

Real Growth of Arunachal Pradesh before 2021: A Comprehensive Economic Analysis

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Abstract

The focus of this research is the actual economic development of Arunachal Pradesh prior to 2021. The research has a three-fold focus: (a) the nature of the economy at the sectoral level; (b) the level of economic development across districts; and (c) the factors that are empirically found to promote economic development. The research uses secondary data that is collected from official sources such as NITI Aayog, Reserve Bank of India (RBI), and the Ministry of Statistics and Programme Implementation (MOSPI) in order to identify changes in GSDP at constant prices, contributions of sectors to the economy as a whole, and per capita income. It also employs an econometric framework to measure the impacts of the infrastructure, amount of public resources expended, and output by sectors. The research determined that there has been moderate but steady real economic growth in the state due to the service sector growing as a whole and due to a combination of increased investment by the state in the form of public investment. However, major inter-district differences and industrial structure impediments continue to exist. The research concludes by offering viable policy alternatives to promote sustainable and inclusive economic growth in Arunachal Pradesh.

Keywords: Arunachal Pradesh; Real Growth; GSDP; Sectoral Transformation; Infrastructure; Public Expenditure; District Disparities.

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INTRODUCTION

Arunachal Pradesh in Northeast India is characterized by several distinctive elements - geographic isolation, ecological wealth and an economy dominated by tribes. As a state historically dominated by subsistence-based economic activity that relied on agriculture and forestry for survival, Arunachal Pradesh has seen its economy develop over the past several decades (and especially since 2021) as a result of increased public investment in infrastructure and professionalizing of sectoral activities. This evolution contains considerable disparity and structural restrictions on growth. The objective of this chapter is to explore real economic growth in Arunachal Pradesh through a few means: examining general economic conditions and macroeconomic changes, analysing how each sector contributes to economic growth, reviewing how each district within Arunachal Pradesh contributes to real economic growth and assessing the role of econometric factors with respect to real growth every year from 2017 to 2021. Real economic growth in Arunachal Pradesh is considered important within the larger overall discussion of sub-regional development in India especially with regards to developing geographically isolated,

structurally restricted economies. Because Arunachal Pradesh is among one of the more difficult to access, low population density, resource rich (scenic) northeastern Indian states, there is considerable potential for economic growth both economically and ecologically. To assess the nature and extent of real economic growth in Arunachal Pradesh prior to 2021 - and its relationship to the state's longer term development trajectory as well as highlighting the structural constraints to further growth in the future - is therefore important.

Gross State Domestic Product (GSDP) at constant prices is used to measure real growth, which is defined as the actual increase in the production of goods and services adjusted for inflation. Arunachal Pradesh exhibited relatively steady, but uneven, growth before 2021 primarily due to growth in the public sector and transfers from the central government; there was not a lot of growth generated by the state's industrial sector (Planning Commission, 2014; Government of Arunachal Pradesh, 2020). As all special category states in India, Arunachal Pradesh relied heavily on fiscal transfers, as limited capacity to generate revenue internally hampers autonomous growth (Ahluwalia, 2000). Additionally, the structure of Arunachal Pradesh's economy helps explain

its nature of growth. The state's historical economy was predominantly agricultural with very low levels of productivity and limited commercialisation. At the same time, the state's industrial development has been limited due to inadequate infrastructure, regulatory hurdles and environmental issues (Sharma & Mitra, 2015). Although the service sector contributes a significant amount to GSDP, it has been led more by public administration and government services than private enterprise and high value-added activities (NITI Aayog, 2018). Together, these factors suggest that Arunachal Pradesh's growth has been driven more by spending than by productivity, which raises concerns regarding its sustainability.

