

Rise and Fall of Punjab Economy – Reasons and Remedies

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Abstract: Punjab is one of the prominent northern agrarian state of India. Its flashback shows that it had an eminent role in economic progress of India. Its contribution to agriculture and to Indian economy was remarkable. It made India self dependent in food production and stopped India's dependency on food aid. There was a time when Punjab was known as "Granary of India". Apart from being the producer of the best quality of cotton, wheat and rice in India, Punjab also houses some major industries. But the growth of Punjab economy has become down nowadays. From 1992 to 2012, it grew at the rate of 5.6% per annum that is lower than India's overall growth rate (6.9% per annum). According to Economic Survey (2012-2013), Punjab has lost his strong position in ranking of states per capita income. Now it has seventh position in per capita income and also in growth rate. Moreover, the contribution of Punjab's economy to the national income has declined from 4% to 3%. If Punjab's deteriorating situation is not seized, then one day will come, when the shining of star (Punjab) of India will dull and it will lose its name and fame. It will become the poor state of the country. The main aim behind this paper is to find various reasons of Punjab's deteriorating position and suggest new innovative ways to solve this problem.

Keywords - Punjab Economy, Deteriorating Causes

I. Introduction

Punjab has always played an eminent role in the economic progress of India being the most prominent Northern Agrarian State of the Country. From 1960 to 1980, its contribution to agriculture and to Indian economy was remarkable. Punjab played a noteworthy role in the first phase of Green Revolution launched in 1967-68 and eventually made India self dependant in food production and hence ended India's Dependency on Food Aid.

This was a time when had very less unemployment ratio and it won the best state performance award with lowest Poverty Ratio. The State used to have the Best Infrastructure among Other States of the Country. Apart from being the producer of the best quality of cotton, wheat and rice in India, Punjab also used to house some major industries. But the growth of Punjab economy has witnessing a steep downfall now a day. The State has been sinking in Debt Sea and it has lost his strong and leadership position since 1980.

From 1992 to 2012, it grew at the rate of 5.6% per annum that is lower than India's overall growth rate (6.9% per annum). According to Economic Survey (2012-2013), Punjab has lost its strong position in ranking of states per capita income. Now it has seventh position in per capita income and also in growth rate.

Per Capita Net State Domestic Product at Current Prices (in rupees)

State	2004-05	2006-07	2007-08	2011-2012	2012-13	2013-14
Andhra Pradesh	25321	33135	39727	69742	78958	89214
Gujarat	32021	43395	50016	87175	96976	NA
Punjab	33103	41883	49380	77433	86106	94532
Haryana	37972	49261	56917	107051	120352	135007
Himachal Pradesh	33348	40393	43966	75185	83899	92300
Orissa	17650	22237	27735	41876	49241	54241
Maharashtra	36077	49831	57760	95339	107670	NA
Kerala	31871	40419	45700	78387	88527	NA
Tamil Nadu	30062	42288	47606	88697	98550	112331
All India Per Capita NNI (2004-05) base	24143	31206	35825	61855	67839	74920

NNI – Net National Income

Source: - For S. No. 1-32 Directorate of Economics and Statistics of respective State Governments, and for All India – Central Statistical Office, MoSPI

This table gives us a clear picture of the Punjab's position. It shows that Punjab's per capita income is going down year by year among other progressive states. Moreover, the contribution of Punjab's economy to the national income has declined from 4% to 3%. Now once regarded as the fastest state is known as slowest state.

It has been suffering from agrarian crisis and the suicides being committed by its Farmer's is a proof of it. The unemployment ratio has also grown. As we know that the large part of Punjab's Economy depends on agriculture sector and hence the slow growth rate in agriculture has hit the overall economy of Punjab.

Sectoral Real Growth Rates of Punjab (2005-06 to 2010-2011)

Sector	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Agriculture and Allied	0.95	2.85	3.83	2.15	1.36	1.78
Industry	9.55	21.19	15.90	5.89	11.29	9.19
Services	6.70	8.78	7.65	9.44	8.82	8.92
GSDP	5.53	10.12	8.87	6.34	7.57	7.21

Source: CSO as on 2.08.2011 at 2004-05 prices by industry of origin at constant prices

According to Economic Survey (2014-15) Punjab's Economy is expected to grow at 5.32% in 2014-15 which is less than previous year i.e. 5.73%. It depicts the negative growth. They observed that main reason of negative growth is slower rate of growth in agriculture which is expected to grow (-) 2.36% against (+) 2.35% in 2013-14. Despite, industry and service sectors both are expected to grow positively.

