining economic growth.

An entrepreneurial culture generally evolves when traits such as initiative, diligence, innovation, and risk-taking are cultivated and transmitted across generations through families, communities, and social institutions. In much of the Northeast, however, the prevalence of shifting cultivation shaped a distinct socio-economic order that was not conducive to the emergence of such values. Shifting cultivation fostered a communitarian system of land ownership, characterised by the absence of clearly defined private property and individualised land rights.[40] Since land was held collectively and access was regulated by customary norms, incentives for long-term investment, innovation, or capital formation remained weak. Moreover, shifting cultivation relied on primitive tools

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[39] Keya Sengupta, "Cultural Issues related to Entrepreneurial development in the Northeast", in B. Datta Ray and P. Baishya (eds.), *Sociological Constraints to Industrial Development in North East India*, Concept Publishing Company, New Delhi, 1998, pp. 101-102.

[40] Asok Kumar Ray, Bhupen Sarmah and Gorky Chakraborty, *Accumulation and Dispossession, Communal Land in North East India*, n. 10, p. 111.

and rudimentary techniques of production, keeping economic activity inherently small-scale and preventing the achievement of productivity gains or economies of scale.[41] As a result, production remained largely static, with limited scope for surplus generation or reinvestment.

This subsistence-oriented mode of production gave rise to a predominantly traditional social order that emphasised group cohesion, social conformity, and collective survival. In such societies, stability and mutual support were essential for coping with ecological uncertainty and economic vulnerability. While these norms strengthened social solidarity, they also tended to discourage individual autonomy, experimentation, and risk-taking—qualities that are central to entrepreneurial activity.[42] Deviation from established economic practices was often viewed with suspicion, as failure could jeopardise not just individual livelihoods but also collective welfare. Consequently, entrepreneurship, which inherently involves uncertainty and innovation, failed to gain social legitimacy as a desirable or respectable pursuit.

The subsistence nature of the economy further constrained the development of a vibrant commercial culture in several interrelated ways. First, production was primarily aimed at meeting immediate household or village needs rather than generating surplus for exchange. With limited surplus, there was little incentive to engage in trade, capital accumulation, or reinvestment—processes that are essential for nurturing commercial skills and entrepreneurial thinking. Economic activity thus remained localised, fragmented, and largely insulated from market forces. Second, geographical isolation and difficult terrain severely hampered connectivity with major regional and national markets. In the absence of sustained interaction with wider markets, local producers had minimal exposure to competitive pricing, evolving consumer preferences, credit mechanisms, or modern business practices.

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41 Ibid, pp. 111-112.

42 S. K. Nanda, "Socio-Cultural Factors in Entrepreneurial Development in the Northeast: Some Reflections", in J. U. Ahmed (ed.), *Development Vision of Northeast India*, Concept Publications, New Delhi, 2010, pp. 78-80.

Consequently, the practical knowledge required to identify opportunities, manage risk, and scale enterprises failed to take root within the region.

This limited exposure to successful, risk-taking business models meant that entrepreneurship was seldom perceived as a viable career choice. Over time, this resulted in a persistent deficit of business knowledge, role models, and mentorship within local communities. Aspiring entrepreneurs often encountered indifference, scepticism, or even resistance from family members, who tended to associate enterprise with financial uncertainty and potential failure.[43] Such social attitudes generated strong pressure in favour of security and stability, making salaried employment, particularly government service, far more attractive than entrepreneurial ventures. The absence of intergenerational transmission of business experience thus reinforced a cycle of low entrepreneurial propensity.

These historical constraints were reinforced by contemporary socio-cultural and political factors. For decades, government employment in administration, education, and the police has been viewed as the most respectable and desirable career path, offering stability, social prestige, and a steady income. People of the region prefer government jobs than to have their own source of income.[44] This aspiration has deepened risk aversion among the youth, many of whom perceive government jobs as more attainable and less hazardous than the prolonged effort and uncertainty involved in building enterprises or industries.[45] As a result, entrepreneurial ambition remains limited, even among educated sections of society.

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43 Motiram Das, "Challenges of entrepreneurship in north-eastern states: An analysis", *International Journal of Multidisciplinary Research and Development*, Vol. 10, No. 3, 2023, p. 56.

44 Author's interview with a senior faculty at the Indian Institute of Entrepreneurship, Guwahati, February 2025.

45 Author's interviews with students in Manipur and North Eastern Hill Universities at Imphal and Shillong in February-March 2025.

The region's prolonged experience with insurgency has also dampened the spirit of entrepreneurship. Insurgent groups have historically relied on extortion as a major source of finance, extracting 'taxes' or 'donations' from traders, contractors, transporters, and even small shopkeepers. Such practices have significantly raised the cost of doing business, eroded profitability, and discouraged many aspiring entrepreneurs from entering or continuing in business.[46] Additionally, segments of the region's socio-political leadership, including ethnic and insurgent groups, have historically prioritised demands for redistribution of resources over strategies for entrepreneurship-led development. In several instances, opposition to industrialisation has been articulated in the name of ecological protection. While environmental conservation is undeniably crucial in this ecologically fragile region, such agitations have often functioned as instruments to extract greater financial transfers from the Union government rather than to promote sustainable, locally driven economic transformation.[47] This approach has inadvertently reinforced dependence on external support and weakened incentives for indigenous enterprise formation.

For societies such as those in the Northeast to modernise and industrialise, a critical transformation must occur at the level of social values and leadership. Elites and opinion leaders need to actively embrace change and promote entrepreneurial ideals, enabling a shift from traditional communal orientations towards innovation-driven economic activity. Without such a cultural and institutional shift, the region's abundant natural resources are likely to remain underexploited, and its economy trapped in a cycle of subsistence, dependency, and limited industrial growth.

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[46] Author's Interviews with businesspersons and students in Imphal and Guwahati, February 2025.

[47] P.R. Bhattacharjee, "Relative contributions of economic and non-economic factors to industrial backwardness of the Northeastern region", in B. Datta Ray and P. Baishya (eds.), *Sociological Constraints to Industrial Development in North East India*, Concept Publishing Company, New Delhi, 1998, p. 87.

Recognising the structural weaknesses in the indigenous entrepreneurial ecosystem of the Northeast, the Union government has sought to provide an external impetus for the development of an entrepreneurial culture through a range of institutional and policy interventions. Prominent among these is the establishment of specialised institutions such as the Indian Institute of Entrepreneurship (IIE) at Guwahati, which has been mandated to promote entrepreneurship through training, research, and capacity-building programmes tailored to the region's unique socio-economic context. In addition, the setting up of Indian Institutes of Information Technology (IIITs) and Institutes of Hotel Management at Guwahati and Shillong as well as the Film and Television Institute in Jollang Rarkap (Jote), Arunachal Pradesh, and the National Institute of Design in Jorhat, reflects a strategic effort to develop sector-specific skills, particularly in information technology, services, tourism, and hospitality. In addition, under the ASPIRE (A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship) scheme, the Union government had established a number of Livelihood Business Incubators (LBIs) and Technology Business Incubators (TBIs) in the Northeast.[48]

These institutions are expected to serve as nodal centres for nurturing entrepreneurial talent by imparting technical knowledge, managerial skills, and exposure to modern business practices. By providing structured training, incubation support, and industry linkages, they aim to compensate for the historical absence of intergenerational business experience and mentorship within local communities. Similarly, under the Pradhan Mantri YUVA Yojana (PM-YUVA), 25 project institutes have been selected for a pilot programme on Entrepreneurship Development in Assam and Meghalaya[49], with the objective of fostering

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[48] "A Scheme for Promotion of Innovation, Rural Industries & Entrepreneurship (ASPIRE)", *Indian Institute of Entrepreneurship*, Guwahati, https://iie.gov.in/pr/projects/a-scheme-for-promotion-of-innovation—rural-industries—entrepreneurship—aspire-#gsc.tab=0

[49] "Steps taken to promote entrepreneurship in North-Eastern Region", *Press Information Bureau*, New Delhi, 3 February 2021, https://www.pib.gov.in/Pressreleaseshare.aspx?PRID=1694797&reg=3&lang=2.

an entrepreneurial mind-set among youth through education, mentorship, and hands-on project work. Another step towards promoting women's entrepreneurship in the Northeast, the Ministry of Skill Development and Entrepreneurship (MSDE), in collaboration with NITI Aayog, launched *Swavalambini*, a Women Entrepreneurship Programme in Assam, Meghalaya and Mizoram. In Assam, 15 women's college have started the *Swavalambini* scheme[50], which seeks to empower female students in select higher education institutions (HEIs) in the Northeast by equipping them with the necessary entrepreneurial mind-set, skills, resources and mentorship to successfully pursue entrepreneurial ventures.[51] Such initiatives represent an important attempt to shift societal aspirations away from exclusive dependence on government employment towards enterprise creation.