The development of infrastructure is one of the most important factors affecting growth in the state. Historical examples of lack of access to both physical and digital networks have made it difficult for people to connect, created an increase in transaction costs, and discouraged private investment (Baruah, 2005). With the state's mountainous terrain and difficult-to-access border, this has added another layer to the challenges associated with developing infrastructure and has placed this area in one of the least connected regions in the country. Because of this, most economic activity continues to be localized, and the benefits of growth are neither evenly distributed across all districts nor do they provide an alternative income source for many people. One additional component that further complicates the relationship between real growth in Arunachal Pradesh and the relationship between real growth in the state and traditional social and economic systems is that many households depend on a combination of both subsistence agriculture and community-based resource management systems for their household economies. These systems have been shown to provide both ecological sustainability and social cohesion; however, these systems are not recognized by the formal market and the output of these systems will not be able to be measured using traditional economic measures (Dutta, 2009). This duality between the traditional and modern economies creates additional difficulty in estimating the level of growth in the state. Additionally, the abundance of natural resources available in the state of Arunachal Pradesh, ranging from timber to pure drinking water, in addition to numerous natural resources and biological diversity to be utilized in developing future economic sectors such as hydropower, eco-tourism, and agro-based industry are not being fully developed because of limiting environmental regulations, community resistance, and institutional inefficiencies (Vaidyanathan, 2013). The lack of full utilization of these natural resources has prevented the state from realizing its comparative advantages and provides a backdrop for the state to continue its growth below its potential.

Recent policy initiatives like better roads, rural development programs and the place-based strategy of

integrating the Northeast with national strategies through the Act East Policy (NITI Aayog, 2018) have positively changed the way we think about how to create progress and change the face of development in India. However, they have not changed how we see the problems of a lack of balance in growth; large areas of the economy still rely heavily on government spending; large parts of the country still suffer from significant regional imbalances in growth; and there continues to be significant disparities in development between urban and rural communities - especially across the many region of Arunachali Pradesh. In this light, the objective of this study is to critically assess the nature and determinants of real economic growth in Arunachal Pradesh (prior to 2021) and the factors that constrain growth using the state as an illustration within the more general context of regional economic development. The analysis will provide important information regarding the underlying structural factors that have shaped the state's economic growth to date and will help direct future public policy efforts aimed at promoting sustainably inclusive growth.

OBJECTIVES OF THE STUDY

1. To provide an analysis of historical real economic growth of Arunachal Pradesh, prior to 2021, with special reference to agriculture, industry, and services and per capita income.
2. To examine the disparities among the districts and to evaluate state-level infrastructure, public expenditures, and structural constraints to determine the major factors affecting the state's overall economic performance.

RESEARCH METHODOLOGY

1) Research Design: A descriptive and analytical research design was used to investigate the patterns and causes of real GDP growth in Arunachal Pradesh prior to 2021.

2) Data Type: The research is based entirely on secondary data.

3) Data Sources: Data were obtained from many sources, including: (a) Economic Survey of Arunachal Pradesh; (b) Statistical Handbook of Arunachal Pradesh; (c) NITI Aayog; (d) Reserve Bank of India; and (e) Ministry of Statistics & Programme Implementation.

4) Time Frame for Study: The time frame for this analysis is prior to 2021, with a particular emphasis on recent years (approximately 2012-13 through 2020-21) for the purpose of identifying trends.

5) Variables Used: The following variables were measured in this analysis: (a) Real GSDP (gross state domestic product) in constant prices; (b) Total output by sector (Agriculture, Industry, Services); (c) Per capita income; (d) Public expenditure; and (e) Indicators of infrastructure.