Both tables highlight that there is imbalance in Punjab's Economy. No doubt, Punjab Economy has been growing but its rate is very slow.

Innovative steps are required to bring back the lost Prosperity and Performance of Punjab so that once regarded as the Shining Star of the Nation can shine again.

II. Rationale of The Study

The growth of Punjab economy has come down drastically, nowadays. From 1992 to 2012, it grew at the rate of 5.6% per annum that is lower than India's overall growth rate (6.9% per annum). However, Punjab has a strong potential to get back to its previous strong position. For this there is need to take collectively efforts. In this paper, I have tried to highlight causes of Punjab's deteriorating condition and to suggest ways to help it bounce back.

III. Objectives of The Study

1. To identify the constraints behind Punjab's deteriorating position.
2. To suggest new innovative ways to solve this problem.

IV. Research Methodology

- **Research Type:** Descriptive Research
- **Type of Data/Data Source used:** Secondary Data/Data source. The present study is based on secondary data. Basically, the required information has been derived from
 - ❖ Articles from Newspapers, Magazines and Journals, and
 - ❖ From the various related web-sites which deal directly or indirectly with the topics related to Rise and Fall of Punjab Economy – Reasons and Remedies.

V. Limitations of The Study

1. The study is based on published data and information. No primary data is being collected.
2. Every care has been taken to entice qualitative and correct data; still secondary data have collected for the purposes other than problem at hand.
3. The objectives, nature and methods used to collect secondary data may not be appropriate to the present situation.
4. Secondary data may be lacking in accuracy, or they may not be completely current or dependable.
5. Time constraint remained the major limitation in the study
6. The biasness can always be there.

VI. Deteriorating Causes of Punjab's Economy

There are many causes which are responsible for Punjab's Deteriorating condition. There is need to identify these so that we can take effective steps to control them. These are:

- 1) **Policies of Government:** Punjab Government is also responsible for present condition. Policies of government are not good. It likes mostly to invest in unproductive works and matters. Today, government makes many promises with public. But it does not keep its words. Fiscal policy of Punjab is not good since 1980. Fiscal deficit of Punjab was 5.3% in 1985-1990 as compared to 14 major states of India whose deficit was 3.3%. Revenue Deficit of Punjab was 2.63% in 2011-12. Main reason of this deficit was low revenue receipts. This deficit has been managed by borrowings which lead to debt burden and that is increasing day by day. All this ultimately leads to slow economic growth rate.
- 2) **Slow growth rate in Agriculture:** Agriculture sector is the main source of income in Punjab. Increase in agriculture production gives birth to economic surplus. On the other hand, decrease in agriculture production generates economic deficit. In early green revolution period, it generated economic surplus. But,

these days, Punjab's major sector (Agriculture Sector) suffers from losses. The growth rate of this sector is very low. It is even sometimes in minus. Due to green revolution Punjab adopted cropping pattern which led to degradation of soil health, falling underground water and high burden of debt on farmers (which is responsible for farmer's suicide and increasing poverty). This problem is increasing day by day. Technology is also unhelpful at the present time. In early years of twenty first century growth rate of income in agriculture sector was less than 1%. So share of agriculture's income has drastically declined. The GDP of state was 32.67% in 2004-05 and it came down to 21.83% in 2012-13. There are many other reasons for this unsatisfactory development in agriculture, like (a) Pressure of workforce on Land (b) Shortage of Regulated Markets (c) Lack of Market Information (d) Mal-practices in Market (e) Diseases of Crops and Pests (f) Small size of Farms (g) Inadequate Irrigation Facilities (h) Delay in purchase by the Government Agencies (i) Lack of Credit Facilities (j) Inadequate Availability of Electricity (k) Social Atmosphere (l) Lack of Agro based Industries (m) Low quality of Production etc. There is need to correct all these problems so that agriculture sector can grow, ultimately economy can grow.