Alongside these state-led efforts, local private initiatives have also played a complementary role in strengthening the entrepreneurial ecosystem. Organisations such as Entrepreneur Associates, operating in Nagaland and Manipur, have undertaken grassroots-level interventions by providing training, mentoring, and handholding support to first-generation entrepreneurs.[52] These initiatives are particularly significant as they operate within local socio-cultural contexts and often enjoy greater trust among aspiring entrepreneurs, thereby helping to bridge the gap between formal institutional support and community-level engagement.

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50 Author's interview with a senior faculty at the Indian Institute of Entrepreneurship, Guwahati, February 2025.

51 "Union Minister Jayant Chaudhary launches Swavalambini, a women entrepreneurship programme, for the Northeast", *Press Information Bureau*, Delhi, 7 February 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2100760&reg=3&lang=2.

52 *The Entrepreneurs Associates, Creating Wealth & Opportunities*, https://www.eanagaland.org/; Also see, N. Martina Solo and Kevino Nagi, "Prospects for Entrepreneurs in North-East India: A Case Study", *International Journal of Research in Business Studies*, 2 (2), December 2017, pp. 147-158.

Despite these positive developments, entrepreneurship in the Northeast continues to face formidable challenges. The major challenge to the development of an entrepreneurial culture in the region is that the scale for training of entrepreneurship is very small and inconsistent. A persistent lack of financial literacy limits the ability of aspiring entrepreneurs to prepare viable business plans, access formal credit, or effectively manage finances.[53] The Northeast has weak financial infrastructure and limited banking penetration, which restrict credit flow despite inclusion policies. A study on financial access in Assam found that 76.9 per cent of the entrepreneurs interviewed were suffering from capital shortage or lack of access to an adequate amount of credit.[54] In fact, credit allocation is inequitable in the region. Securing loans from formal financial institutions is a major issue for local entrepreneurs because of the demand for substantial collaterals.[55] Many aspiring entrepreneurs find it difficult to use land as collateral given the complex customary land tenure systems in the region. Time-consuming loan processing periods, high interest rates and extensive scrutiny of loan applications, especially for small-value loans, add to delays that sap the enthusiasm of young entrepreneurs.[56]

Weak CDR creates a situation where local start-ups cannot access the very funds their own community has deposited, leading to a perpetual

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[53] Tara Khandelwal, "Entrepreneurship in the North-East: Trends & Challenges", *She the People*, 21 October 2017, https://www.shethepeople.tv/news/entrepreneurship-in-the-north-east-trends-challenges/. ; Also see, "Entrepreneurship and Innovation: Few Issues across Northeast India", *Northeast Now*, https://nenow.in/north-east-news/entrepreneurship-innovation-issues-northeast-india.html.

[54] Prasenjit Bujar Baruah, "Impacts of Financial Access of Urban Informal Enterprises", *The Bangladesh Development Studies*, Vol. 44, No. ½, March-June 2021, p. 137.

[55] Subika Farazi, "Informal Firms and Financial Inclusion Status and Determinants", *Policy Research Working Paper No. 6778*, The World Bank, February 2014, p. 19.

[56] *328th Report on Review Of Performance Of Generation Programme (PMEGP)*, Department Related Parliamentary Standing Committee on Industries, Rajya Sabha, New Delhi, 28 March 2025, p.10.

shortage of seed and expansion capital. Resultantly, a significant proportion of entrepreneurs rely primarily on personal savings and credit from informal sources to finance their businesses. While self-financing may facilitate initial entry into entrepreneurship, it substantially increases the financial risk borne by the entrepreneur.[57] Dependence on own funds severely constrains the ability of enterprises, particularly those operating in the informal sector, to expand, modernise or scale up operations, thereby limiting their long-term growth and sustainability.

Moreover, the absence of a strong social support system for entrepreneurship means that business failure is often stigmatised, discouraging experimentation and risk-taking. Families and communities frequently prioritise income security over innovation, reinforcing a preference for salaried employment. Consequently, while external institutional support has laid the groundwork for nurturing entrepreneurship in the Northeast, its impact remains constrained by deeper structural and socio-cultural barriers. For these initiatives to translate into a sustained entrepreneurial transformation, they must be complemented by improved access to finance, stronger local mentorship networks, greater societal acceptance of risk, and policies that reduce uncertainty and enhance ease of doing business. Only then can the region move towards building a self-reinforcing and locally rooted entrepreneurial culture capable of driving long-term economic development.

Security and Governance

The Northeast region of India has been affected by multiple insurgencies since Independence, and the persistence of internal conflict has had profound and long-lasting consequences for its development trajectory. A substantial body of development economics and conflict literature establishes that once insurgency takes root, it systematically undermines long-term development outcomes. In conflict-affected regions, both public and private investment in social and economic infrastructure

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57 Prasenjit Bujar Baruah, "Impacts of Financial Access of Urban Informal Enterprises", n. 54, p. 148.

such as education, healthcare, transport, and communication tends to decline sharply as uncertainty and insecurity raise risks and lower expected returns. Insurgency also leads to the erosion of accumulated physical, social, and human capital.[58] Physical assets are destroyed or neglected, educational attainment suffers due to disrupted schooling, and skilled human capital often migrates out of the region. At the societal level, trust in institutions weakens, and social networks fragment. These dynamics create what describes as a "conflict trap,"[59] wherein poverty increases the likelihood of conflict, and conflict in turn deepens poverty, making both development and peace increasingly difficult to sustain.

Fiscal consequences further compound the problem. As insecurity intensifies, governments are compelled to reallocate scarce public resources away from productive development expenditures toward unproductive or defensive spending, particularly security enhancement, policing, and counter-insurgency operations. This shift not only constrains developmental spending but also contributes to persistent fiscal stress, especially in resource-poor regions such as the Northeast.[60] Over time, such fiscal distortions reduce the state's capacity to invest in growth-enhancing sectors. Moreover, prolonged conflict adversely affects the quality of governance. Weak administrative reach, disrupted service delivery, and declining bureaucratic effectiveness become common features in insurgency-affected areas. Insecure environments encourage capital flight and discourage entrepreneurial activity, further shrinking the economic base. In the context of Northeast India, these

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58 Sanjib Banik and Gurudas Das, "Role of Economic Development and Governance in Mitigating Insurgency: A Case Study of Tripura, India", *International and Multidisciplinary Journal of Social Sciences*, 8 (1), 2019, p. 53.

59 Paul Collier, Lani Elliott, Håvard Hegre, Anke Hoeffler, Marta Reynal-Querol, and Nicholas Sambanis, *Breaking the Conflict Trap Civil War and Development Policy*, World Bank Policy Research Report, Washington, World Bank and Oxford University Press, 2003, p. 4.