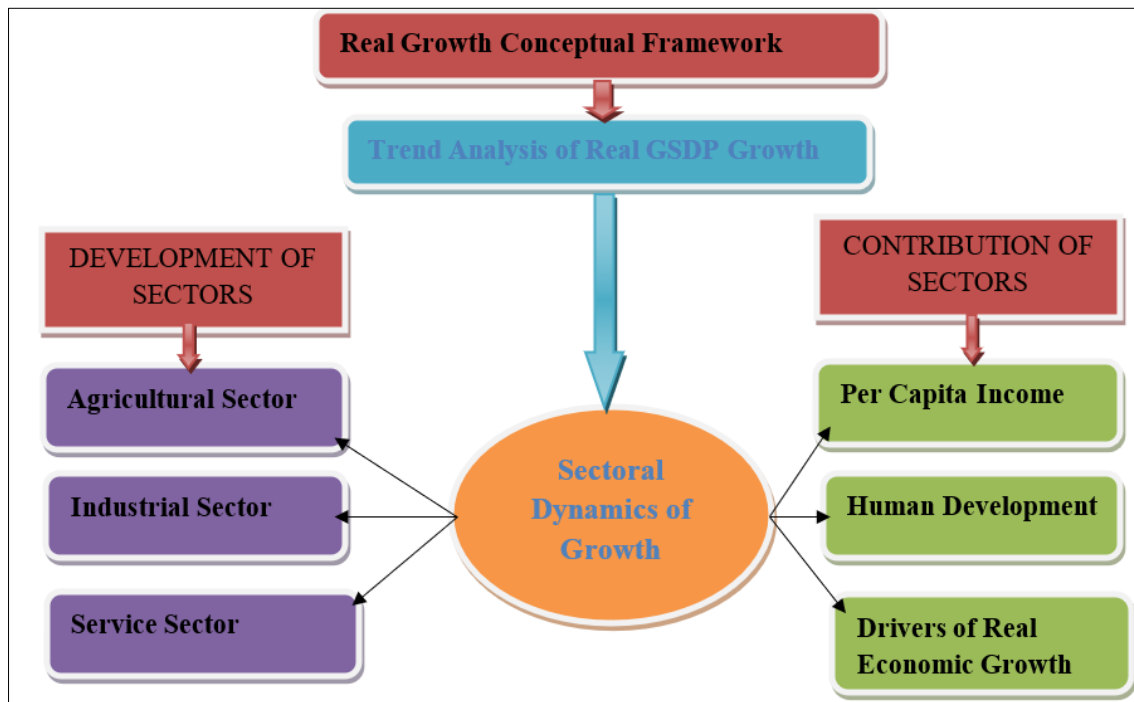
6) Analytical Tool(s) and Technique(s): The analytical tools and techniques used in this study included: (a) Trend analysis to study growth patterns of real GSDP over time; (b) Sectoral analysis to examine the contributions and performances of each sector; (c)

Comparative analysis to assess inter-district disparities; and (d) Descriptive statistics for summarizing statistics related to the economic variables measured in this study. **7) Econometric Model:** An econometric model was constructed to study the relationship between Infrastructure development, Public expenditure, and Sectoral output, allowing for the identification of important determinates of real GDP.

8) Analysis Approach: The analysis proposed macro and sectoral levels of analysis, including the following types of analyses: (a) State-level economic analysis; and (b) District-level comparative analysis.

9. Interpreting the Results: Results should be viewed within the following contexts: (a) Structural limitations, (b) Regional inequality, and (c) The governmental system affecting Arunachal Pradesh's development.

RESULTS AND DISCUSSION



Real Growth Conceptual Framework

The term 'Real Growth of the Indian Economy' refers to a statistical measure of the increase in the quantity of goods and services produced in the economy on an adjusted basis for price changes in the economy. In India, the methodologically most used statistic to measure Real Growth is through the Real GSDP, defined on the basis of current year prices and then adjusted for inflation against the base year, therefore increasing the accuracy of estimates of Real Growth Trends across all states and the overall Indian Economy (Dholakia & Sapre, 2011). Following a review of the base year from 2008-09 to 2011-12, Government of India (2015) has provided a more reliable measure of Real GSDP and Real Growth statistics in Arunachal Pradesh where the effects of significant cost differentials can lead to a misleading measure by using Nominal GSDP.

Trends of Real GSDP Growth for Arunachal Pradesh between 2012-13 to 2020-21

An increasing Real GSDP continued for Arunachal Pradesh until at least 2021. Empirical calculations indicate that the average annual rate of increase in Real GSDP for Arunachal Pradesh was

around 6.0 to 6.5 percent from 2012-13 to 2020-21; which was once again slightly higher than the National Average for the same period (NITI Aayog, 2025). This growth pattern demonstrates a level of resilience that is largely due to a lack of sufficient supporting infrastructure; particularly road and communication networks; and geographical issues were addressed. The pattern of growth did not however, reflect a smooth trajectory, as examples of cyclical fluctuations can be attributed to both internal (e.g. timing variations of Central Transfer Payments from the Government of India) and external contributing factors (e.g. weather induced fluctuations on agriculture) as well as significant delays on infrastructure projects. The reliance on Public Sector Expenditure as a major stimulus for growth, and Public Sector Expenditure being susceptible to severe cyclical fluctuations has had a significant impact on economic performance over time (RBI, 2020).

