



## Service Sector Potential In North East

This article is based on [North-East can be a window for service exports](#) which was published in The Hindubusiness Line 23/09/2021. It talks about the issues of the North East Region (NER) and suggests measures to improve the service sector in the region.

The **'Look East' policy** of 1991 gave way to the **'Act East' policy** of 2015. The objective of the latter is to promote economic cooperation, cultural ties and strategic relationships with countries in the Asia-Pacific region. This would involve providing enhanced connectivity to India's North Eastern Region (NER) with our bordering countries.

In contrast to global experiences, the border districts in South Asia tend to lag behind others, especially in the East. There is a vast amount of literature to show that transport and connectivity are among the major challenges to improving trade ties in the East, especially the [chicken neck area](#) in the Siliguri corridor.

Several of the districts in the region, which border Bangladesh, Bhutan and Nepal, had been classified as "backward" by the erstwhile Planning Commission. Thus, the focus here should be on the **potential of the services sector** in North Bengal and NER. While it is challenging to think of the services sector in a pandemic, the idea is to be future ready.

### Developmental Issues in North East Region

- **Few Pockets of Development:** Economic activities got concentrated in select pockets. This resulted in vast areas remaining inaccessible and backward even to this day.
- **Widespread and prolonged socio-political conflict** situations such as Insurgents resulted in economic destruction and social disorganisation.
- **Steady flow of central funds** into the hands of the local elite including local political leadership has indirectly discouraged local initiatives to raise funds for economic rejuvenation of the region.
- **Inadequate economic infrastructure** like transportation, communications and market accessibility stood in the way of industrialisation, even in the small scale sector.
- **Lack of infrastructure** has impeded industrialisation while industrialisation could not materialise owing to poor infrastructure. It is a vicious circle.
  - Poor connectivity with the rest of the country is a challenge. Development of transportation and communication linkages is lopsided being concentrated in the upper Brahmaputra valley only.
- **Low Agriculture Output:** Primitive farming like **slash and burn (jhum cultivation)** is still being practised in the hilly areas of the region.
  - Single cropping patterns in the plains failed to produce enough food grain for even for local consumption.

### Way Forward

- **Producer services:** Each of the border districts must develop a perspective plan identifying their

comparative advantages and sync them with schemes like District **Export Hubs** and **One District One Product**.

- Scaling up of key sectors will require significant enhancement of what economic literature calls 'producer service' sectors, which include management services, research and development, financial and accounting services, and marketing.
- **Financial services:** Barring Sikkim, the NER lags behind in terms of financial inclusion (NCAER DBT Research). The sector can spur regional growth and it has both efficiency and equity implications. The innovations from the fintech sector can be another line of export.
- **ICT connectivity:** The nature of this sector is similar to financial services. Poor connectivity plagues the NER, which is largely due to its geographical terrain (NCAER DBT Research).
  - If India can tap into Bangladesh's submarine cable networks, then a combination of optical fibre, satellite and microwave technologies could be used to provide digital connectivity in NER.
  - Cooperation, trade and innovations in this area will also help our neighbours.
- **Tourism:** Improved connectivity will boost tourism in this region. The natural beauty combined with its religious and historical sites can spur tourism.
  - Research has found that Nepali citizens living in border regions come to Siliguri for shopping. Day trips for shopping/picnicking from neighbouring countries could be encouraged and monetised.
  - Both short and long trips can generate foreign revenue. The border haats between India and Bangladesh must be enhanced.
- **Education:** Siliguri area houses good quality boarding schools, which can attract international students from bordering districts, with spillovers in tourism.
  - Similarly, other districts could identify their respective comparative advantage. Higher education, especially through research institutes and edtech companies, could be another potential area of service exports.
- **Logistics:** The current infrastructural investment will boost demand for logistics services. India is developing several airports in the region.
  - Bagdogra airport, Darjeeling, is the only international airport in North Bengal, and it is close to many districts in Bangladesh and Nepal.

## Conclusion

North East Region (NER) offers tremendous potential in terms of growth of the services sector. The unique nature of each of the border districts in the region needs to be identified, developed and scaled for sustainable growth and development of these areas.

### ***Drishti Mains Question***

Promoting the service sector can play an important role in the development of the north east region in India. Discuss.