60 Sanjib Banik and Gurudas Das, "Role of Economic Development and Governance in Mitigating Insurgency: A Case Study of Tripura, India", n. 58.

dynamics have translated into structural developmental deficits, persistent dependence on transfers of funds by the Union government and limited private investment. Although the security situation has improved in recent years, the legacy effects of decades of insurgency continue to shape investor perceptions, institutional capacity, and developmental outcomes.

Manipur, which occupies a strategic position as the linchpin of connectivity projects under India's Act East Policy, presents a stark illustration of how persistent insecurity and governance deficits can undermine development prospects. It is the only state in the Northeast that has experienced prolonged and near-continuous insurgency since 1960s, and this chronic instability has had severe economic and institutional consequences. Violence in Manipur is perpetrated by armed groups and militant organisations belonging to multiple ethnic and social communities, including the Meitei, Naga, Kuki, Zomi, Hmar, and Muslim groups. In 2023, Manipur experienced a sharp escalation in violence following the outbreak of ethnic conflict between the Meitei and Kuki communities. This led to a significant rise in casualties among civilians as well as security force personnel compared to 2022. During the year, Manipur recorded 187 violent incidents, while the entire Northeast registered 243 incidents, meaning that the state alone accounted for nearly 77 per cent of all violent incidents in the region.[61]

As the violence continued into the following year, 2024 witnessed a further deterioration in Manipur's security situation. The state recorded 226 violent incidents, out of a total of 294 incidents reported across the entire Northeast, thereby accounting for the overwhelming majority of violent incidents in the region during the year. Similarly, in 2025, Manipur reported 95 violent incidents, compared to 143 incidents across the entire Northeast, once again accounting for a disproportionately large share of the region's violence.[62] This

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61 *Annual Report 2023-24,* Ministry of Home Affairs, New Delhi, 2024, p. 23.

62 "Insurgency In North East", *Ministry of Home Affairs-North East Division*, https://www.mha.gov.in/sites/default/files/2025-12/InsurgencyNE_18122025.pdf.

overwhelming concentration of violence highlights the severity of Manipur's security crisis and its destabilising impact on the broader Northeast.

Political interference in the functioning of the security and justice apparatus has been widely identified as a major contributor to Manipur's deteriorating law-and-order situation. Such interference extends beyond recruitment, transfers, and postings of police personnel to include decisions related to the arrest, prosecution, and sentencing of militants, thereby undermining the autonomy and credibility of law-enforcement institutions. If an insurgent group provides 'electoral services' to a political candidate ranging from voter intimidation to physical protection, the subsequent political leadership is structurally deterred from authorising the police to arrest members of that group. It has frequently been alleged that insurgents with political patronage are shielded from arrest or prosecution unless explicit clearance is obtained from political leadership.[63] Data from the National Crime Records Bureau (NCRB) consistently show that while the number of arrests under the Unlawful Activities (Prevention) Act (UAPA) in Manipur is among the highest in India, the actual conviction rate remains abysmally low. For example, between 2019 and 2023, the number of persons arrested under UAPA in Manipur was 1,168, but only one person was convicted.[64] This perception of selective enforcement weakens deterrence, erodes public trust in state institutions, and emboldens armed groups.

To compound matters administrative reach of the state in insurgency-affected areas is weak. Militant organisations in Manipur continue to exercise de facto control in several pockets, despite the presence of security forces. This limited writ of the state is most evident in the

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[63] E. N. Rammohan, "Armed Forces Special Powers Act", *Dialogue*, 14 (4), April-June 2013, p. 119.

[64] *Unstarred Question No. 351*: *Persons Arrested Under UAPA*, Lok Sabha, 2 December 2025, https://www.mha.gov.in/MHA1/Par2017/pdfs/par2025-pdfs/LS02122025/351.pdf.

persistence of illegal taxation (extortion) by militant groups from households, traders, government employees, and contractors. Insurgent groups, particularly in the Imphal Valley (such as the United National Liberation Front (UNLF) and People's Revolutionary Party of Kangleipak (PREPAK) and the hill districts such as the National Socialist Council of Nagalim- Issac Muviah (NSCN-IM), Zomi Revolutionary Army (ZRA), etc., maintain sophisticated fiscal regimes. These groups do not merely extort individual businesses, they levy systematic deductions directly from the salaries of government employees, sometimes amounting to 10–25 per cent of their gross pay.[65]

In fact, the 'militant-politician-contractor nexus' has evolved into a structural reality that fundamentally hollows out state authority.[66] In this ecosystem, state developmental funds are often siphoned off through a 'coalition of the corrupt' where contractors, protected by both politicians and insurgent groups, inflate project costs to pay 'commissions' to underground (UG) organisations.[67] For instance, the Comptroller and Auditor General (CAG) highlights that as of March 2023, the state government had unreconciled expenditure amounting to thousands of crores across departments.[68] Specifically, in the Police

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[65] Shalaka Thakur, "Armed group taxation and the processes of political ordering in northeast India", *World Institute for Development Economics Research Working Paper No. 107/25*, December 2025, pp. 9-16, https://www.wider.unu.edu/sites/default/files/Publications/Working-paper/PDF/wp2025-107-armed-group-taxation-processes-political-ordering-northeast-India.pdf. Also see Rakhee Bhattacharya, "*Development Disparities in Northeast India*, New Delhi, Cambridge University Press India, Pvt. Ltd., New Delhi, 2011, pp. 97-118.

[66] Wasbir Hussain, "Social, Economic and Political Dynamics in Extremist Affected Areas", *Bureau of Police Research And Development*, Guwahati, 2016, p. 8.

[67] E.N. Rammohan, *Blue Print for Counter Insurgency in Manipur*, *USI Journal*, Vol. CXXXII, No. 548, April-June 2002, p. 241-242.

[68] *State Finance Audit Report of the Comptroller and Auditor General of India for the year ended 31 March 2023, Government of Manipur (Report No. 1 of 2024)*, Government of Manipur, 2024, pp. 81-85, https://cag.gov.in/uploads/download_audit_report/2024/Chapter-III-Budgetary-Management-066baf5bb7fdad1.91496155.pdf.

Department and Rural Development, over 30-40 per cent of the total budget was not reconciled. To make matters worse, out of 1,679 sub-heads, 1,334 sub-heads were required to explain for variations between budget provisions and expenditure indicating abysmal accountability of the executive over utilisation of public funds. Similarly, the CAG Report in 2022 flagged that irregular financial benefits of ₹65.49 crore was given to 1,91,244 ineligible beneficiaries by using 'User IDs' of government employees to register thousands of fraudulent names.[69] In a conflict zone like Manipur, this is the primary mechanism through which funds are allegedly diverted to non-state actors.

Besides its persistent security challenges, Manipur also performs poorly on key indicators such as economic, fiscal, infrastructure, financial development, social, governance and environment, reinforcing its image as a high-risk destination for private investment. In the CareEdge State Ranking Report 2025, Manipur with a score of 38.7, ranked 10th in Governance among North-East, Hilly & Small States.[70] Manipur is placed near the bottom in governance among its peer group, ahead only of Meghalaya (36.8), reflecting weaker performance in administrative and institutional indicators compared to its peers.[71] In the Good Governance Index (GGI) 2021, published by the Ministry of Personnel, Public Grievances and Pensions, Manipur was ranked ninth among the 11 North-East and Hill States.[72] More significantly, it registered the sharpest decline in governance performance (–11.2 per cent) within this category, indicating a marked deterioration in

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[69] *Report of the Comptroller and Auditor General of India on General, Social, Economic (other than Public Sector Undertakings), Economic (Public Sector Undertakings) and Revenue Sectors for the year ended 31 March 2022 (Report No. 2 of 2023)*, Government of Manipur, 2023, p. x, https://cag.gov.in/uploads/download_audit_report/2023/Overview-065e5b8ead5b459.62308975.pdf

[70] *States' Ranking 2025*, CareEdge Ratings, 2025, https://www.careratings.com/uploads/newsfiles/1745915161_CareEdge%20State%20Ranking%20Report%202025.pdf

[71] Ibid.