Sectoral Dynamics of Growth Agricultural Sector

The agricultural sector has historically been the primary source of employment for the majority of the people in Arunachal Pradesh and has constituted a

significant part of GSVA (Gross State Value Added) prior to 2021, although its contribution will decline over time due to the structural transformation taking place in Arunachal Pradesh. Average annual growth for the agriculture sector was estimated to be only 3-4 percent, per NITI Aayog (2025). One of the most distinctive features of the agricultural sector in Arunachal Pradesh is the use of shifting cultivation or *jhum*. Although this form of agriculture is ecologically appropriate, it is characterized by being low-yielding and poorly linked to markets (Das, 2018). The introduction of horticultural crops (e.g. oranges, kiwis, and spices) and organic farming systems has produced a slight increase in the agricultural market; however, the lack of irrigation, poor access to markets, and limited adoption of new technologies prevent the agricultural sector from reaching its full potential.

Industrial Sector

Arunachal Pradesh's industrial sector is still quite small and not developed compared to other states, but it has shown higher growth rates than agriculture prior to 2021. The sectors' average annual growth has been around 8-9% on average. However, this is off of a very low base (RBI,2020). Industrial growth has primarily come from construction, small-scale industries, and hydroelectric projects. The state has a large amount of hydropower potential, which is estimated to be over 50,000 MW, attracting lots of investment into energy infrastructure (Planning Commission 2014). The majority of the time, this potential has been realised slowly due to environment, land acquisition and logistical issues. In addition, the absence of any large scale manufacturing industries has restricted the amount of employment opportunities created and types of incomes generated in the industrial sector.

Service Sector

The service sector was the largest driver of economic growth in Arunachal Pradesh up to 2021. The service sector accounted for more than 40% of the GSVA and generally exhibited constant growth through public administration, education, health care, trade and transport services (NITI Aayog, 2025). Much of the growth in the service sector is attributed to government spending by the federal government, particularly through administrative service provision and social infrastructure. Additionally, with respect to the tourism sector, although limited, has also been a part of that growth. The increasing prominence of the service sector signifies a change in the structure of the state's economy, following similar trends seen on a national level (Chakravorty, 2013).

Income Per Person and Human Development

Real growth has many aspects, including higher levels of income and improved living standards. Prior to 2021, Arunachal Pradesh experienced a steady rise in the

average amount of money (per resident) that each person could earn from their work (average daily wage). Based on estimates, Arunachal Pradesh's average was significantly above the national average (NITI Aayog, 2025). Arunachal Pradesh's high per-capita income can be attributed to its low population density and the influx of funds from the central government. However, there is a significant discrepancy in the distribution of income across geographic areas (e.g., urban vs. rural) and among various tribal groups. Although there has been an improvement in selected human development indicators (e.g., rate of literacy and access to healthcare services and average lifespan), Arunachal Pradesh still has not reached the national average in several categories (Government of India, 2020).

Drivers of Real Economic Growth

Many interrelated factors underpinned the real economic growth of Arunachal Pradesh before 2021.

In the first instance, public expenditure was one of the most significant contributors to economic activity. The substantial amount of funds allocated to the state from the central government's treasury has allowed for investment in infrastructure, education and health care which, in turn, creates higher demand and greater production (RBI 2020).

In the second instance, infrastructure development, whilst unevenly distributed, has also contributed to better connectivity and improved access to markets. The development of roads through various national programs, such as the Pradhan Mantri Gram Sadak Yojana (PMGSY), has facilitated economic integration, therefore, reducing the degree of regional isolation (Government of India, 2019).

In the third instance, the application of hydropower resources has presented the potential for economic advancement through industrial growth and revenue generation. Although the realization of this potential has proceeded at a slower pace than previously expected, hydropower remains an essential component of the state's development strategy.

In the fourth instance, the expansion of services provided to the state (such as public administration and social services) has had a significant impact on economic growth which reflects on how much involvement the state has in influencing the structure of the economy.

Barriers and Obstacles for Growing Economy

1. Difficult Terrain and Geographic Isolation: The most significant barrier to an area's growth and ability to develop economically is its rugged topography, including mountains, dense vegetation, and dispersed settlement patterns. Because of this geographic isolation, transportation costs increase; therefore, access to markets is limited, and the delivery of services such as

healthcare and education is hindered. According to regional development studies done on these areas, poor connectivity creates barriers to doing business and limits further development of national market integration (Rawan, 2025). Additionally, because of remoteness, private companies are dissuaded from investing due to increased logistical costs and unpredictable returns.