[72] *Good Governance Index 2020-2021*, Department of Administrative Reforms and Public Grievances, New Delhi, 2021, p. vi.

institutional effectiveness and service delivery.[73] Independent assessments also reinforce this picture. For example, the Public Affairs Index 2021 ranked Manipur the worst-governed among India's small states on the indicators of equity, growth, and sustainability.[74]

Manipur performs well in literacy, enrolment, and social development indicators according to the *CareEdge* ratings. However, the 2023–2025 Meitei-Kiki conflict has adversely impacted the enrolment ratio of Scheduled Tribes (STs) and Scheduled Castes (SCs), with thousands of students displaced from their home districts. Manipur also struggles heavily in financial development, infrastructure, and environment.[75] Economically, Manipur ranks last in the commerce and industry sector, exhibits weak industrial activity, and carries a high debt-to-GSDP ratio of 49.4 per cent, limiting fiscal capacity for productive investment.[76] The NITI Aayog SDG India Index 2023–24 places the state at the bottom in employment generation and economic growth as well as infrastructure and environment.[77]

Manipur also suffers from higher multidimensional poverty compared to better-performing states. A key structural cause of this poor performance is entrenched corruption, widely acknowledged in audit reports and academic literature. Together, weak governance, fiscal stress, corruption, and insecurity create a high-risk investment environment, severely undermining investor confidence and perpetuating Manipur's dependence on public expenditure rather than sustained private capital

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73 Ibid, p. 33.

74 Vangamla Salle K S, "Manipur worst-governed small state in India; Sikkim, Mizoram best: report", *East Mojo*, Imphal, 5 November 2021, https://eastmojo.com/northeast-news/2021/11/05/manipur-worst-governed-small-state-in-india-sikkim-mizoram-best-report/.

75 *States' Ranking 2025*, n. 70.

76 Ibid.

77 *SDG India Index 2023-24: Towards Viksit Bharat, Sustainable Progress Inclusive Growth*, Niti Aayog, New Delhi, 2024, p. 140,142, 174, 190, https://www.niti.gov.in/sites/default/files/2024-07/SDG_India_Index_2023-24.pdf.

formation. These conditions characterise almost every state in the Northeast, reflecting a region-wide structural constraint rather than isolated state-level failures.

Absence of Markets

Markets play a central role in economic development by signalling profit opportunities, which incentivise capital accumulation, entrepreneurship, and technological progress, thereby shaping an economy's long-term growth trajectory.[78] Competitive markets also enhance social welfare by expanding the supply of goods and services at affordable prices, benefiting poorer households through lower prices and greater choice.[79] Markets are, therefore, central to industrialisation and sustained economic growth. However, their effective functioning depends on the presence of certain institutional and infrastructural preconditions.

Foremost among these is the existence of stable law and order, which enables economic transactions to occur without fear, coercion, or violence. Where insecurity prevails, transaction costs increase, contracts become difficult to enforce and private investment is discouraged.[80] A second crucial precondition is the presence of well-defined and enforceable property rights, particularly over land, which provide investors with security over returns and enable assets to be used as collateral for formal credit. Weak or ambiguous property rights have been shown to significantly constrain capital formation and entrepreneurial activity.[81] Third, efficient transportation and connectivity

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[78] Philippe Aghion and Peter Howitt, "A Model of Growth through Creative Destruction", *Econometrica*, Vol. 60, No. 2, March, 1992, pp. 335-336.

[79] *World Development Report 2002: Building Institutions for Market*, Washington D.C., Oxford University Press, 2002, pp. III, 26, https://openknowledge.worldbank.org/server/api/core/bitstreams/63790203-bbf8-544a-9daa-ccf14a315368/content.

[80] Ibid, p. 22.

[81] Daron Acemoglu, Simon Johnson and James Robinson, "Institutions as the Fundamental Cause Of Long-Run Growth", *NBER Working Paper No. 10481*, National Bureau of Economic Research, Cambridge, May 2004, pp. 2, 7, 13.

are essential for market integration, as they reduce trade costs, expand market size, facilitate specialisation, and allow producers to benefit from economies of scale.[82]

In the case of Northeast India, these foundational conditions remain structurally weak and unevenly developed. Persistent law-and-order challenges arising from insurgency and ethnic conflict have long undermined market confidence and disrupted economic exchange. At the same time, the dominance of customary land tenure systems under the Sixth Schedule, coupled with inadequate land records, has limited the emergence of clearly defined and transferable property rights, restricting access to institutional finance and inhibiting industrial investment.[83] While land regimes vary across states, Manipur illustrates the complexity. In Manipur, land in the valley areas is governed by the Manipur Land Revenue and Land Reforms Act, 1960,[84] whereas land in the hill areas is regulated through customary systems. Within the hills, Kuki areas follow a chieftainship system, where village land is owned by the chief and households enjoy usufruct rights, while in Naga areas land is held both communally and individually.[85] Crucially, these customary arrangements remain outside the formal land-records system, leading to legal ambiguity and weak tenure security.

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82 P. Krugman, *Geography and Trade*, Belgium, Leuven University Press, 1991, p. 15, 24-25.

83 M. P. Bezbaruah, "Land Tenure System in North East India", *Dialogue*, Vol. 8, No. 3, January-March 2007, https://www.asthabharati.org/Dia_Jan%2007/Bez.htm.

84 "THE MANIPUR LAND REVENUE AND LAND REFORMS ACT, 1960" https://www.indiacode.nic.in/bitstream/123456789/1531/1/196033.pdf

85 Hoineilhing Sitlhou, "Confronting the State: Land Rights Discourse in the Hills of Manipur", *Economic and Political Weekly*, 50 (30), 25 July 25 2015, pp. 70-77. Also see, Pr. Dimchuiliu, "Customary Land use Pattern of the Tribals in Manipur: a Case Study of the Zeliangrong Community in Tamenglong District", *Journal of Humanities and Social Science*, 11 (1), May-June 2013, pp. 57-63.

The Northeast region also remains relatively deficient in physical infrastructure, including roads and railways, electricity, telecommunications, sanitation and drinking water, which has significantly constrained market integration and economic growth. Transport infrastructure, particularly roads and railways, is crucial for improving internal connectivity, as better connectivity expands the effective size of markets by lowering transaction and transportation costs. However, the Northeast suffers not only from inadequate connectivity with the rest of India and neighbouring countries, but also from weak intra-regional connectivity. A World Bank report estimates that, relative to West Bengal, prices of goods in the Northeast are as much as 60 per cent higher in rural areas and about 30 per cent higher in urban centres.[86]

As a result, many states in the region consist of isolated, self-sufficient clusters of villages with minimal economic interaction among them. The absence of regular trade discourages specialisation and commercialisation of production, forcing villages to produce a wide range of goods at small scales, largely for subsistence consumption. This leads to the absence of marketable surpluses and prevents producers from benefiting from economies of scale. Market expansion is a prerequisite for specialisation and productivity growth, as larger markets allow producers to focus on goods in which they possess a comparative advantage. In this context, expanding markets first within states and subsequently across state boundaries is essential to enlarge the size of the local and regional market. Improved connectivity would enable villages and districts to specialise according to comparative advantage, reduce unit costs of production, and facilitate the emergence of regional value chains.

Enhancing regional connectivity is, therefore, a necessary first step before the Northeast can meaningfully integrate into national or international

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86 Cecile Fruman, "In Northeast India, All Roads Lead to Greater Development", *World Bank Blogs*, 1 March, 2023, https://blogs.worldbank.org/en/endpovertyinsouthasia/northeast-india-all-roads-lead-greater-development.

markets. Without a sufficiently large and integrated regional market, efforts to promote exports are likely to yield limited outcomes. This concern is particularly relevant in the context of India's Act East Policy, which envisions the Northeast as a gateway to East and Southeast Asia. Given that India's trade with East and Southeast Asia is currently dominated by maritime routes, overland transport through the Northeast is unlikely to offer cost advantages to Indian exporters in the short run. The transportation costs associated with land-based corridors are likely to be high, and even where such costs are competitive. The Northeast risks functioning largely as a transit corridor, generating only marginal economic benefits for the region itself.

A more sustainable development pathway lies in transforming the Northeast from a transit zone into a production base. If the region can leverage its natural resources, agro-climatic advantages, and human capital to produce goods that are in demand in East and Southeast Asian markets, this could catalyse the development of industrial clusters and production hubs within the region. Such cluster-based industrialisation would generate backward and forward linkages, create employment, and embed the Northeast more firmly within regional and global value chains. Connectivity, therefore, must be complemented by local productive capacity, without which trade corridors alone are unlikely to deliver broad-based regional development.

Limited Tradeable Items

A country-wise analysis of India's trade with Indonesia, Malaysia, Thailand, Singapore, China, and Myanmar indicates that India's exports to these economies are overwhelmingly dominated by manufactured goods such as engineering products, chemicals, pharmaceuticals, refined petroleum products, and transport equipment.[87] Primary commodities which are traditionally associated with the north-eastern region such as

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[87] Gurjit Singh, "Resetting India-ASEAN Trade in 2025", *Observer Research Foundation*, 17 September 2025, https://www.orfonline.org/expert-speak/resetting-india-asean-trade-in-2025#:~:text=Understanding%20the%20Trade%20Disparity,of%20AITIGA%20needs%20re%2Devaluation; "Market Spotlight: ASEAN", *India Brand Equity Foundation*, https://www.ibef.org/economy/quarterly-newsletter/market-spotlight-asean-q2.

tea, coffee, rubber, and other plantation crops constitute only a negligible share of India's exports to these destinations. This export structure is largely attributable to the fact that most Southeast and East Asian economies are themselves surplus producers of these commodities,[88] thereby eroding India's export competitiveness in these product categories.

In other words, India's trade with Southeast and East Asia is driven by productivity advantages in manufacturing rather than in primary commodities. Within this framework, the north-eastern region is structurally disadvantaged, as manufacturing activity is extremely limited across the region, with Assam being the only partial exception. The absence of an industrial base, weak agglomeration economies, high logistics costs, and poor integration with national and regional value chains severely restrict the Northeast's participation in India's manufacturing-led exports. Consequently, the region is unable to align its production structure with the composition of India's exports to these economies.

However, the Northeast possesses a potential comparative advantage in factor-intensive primary and resource-based products. The region's abundant land, forest resources, favourable agro-climatic conditions, and relatively low levels of industrial pollution provide a natural advantage in horticulture, floriculture, bamboo and cane products, medicinal plants, and processed wood-based goods.[89] Yet, comparative advantage in such sectors can only be realised through large-scale

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[88] Approximately 90% of the world natural rubber (NR) supplies are produced by the top 4 NR exporting countries, particularly Thailand, Indonesia, Malaysia and Vietnam. For details see, Aye Aye Khin, et al, "Challenges of the Export for Natural Rubber Latex in the ASEAN Market", *IOP Conference Series: Materials Science and Engineering*, Volume 548, 2019, p. 3. "Vietnam Tea Export & Tea Exporters Data 2025: Vietnam Tea Exports Reach Nearly 12,000 Tons in October", *Vietnam Export Data*, 13 November, 2025, https://www.vietnamexportdata.com/blogs/vietnam-tea-export-data-2025-vietnam-tea-exporters

[89] "Development of Palm Oil, Agarwood and Bamboo in NER", *Press Information Bureau*, Delhi, 17 December 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2205285&reg=1&lang=1.

production, specialisation, quality standardisation, and efficient market access.[90] In the absence of these conditions, factor endowments do not automatically translate into trade competitiveness.

At present, the production structure of the north-eastern states is shaped primarily by considerations of subsistence and self-sufficiency rather than by market-oriented specialisation. Despite significant inter-state differences in agro-climatic conditions and resource endowments, individual states tend to produce similar baskets of agricultural and primary goods. This lack of spatial and sectoral specialisation inhibits the emergence of scale economies and prevents the consolidation of region-specific comparative advantages. The resulting disjointed production pattern is not merely a consequence of policy choices but is deeply rooted in inadequate trading opportunities—both among the north-eastern states and within individual states themselves. Poor connectivity, fragmented markets, weak supply chains, limited processing facilities, and high transaction costs have constrained inter-regional trade and reinforced low-productivity, inward-looking production systems.

In effect, the Northeast remains trapped in a low-level equilibrium where potential comparative advantages exist in theory but fail to materialise in practice due to structural, infrastructural, and institutional constraints. Unless these barriers are addressed through coordinated regional planning, market integration, and value-chain development, the region is unlikely to benefit meaningfully from India's expanding trade relations with Southeast and East Asia.

Reluctance of neighbours to open its borders

Cooperation from India's immediate neighbours is indispensable for the effective implementation of the Act East Policy, particularly in the context of enhancing connectivity and trade from India's north-eastern

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90 "Scindia pushes product-led value chain strategy for North East agriculture at high-level task force meet", *AgroSpectrum*, 29 December 2025, https://agrospectrumindia.com/2025/12/29/scindia-pushes-product-led-value-chain-strategy-for-north-east-agriculture-at-high-level-task-force-meet.html#:~:text=At%20the%20heart%20of%20the,%2C%20end%2Dto%2Dend%20integration.

region. Among these neighbours, Myanmar and Bangladesh occupies a pivotal position. While Myanmar has historically been the primary land bridge to Southeast Asia, Bangladesh serves as the vital 'inner corridor' that links mainland India to its isolated Northeast. However, India's efforts to successfully and sustainably engage with these two countries have been constrained by Myanmar's cautious and inward-looking approach and Bangladesh's hostility. Together, these external constraints have significantly diluted the transformative potential of India's eastward engagement strategy.

Myanmar has consistently displayed a degree of ambivalence towards fully opening its borders with India. This is reflected in the protracted gestation of key connectivity projects. Although the Kaladan Multimodal Transit Transport Project was conceived in the early 2000s as a strategic corridor linking India's Northeast to the Bay of Bengal through Myanmar, a formal agreement for its implementation was signed only in 2008. The delay between conceptualisation and execution underscores Myanmar's cautious posture towards deeper economic integration and its preference for tightly controlled cross-border interactions. This reluctance is further evident in Myanmar's approach to border trade facilitation. Despite India's repeated proposals to expand the number of border trading points along the India–Myanmar frontier, Myanmar has shown limited enthusiasm for such initiatives. Existing border trading posts remain underdeveloped, with inadequate transport links, storage facilities, customs infrastructure, and communication networks on the Myanmar side. Moreover, Myanmar has remained non-committal regarding the development of complementary infrastructure required to operationalise newly proposed trade routes,[91] thereby constraining the scope for formal and large-scale cross-border commerce.

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[91] Author's interview with senior MHA officials in New Delhi, April 2014; also see, "Myanmar Not Setting up Trading Zone at India Border", *NDTV*, Naypyitaw, 3 August 2017, https://www.ndtv.com/top-stories/myanmar-not-setting-up-trading-zone-at-india-border-1732854.

Delays in road connectivity projects reinforce these limitations. Myanmar's commitment to upgrade the Yargyi–Monywa stretch, an essential component of the India–Myanmar–Thailand Trilateral Highway, has seen little progress. Consequently, India has increasingly assumed responsibility for infrastructure development beyond its borders, as reflected in its decision to upgrade the Moreh–Monywa road segment.[92] While such unilateral interventions demonstrate India's strategic intent, they also highlight the structural vulnerabilities of connectivity diplomacy when partner countries lack either the political will or administrative capacity to deliver on agreed commitments.