2. Insufficient Infrastructure: While there have been significant advances in infrastructure, the current infrastructure continues to be inadequate in terms of roads, digital access, power supply, and markets. The delays in completing certain projects are primarily due to ecological problems, land acquisition, and administrative bottlenecks that can delay a project and add cost. Observational studies also demonstrate that inadequate infrastructure hinders industrial development and reduces productivity in all industries.

3. Limited Finance Availability and Investment Availability: Low banking access, inefficient credit delivery, and limited use of institutional financing means that Arunachal Pradesh is lacking in adequate financial infrastructure which limits the ability for entrepreneurship, micro-enterprises, and poverty reduction (Khugang Moses Wangsa and Nidang Wangsu, 2024). Limited investment opportunities also limit industrial development and private sector participation.

4. Poverty, Unemployment, and Low Human Capital: Constant poverty and unemployment, especially amongst the youth, remain a large challenge for development. The lack of a skilled workforce and access to adequate educational facilities is limiting to the growth of human capital. This results in a vicious cycle of low skills leading to low levels of productivity and limited opportunity to generate income (Rawan, 2025). In addition to this, the migration of educated and skilled youth to other states creates a 'brain drain', further decreasing the ability of the local economy.

5. Governance and Administrative Challenges: Governance and administrative processes do not support development outcomes, including bureaucratic delays, poor coordination across institutions, and inefficient implementation of policies. Many large infrastructure projects and welfare measures suffer from an inability of various governmental agencies to collaborate with each other, resulting in delays in completing these development efforts (Chief Secretary of Arunachal Pradesh, 2026). In addition, poor accountability and monitoring contribute to poor performance of government schemes.

6. Environmental Fragility and Sustainability Concerns: Arunachal Pradesh is ecologically sensitive with rich biodiversity and very fragile ecosystems. Development-related activities such as road building,

hydropower projects, and construction of facilities to support tourism have led to significant deterioration of the environment. Studies on tourism have shown that most, if not all, of the pollution, water stress, and ecological imbalance caused by tourism will have economic impacts for several years (Mibi, 2026). Therefore, the challenge is achieving a balance between economic development and environmental protection.

7. Socio-Cultural Constraints and Tribal Dynamics: The state is home to numerous tribal communities that follow traditional systems of governance and land ownership. Although these systems contribute to the preservation of cultural heritage, they create difficulties regarding the ability to develop industrially, acquire large quantities of land, and attract external investment. Research has also shown that the effects of commercialisation of the culture through tourism, will contribute to the dilution of cultural identity, increase in incidences of social conflict, and result in the destruction of indigenous practices (Pait, 2023).

8. The Inner Line Permit (ILP): This system's restrictive movement of labour and investors, despite being necessary to protect Indigenous Peoples' identity, and the existence of other special regulatory frameworks, are examples of different dimensions of regulatory and institutional barriers. The complexities associated with these regulations can result in fewer tourists visiting Arunachal Pradesh, as noted by Siva Nath Pait (2023). In addition, the land tenure system and legal ambiguities associated with them have a negative impact on private investment (Pait 2023).

9. Limited Industrial Base & Economic Diversification: The economy of the state is predominantly based on agriculture, forestry and government employment with little industrialisation throughout the state due to poor infrastructure, a relatively unskilled labour force and insufficient investment in manufacturing. As a result, the state has very limited opportunities to value add to its products and thus a lack of diversified income-generating opportunities for its citizens. Additionally, the lack of a diversified economy makes the state particularly vulnerable to external economic shocks and seasonal changes in demand for goods and services.

10. Market Access Challenges & High Cost of Doing Business: Producers are unable to access markets due to both the state being remote from larger centres of trade and the difficulty of getting there due to poor transportation infrastructure. The costs of transportation to markets are very high, which results in high prices for goods and price discrimination compared to other markets in developing and emerging economies. This impacts both agricultural and non-agricultural sectors (Rawan 2025).

11. Geostrategic & Geopolitical Constraints: The northern border of Arunachal Pradesh with China causes unique constraints on the state because it is a frontier state. Economic activities, infrastructure development and the retention of local populations are all limited due to issues relating to security, restricted zones and geopolitical requirements. At the same time, local resistance can develop regarding the development of infrastructure in border areas due to concerns regarding displacement and the preservation of community culture.