Security challenges along the India–Myanmar border have further impeded progress. Long-standing insurgencies in Myanmar's border regions have directly affected Indian projects. Militant groups such as the Arakan Army have targeted the Kaladan Multimodal Project, including the abduction of Indian nationals working at project sites.[93] Subsequent armed confrontations between insurgent groups and the Myanmar military near Zorinpui, a key Kaladan corridor location close to Mizoram, disrupted construction activities and heightened operational risks. These security threats have raised costs, delayed timelines, and reduced investor confidence in cross-border initiatives. The situation deteriorated further following the military coup d'état in Myanmar in February 2021. The coup triggered widespread civil unrest, economic disruption, and international isolation, prompting the ruling military junta to adopt a more insular and security-driven policy orientation. Although initial assurances suggested that cross-border infrastructure projects would remain unaffected, continuing instability, governance

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92 John Ranjan Mukherjee, "Eastern Highways Game Changers of the North East: India's Infrastructure Development Projects in Myanmar", *The Calcutta Journal of Global Affairs*, https://www.globaljournalceners.org/article.php?e=40.

93 Abhishek Bhalla, "Indian worker part of Kaladan Project dies in custody of Myanmar insurgent group", *India Today*, 28 March 2022, https://www.indiatoday.in/india/story/indian-worker-part-of-kaladan-project-dies-in-custody-of-myanmar-insurgent-group-1615819-2019-11-05.

breakdowns, and international sanctions have cast serious doubt on the timely completion and long-term viability of these initiatives.[94] As a result, Myanmar's internal political crisis has emerged as a major external constraint on the Act East Policy.

Parallel to these challenges, India's relations with Bangladesh have also experienced periods of strain that have affected regional integration efforts. Bangladesh offers the most economically viable transit routes for the north-eastern states to access seaports, inland waterways, and regional markets. However, political sensitivities surrounding issues such as illegal migration, border management, river-water sharing, and domestic political contestation within Bangladesh have periodically constrained the depth and reliability of transit cooperation. While agreements on transit and coastal shipping exist, their implementation has often been cautious, incremental, and subject to domestic political calculations in Dhaka.[95]

These strains have limited the full utilisation of Bangladesh's transport and port infrastructure for India's Northeast. Delays in expanding transit rights, operational bottlenecks in inland water transport, and resistance to large-scale Indian investments in border infrastructure have restricted seamless connectivity. However, with the ouster of Sheikh Hasina, bilateral relations have grown increasingly unpredictable, characterised by the suspension of transshipment rights[96] and port restriction on

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94 Rajeev Bhattacharyya, "Has the Indian Flagship Kaladan Project in Myanmar Hit a Dead End?", *The Diplomat*, 27 February 2024, https://thediplomat.com/2024/02/has-the-indian-flagship-kaladan-project-in-myanmar-hit-a-dead-end/.

95 Pinak Ranjan Chakravarty, "Bangladesh-India Ties: Pragmatic Transformation", *Indian Foreign Affairs Journal*, Vol. 10, No. 3, July-September, 2015, p. 212; Smruti S. Pattanaik, "India's Neighbourhood Policy: Perceptions from Bangladesh", *Strategic Analysis*, Vol. 35, No. 1, 2010, 76-77.

96 Manoj Kumar and Ruma Paul, "India withdraws transhipment facility for Bangladesh exports via land borders", *Reuters*, New Delhi/Dhaka, 9 April 2025, https://www.reuters.com/world/india/india-withdraws-transhipment-facility-bangladesh-exports-via-land-borders-2025-04-09/.

import of certain goods from Bangladesh,[97] the indefinite stalling of railway and digital connectivity projects, and a resurgent anti-India sentiment among a new generation of Bangladeshi nationalists.[98] As a consequence, the Northeast continues to rely disproportionately on longer, costlier routes through the Siliguri Corridor, undermining the economic rationale of the Act East Policy and weakening the region's integration with both Southeast Asia and the broader Bay of Bengal economic space.

Taken together, the cautious stance of Myanmar and the episodic strains in India–Bangladesh relations underscore the extent to which the success of the Act East Policy is contingent upon the political stability, strategic priorities, and cooperative capacity of India's eastern neighbours. These external constraints have compounded internal infrastructural and institutional deficiencies within the Northeast, limiting the region's ability to leverage its geographic proximity to Southeast and East Asia. Without sustained diplomatic engagement, confidence-building measures, and coordinated regional infrastructure planning, India's Act East Policy risks remaining aspirational rather than transformative for the north-eastern region.

Ecological Fragility

The Northeast forms part of the Indo-Burma and the Himalayan biodiversity hotspots and contains one-third of the country's total biodiversity with over 7,500 species of flowering plants such as orchids, bamboos, citrus, and conifers.[99] It is also characterised by dense forests,

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97 "Port restriction on import of certain goods from Bangladesh to India", *Press Information Bureau*, Delhi, 17 May 2025, https://www.pib.gov.in/PressReleasePage.aspx?PRID=2129380&reg=3&lang=2.

98 "After the "Golden Era": Getting Bangladesh-India Ties Back on Track", *International Crisis Group*, 23 December 2025, https://www.crisisgroup.org/asia-pacific/bangladesh-india/353-after-golden-era-getting-bangladesh-india-ties-back-track.

99 *Unstarred Question No.3494: Biodiversity Hotspots in NER*, Lok Sabha, 20 December 2021, https://sansad.in/getFile/loksabhaquestions/annex/177/AU3494.pdf?source=pqals.

steep hill slopes, high rainfall, and a complex river system dominated by the Brahmaputra and Barak basins. More significantly, the region lies in Seismic Zone V in the country and considered as one of the most seismically active zones in the world.[100] These ecological features make the region environmentally rich but also highly sensitive to large-scale developmental interventions. For example, infrastructure projects such as highways, railways, and urban expansion frequently require extensive hill cutting, deforestation, and land modification. In such terrain, these activities can trigger soil erosion, landslides, and sedimentation of rivers, which not only damage ecosystems but also undermine the sustainability of development projects themselves. Roads and bridges, for instance, often require continuous maintenance due to landslides and erosion, significantly increasing the cost and complexity of infrastructure development.

The ecological sensitivity of the region also constrains the expansion of large-scale industrial and extractive activities. Mining, hydropower projects, and large dams, although viewed as potential drivers of economic growth, often raise concerns about deforestation, biodiversity loss, and disruption of river systems. Hydropower development on the Brahmaputra and its tributaries, in particular, has generated debates regarding its environmental impact, including changes in river flow patterns, increased vulnerability to floods, and threats to downstream ecosystems. Such concerns frequently result in grassroots movements against mega hydropower projects such as the protest movements against the Tipaimukh, Pagladiya, Siang dam, and the Subansiri Dams.[101]

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[100] Dr. Gopal Sharma, et al, *Earthquake Catalogue for the North Eastern Region Of India – 2023*, North Eastern Regional Node for Disaster Risk Reduction, North Eastern Space Applications Centre, March 2024, p. 2.

[101] For details on environment impact of hydroelectric projects and protests against dams in the Northeast see, Chandan Kumar Sharma, "Dam, 'Development' and Popular Resistance in Northeast India", *Sociological Bulletin*, Vol. 67, No. 3, Special Issue: Negotiating Neoliberal Environments In India, December 2018, pp. 317-333; Pallavi Hazarika, "Dams Do Not Mean Development: The Case of Hydro-Electric Projects in North East India", *Economic and Political Weekly* (Engage), Vol. 55, Issue No. 5, 01 Feb, 2020, https://www.epw.in/engage/article/dams-do-not-mean-development-case-hydraulic.

Such concerns and protests frequently delay or complicate the implementation of development projects, illustrating how ecological fragility can impede rapid industrial expansion.

Moreover, environmental degradation can directly affect local livelihoods and long-term development prospects. Many communities in the Northeast depend on forests, shifting cultivation, and riverine resources for their subsistence. Deforestation, soil degradation, and water resource disruption can weaken these livelihood systems, thereby increasing economic vulnerability, and social instability. When environmental damage undermines traditional livelihoods, it may also generate resistance to development projects, particularly when local communities perceive them as externally imposed or environmentally destructive.

Thus, while development is essential for improving connectivity, economic opportunities, and living standards in the Northeast, the region's ecological fragility imposes clear limits on the pace and nature of developmental interventions. Environmental degradation not only threatens biodiversity but can also increase the cost, complexity, and sustainability challenges of development projects.

Conclusion

The developmental challenges of Northeast India are best understood as the outcome of multiple, mutually reinforcing structural constraints rather than isolated sectoral deficiencies. Land is the most binding limitation, as difficult terrain combined with constitutionally protected customary tenure systems, fragmented authority, and unclear legal frameworks make acquisition for large-scale productive activities complex and costly. A small, dispersed population, resistance to migrant labour, and weak educational and vocational systems limit both the availability and quality of labour, locking much of the workforce into low-productivity agriculture and informal employment. Capital and entrepreneurial deficits further exacerbate these structural challenges. Customary land tenure restricts collateral use, limiting access to formal finance, while persistently low savings, scarce risk capital, and heavy reliance on public expenditure hinder investment and industrialisation. Coupled with subsistence-oriented production systems, social risk aversion, prolonged insurgency, and preference for government employment, these factors suppress entrepreneurship as a viable economic pathway.

In sum, land, labour, capital, and entrepreneurship constraints in the Northeast are mutually reinforcing rather than discrete problems. Land insecurity limits capital access; capital scarcity constrains enterprise formation; weak entrepreneurship fails to generate demand for skilled labour; and labour market rigidities, in turn, discourage investment. Recent policy interventions and institutional initiatives have begun addressing gaps in skills, finance, and enterprise support, but their impact is constrained by structural rigidity, administrative weaknesses, and limited scale. External factors, most notably the uncertain cooperation of Myanmar and Bangladesh, have compounded these challenges by restricting the Northeast's ability to leverage its strategic location under the Act East Policy. Environment fragility of the entire region has also constrained implementation of development projects with desired outcomes. Collectively, these interconnected constraints explain why infrastructure development and fiscal transfers alone have been insufficient to generate sustained, broad-based development in the Northeast.

Conclusion

Notwithstanding frequent claims that New Delhi has neglected the Northeast, the region's development has remained a consistent concern for policymakers and bureaucrats in New Delhi since independence. Policymakers recognised the historical, geographical, and locational disadvantages faced by the region and had put in place constitutional and administrative safeguards, such as Article 275 (1) and the conferment of Special Category Status, to provide additional financial support for its development. In subsequent decades, several initiatives and schemes have been implemented to address the developmental gaps of the region resulting in significant Union government transfers to the Northeast. In fact, between 2021–22 and 2023–25 alone, cumulative expenditure on development projects in the region amounted to [1] 3.46 lakh crore.[1]

Yet, despite receiving substantial and sustained central financial transfers over successive Plan periods and Finance Commission awards, the Northeast has not witnessed commensurate levels of broad-based or self-sustaining development. The persistence of this gap points to multiple, mutually reinforcing structural constraints that have evolved historically and become deeply embedded in the region's distinctive social, political, and institutional landscape. While successive policy regimes have emphasised infrastructure expansion, fiscal transfers, and special development packages as the principal instruments of regional development, the persistence of low productivity, weak industrialisation, and limited private investment suggests that these interventions have addressed symptoms rather than underlying structural constraints.

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1 *Unstarred Questiona No. 39: Development of NER*, Rajya Sabha, 29 January 2026, https://sansad.in/getFile/annex/270/AU39_RSzQzz.pdf?source=pqars.

A key factor underlying the limited effectiveness of policy interventions is the Northeast's predominantly tribal social structure. Tribal society in the Northeast is characterised by strong community-based systems of authority, customary land tenure, and collective norms governing resource use, labour relations, and economic behaviour. These institutions have emerged from a history of marginalisation and concerns about demographic change after independence, and they continue to hold communities together and command legitimacy where the state has remained weak or inconsistent.

However, while these institutions have played a crucial role in protecting indigenous communities from dispossession and cultural erosion, they have also become a key structural constraint that inhibits the operation of market mechanisms and formal governance structures necessary for large-scale productive transformation. Consequently, economic activity in the region is shaped by customary norms that prioritise social cohesion and collective control, which can limit individual enterprise and the pace of structural transformation.

The most visible manifestation of this dynamic is in land governance. The interaction of difficult terrain with constitutionally protected customary land tenure regimes has produced a complex and fragmented land governance landscape. Customary ownership systems, rooted in clan and community authority, which is protected by the Sixth Schedule of the Constitution, restrict alienation and commercial transfer of land, thereby safeguarding indigenous control but limiting its availability for productive investment. The absence of codified customary laws in many areas, overlapping authority between traditional institutions and state agencies, and incomplete land records have produced persistent legal ambiguity. This has rendered land acquisition, whether for infrastructure beyond basic connectivity or for scaling up of small and medium enterprises, or even service-sector expansion, a complex and contested process. As a result, land functions as the most binding constraint on development in the Northeast, not merely because of terrain or scarcity, but because of the institutional and cultural norms that govern its use and transfer.

Tribal customs and traditions shape how people work and find jobs in the region. Strong attachment to land and community, along with a culture for subsistence livelihoods make the inhabitants of the region, in general, less willing to move for work. There is also resistance to migrant labour that are driven by concerns about protecting local culture and population balance. This fact reduces the availability of workers and makes it harder for industries to develop. These problems worsen due to weak schooling, technical education, and skill training, which limit the supply of skilled workers even within the local population.

The region's relatively small and dispersed population, combined with difficult terrain and poor internal connectivity, also act as a major impediment to labour availability and mobility. Consequently, much of the labour force remains locked into low-productivity agriculture and informal activities, reinforcing patterns of underemployment and limiting the scope for structural transformation. Therefore, labour market problems in the Northeast are not only due to a lack of skills but are also shaped by social and political factors that influence views on migration, jobs, and economic change.

In the same way, problems related to capital in the Northeast go beyond a simple lack of funds. Even though the region has received large amounts of public spending and financial support from the Union government, private investment has remained weak. Tribal customs and collective land ownership make it difficult to use land as collateral, which limits access to bank loans for households and businesses. Low household savings, weak financial institutions, and poor banking access in remote areas further reduce the ability to accumulate capital. Investors are also cautious because of small markets, poor connectivity, and concerns about political stability, which makes risk capital scarce. As a result, the regional economy has come to depend heavily on government spending. While this support has helped maintain stability, especially in conflict-affected areas, it has also reduced incentives for private investment and innovation.

In this context, entrepreneurship has also remained limited in the Northeast. Social norms often discourage individual risk-taking. Also, long periods of insurgency and political instability have strengthened a preference for secure livelihoods, especially government jobs. In many parts of the region, the state has traditionally been the main source of stable employment and income, leading people to expect public sector jobs rather than starting private businesses. Where entrepreneurship does exist, it is usually small, family-run, and focused on meeting local needs rather than growing or innovating. This means that entrepreneurship in the Northeast is not missing, but it is constrained by social expectations, a lack of successful role models, limited market access, and weak business support systems. As a result, most enterprises remain small and dependent on government support, with limited ability to create jobs, use skilled labour, or attract large-scale investment.