POLICY IMPLICATIONS FOR REAL GROWTH

Policy measure aims at enhancing infrastructure and laying down policies to attract private investment, modernize agriculture, and guarantee an environmental sustainability focus. Improving district-level planning will have the effect of reducing disparities amongst regions. The growth path of Arunachal Pradesh before 2021 shows a developing economy with structural constraint characteristics such as low industrialization, a high reliance upon the public sector, infrastructure blockages, and disparities between the regions. The structural characteristics lead to critical policy implications for achieving sustainable and inclusive real growth.

1. Infrastructure-Led Growth Strategy: The number one policy implication of the development of the state is to rapidly improve infrastructure, especially transportation, energy and digital connections. The Geography and remoteness of the state hinder market access and the growth of industry. Poor road access, a lack of electrical generation and limited rail access exacerbate the cost of doing business and ultimately restrict the ability to compete. Evidence from existing economic research indicates that the uneven development of infrastructure contributes to regional economic disparities, with those areas in close proximity to administrative centres having higher overall economic growth rates than those that are remote.

Policy Proposal: A uniform approach to the development of the infrastructure in Arunachal Pradesh must be created and emphasised, particularly for last-mile connectivity, improvements to border infrastructure and increased rural access. Additionally, the reliance on public investment must be supplemented with Public-Private Partnerships to encourage development.

2. Restructuring the Economy and Diversifying Industries: In Arunachal Pradesh, prior to the year 2021, agriculture dominated the economy with little industrial involvement (less than 7% of state income) and the service sector consisted mainly of government employment. Therefore, there has been very little progress in structural transformation. A reliance on agriculture with low productivity and few opportunities for adding value to produce limits opportunities for growing one's income. In addition, the decline of the

timber industry due to government regulations has exacerbated the already weak industrial base.

Policy Proposal: The need exists to promote:

- Sustainable developing industries that are based on agro-processed goods, forest resources and hydropower generation
- Establishing Special Economic Zones (SEZ's) and clusters for micro-, small and medium-sized enterprises (MSMEs)
- Creating opportunities for local businesses and integrating value chains Industrial policy must shift to production systems that add value rather than relying on extraction.

3. Developing Human Capital and Creating Skilled Workers: One of the major challenges facing the region is a shortage of skilled workers that would support industry growth and help companies adopt new technologies. The low level of technical training combined with limited access to institutions that offer post-secondary education, compounds the lack of skilled workers in the area.

Policy Proposal:

- Expand programs for vocational education and skills training
- Match up education with the types of jobs available in the area (tourism, agriculture, hydropower)
- Invest in technology and building capacity using technology Human capital development initiatives must be tailored to individual regions and be culturally sensitive.

4. Addressing Regional and Inter-Tribal Inequalities: Reducing Regional and Inter-Tribal Disparities Regions of Arunachal Pradesh have experienced an unequal degree of growth resulting in increasing disparity in both regional and Inter-Tribal disparities. Regions of Arunachal Pradesh that are near urban growth centres have much greater staff and supply access than interior and border regions. Increased income inequality has resulted from the transition of the traditional subsistence way of life to commercialised economies with people straining to meet their day to day financial means.

Policy Proposal: Adoption of Inclusive Growth, Targeted Growth Programs for Less Advantaged Districts, and Strengthening Traditional Institutions with Modern Governments

To mitigate risks of social and economic conflict, a robust Equity Based Policy is required.

5. Strengthening Governance and Policy Implementation: Strengthening Governance - Policy Implementation Gaps in the implementation of policy lack of accountability or responsibility of both the public and private sectors have substantially hampered the economic growth of Arunachal Pradesh. Similarly,

Political Instability and Policy Uncertainty until recently, has compromised the ability of the Government and its true stakeholders to plan for and achieve long-term objectives.

Policy Proposal: Administrative Reform to Improve Timely Decision-Making, Transparency in Land Acquisition and Regulatory Processes and Strengthening Decentralised Governance through P R I's. Effective governance is critical to ensuring a robust implementation of policy and converting policy into successful outcomes.

6. Financial Inclusion and Credit Accessibility: Financial Inclusion & Access to Credit Lack of adequate access to formal institutional capital markets has limited opportunities for entrepreneurship and/or economic diversification. In fact, in the vast majority of cases, residents of rural and Tribal Populations have been excluded from participating in the formal banking system.

Policy Proposal: As a means to improve financial access and thereby, stimulate the establishment of local enterprises - Market Expansion for Rural Banking and Micro Finance Institutions; promote the development of Self-Help Groups (SHGs) and Co-operative Credit Systems; Advanced Financial Literacy Programs, are all aimed at improving access to formal sources of finance.

7. Development of Environmentally Sensitive: Since Arunachal Pradesh has a fragile ecological system, there is a need to promote growth that takes into account both protecting the environment as well as developing the economy. Uncontrolled development and the extraction of forests could destroy ecosystems. Studies of tourism indicate that ongoing growth in the tourism sector and resulting income will require sustainable modes of development, achieved through local community involvement and protection of biological diversity (Pait, 2023).

Policy Proposal: Eco-tourism and sustainable agriculture; regulate the hydropower and forest industries; integrate environmental consideration into economic development; and focus on sustainability in all future growth strategies.

8. Diversification and Economic Complexity: The economy of Arunachal Pradesh has a low level of complexity because it relies heavily on low value-added goods. Regional development studies in India show that rising economic complexity is positively correlated with per capita income (Thomas & Chakraborty, 2026).

Policy Proposal: Diversify to include higher value-added industries (IT, renewable energy, specialized agribusinesses), create innovative ecosystems/start-up networks; and develop greater collaboration between

businesses and markets. Need to build capacity to sustain future growth.

9. Border Trade: Because Arunachal Pradesh borders China, Bhutan, and Myanmar, it could leverage its location for cross-border trade and regional integration (IBEF, 2025).

Policy Proposal: Build infrastructure for border trade; Adopt Act East Policy; create trade corridors/logistics hubs; capitalize on the advantage of being strategically located to create a global competitive edge.

10. Tourism Industry: The tourism industry has been mainly positioned as an underdeveloped industry with considerable growth potential from the state's unique geography and cultural heritage. Limited market and structural infrastructure have helped to stifle its growth. Research recommends implementing sustainable tourism management practices, increasing access and connectivity, and promoting this industry in digital formats (Pait, 2023).

Policy Proposal:

- Create an eco-tourism network throughout the state
- Create new jobs in hospitality service due to increased infrastructure development.
- Enhance skill-sets of employees who work in the tourism-related industries.

Tourism offers job opportunities and helps to develop a more diverse economy than would otherwise be available.

STUDY LIMITATIONS

Utilized second-hand sources where the data may not be complete enough to make exact time-series comparisons at the district level; there may also be inconsistencies among some of the second-hand sources for comparison.

CONCLUSION

Arunachal Pradesh's real economic growth before 2021 can be described as relatively stable and controlled by the government while showing strong dependence on government spending and the service sector. Although the state had stable growth rates exceeding the national level at times, it was still held back by institutional constraints. Farming was the industry's way of providing a secure source of income, while the manufacturing sector was in development; however, the service sector was primarily responsible for driving the growth. Real economic growth in Arunachal Pradesh was visible in a quantitative sense, but structurally, it was uneven and constrained in a qualitative sense. Real GSDP (gross state domestic product) growth occurred, but instead of being based on a diversified and self-sustaining productive base, most of the real GSDP growth resulted from public spending,

government administration, and central government assistance; therefore, most of the growth process lacked depth, resilience, and long-term viability. Weaknesses in the infrastructure, primarily transport, connectivity, and energy, hindered private investment and economic integration. Geographic remoteness and challenging terrain made these limitations much worse, leading to higher transaction costs and limited access to markets. As a result, the economy was primarily based on localized and fragmented economic transactions, making it impossible to develop competitive regional markets or industrial clusters.

The growth that occurred has had many regional and social disparities as exhibited by the way Growth has taken place in the majority of urban and administrative centres; whilst the remote and border towns are suffering in terms of income; infrastructure and access to the most basic services. The Unequal distribution of Growth Benefits not only Limited the overall Economic Efficiency of the country but raised many issues on the Questions of Social Equality and Inclusive Development. However, the sustainability of this Growth and inclusiveness is still a major concern. In order to continue to achieve and increase Economic Growth rates, Infrastructure Bottlenecks must be addressed; promotion of Private Investment; Increased Agricultural Production; and we must ensure that growth and development are environmentally sustainable. The experience of Arunachal Pradesh demonstrates the complexity of regional development, where there are many regional, geographical and Economic challenges at these locations.

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