In the Northeast, these problems are closely linked. Unclear land rights make it hard to use land as collateral and access finance; limited finance makes it difficult to start or expand businesses; weak entrepreneurship does not create enough demand for skilled workers; and rigid labour markets, in turn, discourage both local and outside investment. Together, these factors trap the region in a cycle of low growth that is hard to break through isolated policy measures. While better infrastructure and financial support from the government are necessary, they have not been enough to create broad-based and self-sustaining development. Without addressing these interconnected structural issues, such interventions are likely to continue reinforcing dependence rather than bringing about lasting change.

In response to these long-standing problems, recent policy interventions show that policymakers have been becoming more aware of the region's deeper development challenges. New measures are being implemented to address the problems of development holistically. Efforts to expand skill training, improve access to credit for small and micro enterprises, and encourage entrepreneurship through start-up missions and incubators are positive steps. Land acquisition acts have also been amended by respective states governments to acquire land without hassle. There have also been attempts to strengthen key institutions such as the Ministry of DoNER and the North Eastern Council, and to improve coordination between the Union and state governments, reflecting lessons learned from earlier policy failures. However, the impact of these measures has remained limited because they are small in scale, unevenly implemented, and affected by continuing administrative weaknesses. More importantly, many of these interventions still focus on individual sectors and schemes, without fully addressing the deeper structural and institutional factors that shape development outcomes in the Northeast.

The persistent insurgency, weak governance, and entrenched corruption across the Northeast have created deep and long-lasting obstacles to development. Decades of conflict have destroyed infrastructure, disrupted education, eroded human capital, and weakened trust in institutions, while fiscal resources are diverted to security spending or siphoned off through corrupt networks. Political interference and the influence of militant groups further undermine the rule of law, reduce accountability, and discourage private investment. As a result, despite public spending and development initiatives, the region remains dependent on government transfers, with limited private enterprise, weak industrial activity, and poor economic growth. These dynamics, reinforced by structural and institutional weaknesses, create a cycle of instability and underdevelopment that cannot be overcome without coordinated reforms in security, governance, fiscal management, and institutional capacity.

External factors have also made development in the Northeast difficult. The region's location between South Asia, Southeast Asia, and East Asia is often described as a major advantage, especially under India's Act East Policy, which aims to improve trade and connectivity with neighbouring countries. However, this potential has not been fully realised. Cooperation with neighbouring countries, especially Myanmar and Bangladesh, has remained uncertain. Political instability in Myanmar, repeated delays in cross-border roads and connectivity projects, and long-standing diplomatic and administrative issues with Bangladesh have limited cross-border trade and economic exchange. As a result, the Northeast has not been able to integrate effectively into regional trade networks or value chains. Instead of emerging as a gateway connecting India with Southeast Asia, the region continues to function as a peripheral border area, remaining heavily dependent on internal financial support rather than benefiting from external economic linkages.

Last but not least, the ecological fragility of the Northeast constitutes another critical constraint on development in the region. Development projects such as road construction, hydropower generation, and large-scale infrastructure often increase the risks of landslides, erosion, and ecological degradation. These environmental vulnerabilities not only complicate the implementation of development projects but also raise their costs and sustainability concerns.

Overall, these findings question the common policy belief that the Northeast's underdevelopment can be solved mainly by more investment, better connectivity, or higher financial support. Although these measures are important, they are not enough on their own. What is also needed are deeper structural and institutional reforms as well as policies that are sensitive to the region's unique social, political, economic, and ecological conditions. Development in the Northeast is not just a technical issue of spending more resources; it is a political process shaped by struggles over land, identity, power, and opportunities.

The policy lessons from this analysis are straightforward but not easy to implement. First, reforms in land governance should avoid treating customary and formal land systems as opposing choices. Instead of trying to replace customary land tenure, policies should aim to improve it gradually. The focus should be on making land rights clearer, more secure, and more predictable, while still respecting community ownership and control. This can be done by documenting and codifying customary practices where feasible, creating clear and transparent rules for leasing land for productive uses, and establishing institutions that link traditional authorities with the state. Such an approach would make land use less uncertain, reduce disputes, and create conditions that are more favourable for investment without undermining local social structures.

Second, labour market policies need to deal with both the supply of skills and the availability of jobs. Improving education and vocational training is important, but it will not work if there are no local employment opportunities. Skill programmes should, therefore, be designed around the region's actual economic possibilities, such as agriculture-based value chains, small-scale industries, services, and cross-border trade. At the same time, policymakers need to acknowledge the political and social sensitivities around migration. Instead of ignoring these concerns, region-specific arrangements for labour mobility should be developed that meet economic needs while respecting local social and cultural concerns.

Third, improving access to capital requires changes in how finance works in the Northeast. Traditional banking systems do not function well in areas with community-owned land and scattered settlements.

Policies should place greater emphasis on alternative forms of collateral, community-based financial institutions, and blended finance models that combine public and private funds. Public spending should be used more strategically to encourage private investment, rather than replacing it, through tools such as credit guarantees, risk-sharing arrangements, and performance-linked funding.

Fourth, policies to promote entrepreneurship should focus on building a supportive environment rather than encouraging start-ups in isolation. This means improving access to markets, reducing regulatory confusion, strengthening business support services, and creating networks that link entrepreneurs with finance, skills, and buyers. At the same time, there is a need to gradually change long-standing expectations of government jobs as the main source of secure employment. The role of the state should slowly shift from being the primary employer to enabling private enterprise, while ensuring that this transition does not disrupt social stability.

Fifth, external engagement under the Act East Policy must be grounded in realistic assessments of geopolitical and institutional constraints. Rather than relying solely on large cross-border infrastructure projects, policy should also explore strengthening diplomatic engagement with neighbouring countries and insulating economic cooperation from political volatility will be critical to unlocking the Northeast's strategic potential.

Sixth, development strategies in the Northeast must emphasise environmentally sensitive planning, sustainable resource management, and careful assessment of ecological risks. Without such an approach, development initiatives may inadvertently exacerbate environmental vulnerabilities and undermine the very growth they seek to promote.

Finally, security and governance must be strengthened to make all other interventions effective. Law enforcement and justice institutions need better training, resources, and autonomy to enforce the law and hold militant groups accountable. Similarly, local institutions and administrative capacity need to be strengthened. State and district governments, as well as local self-governments, should be better equipped through training, clear delegation of responsibilities, and modern administrative systems. This will reduce delays, overlapping authority, and mismanagement. At the same time, promoting transparency and accountability is crucial.

Conflict resolution and peacebuilding initiatives, combined with development projects, can reduce tensions and stabilise communities. Participatory decision-making, involving communities, tribal councils, and civil society in planning and monitoring projects, can ensure that policies meet local needs while reinforcing political legitimacy and social cohesion. Together, these steps can break the cycle of insecurity, weak governance, and underdevelopment. However, for creating conditions for sustainable growth in the Northeast, the government has to increase the pace as well as the scale of these policy interventions. In other words, the government has to "Act Fast and Act Vast"[2].

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2 Author's interview with a senior faculty at the Indian Institute of Entrepreneurship, Guwahati, February 2025.

This monograph examines the development trajectory of Northeast India since Independence, arguing that the region's economic stagnation stems from deep structural and historical constraints rather than inadequate policy support or public expenditure. It traces how colonial extraction, Partition-induced isolation, and postcolonial planning fostered dependence on Union government transfers through mechanisms such as Article 275(1), Special Category Status, and Finance Commission grants. Adopting a political economy perspective, it analyses how restrictive land systems, labour market limitations, scarce capital, weak entrepreneurship, and limited cross-border cooperation have hindered diversification and industrialisation. The findings challenge the view that the Northeast's underdevelopment can be resolved solely through greater investment, connectivity, or financial support. It argues that sustainable development requires deeper structural and institutional reforms sensitive to the region's unique social, political, economic, and ecological realities, as development is fundamentally shaped by contests over land, identity, power, and opportunity.

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