- 3) **Slow Development of Medium and Large Scale Industries in Punjab:** Industries have more productivity than agriculture. No doubt, Punjab also has major industries but these are less in numbers. The growth rate in the industrial sector was 2.55% in 2013-14. That was at crawling stage. The main reasons behind this are (a) Lack of Minerals (b) Shortage of Power (c) Border State (d) Less Investment by the Central Government (e) Less investment by Financial Institutions (f) Agricultural State (g) Shortage of Capital (h) Punjab Government Policies (i) Lack of Marketing Facilities (j) Problems of Raw Material (k) Heavy burden of Taxes (l) No Cargo Airport etc. So, slow development in industrial sector is also responsible for Punjab's deteriorating condition.
- 4) **Lack of Investment:** Inadequacy of investment is also responsible for Punjab's present situation. The investment-GDP ratio has declined from 24% in 1995-96 to 16.77% in 2009-10 as compared to Indian Economy which is rise from 26.6% in 1995-96 to 35% in 2009-10. So, there is need to correct it in order to get the effective results.
- 5) **Lack of Information and Communication Technology:** Information and Communication Technology is not developed in Punjab as compared to other progressive states due to lack of investment, non availability of scientific methods and human resources.
- 6) **Drug Addictive State:** Now Punjab is also known as Drug Addictive State because its juvenile and young generation is submerging in drugs day by day and hence it leads to crime. They do not like to work. They like to enjoy their life with parent's cash. These young generations are kind of a burden on economy.
- 7) **Literacy Rate:** Illiteracy is also responsible for Punjab's deteriorating condition. It creates obstacles in the path of Punjab's Economy. No doubt, today there are many education institutions on primary level and higher level but even then most of rural population of Punjab is uneducated. For this situation some factors are responsible like shortage of teachers in government primary school, shortage of basic facilities in government primary school etc. Some schools have single teacher and some do not have even single teacher.

These are the main causes of Punjab's present deteriorating situation. Apart from the above mentioned causes, many other socio-economic factors such as low quality human capital, corruption, lack of infrastructure development, poor health facilities, and poor facilities for laborer, low wages, unproductive expenditure and international border with Pakistan etc are also responsible for Punjab's present situation. To solve this problem there is need to make collective efforts, so that Punjab can bounce back at it previous number one track.

VII. Ways to Come Back on Previous Track

Punjab plays an important role in Indian Economy, but it has been facing crisis. In order to gain previous position, there is need to understand and identify the problems and develop excellent steps to remove the problems. Here, I am trying to give some solution:

- ✓ Punjab Government should take effective steps in fiscal policy. The functions of revenue generation and expenditure should be under one ministry which should develop the coordination among both departments. Due to this it is easy to access control over unproductive expenditures and take effective decisions. It will reduce the wastage of money and deficit position.
- ✓ To improve agriculture growth Rate, it is necessary to reduce the pressure of population on land. For this small and cottage industries must be developed in rural areas. Besides this, government should provide

good quality seeds, credit facilities, price stability, regulated markets, correct market information, electricity facility to farmers. It must purchase agricultural products in time and must have control over mal-practices in market; so that farmers can improve their standard of living.

- ✓ An efficient Agricultural Research Department should be setup. It would help in improving the productivity of cultivation and it will help in developing effective cropping pattern.
- ✓ Agro-Based Industries should be set-up. No doubt, a few of these are there but less in number. Through this we can get double benefits. First, labor will shift from land to industry. So, it will reduce the pressure of labor on soil. Second is, farmers will get efficient agricultural inputs. On other side, farmers will have the place to sell raw materials.
- ✓ Moreover, government should take initiative steps in spreading education in rural area. Farmers must be educated so that they can get knowledge of techniques of cultivation; For example: which good should be produced, what type of machinery should be used for that good, what type of seeds and fertilizers and in what quantity should be used? Etc. Apart from this, farmers should be guided about benefits of mixed farming and cooperate farming. Besides, farmers should be guided how to use loan for productive works. So that it should lead to reduce the farmer's suicide.
- ✓ For the boasting of Punjab Economy, There is a need to take effective steps in development of manufacturing industries. Government should make huge investment in industries and also invite foreign investors. It should provide proper electric facilities, raw material, marketing facilities, cargo airport and should reduce heavy and unnecessary burden of taxes on industries.
- ✓ There is needed to take right steps about government school and colleges. It should provide basic facilities to both and also fill the vacancies of school teachers and colleges. It must provide scientific infrastructure in secondary schools and colleges. It is necessary to make investment in technical and scientific education to get the skilled and efficient human resources.
- ✓ Another thing is that, Public health expenditure and education expenditure should be raised for getting high quality human capital. Government must provide medical facilities and clean drinking water in both urban and rural area.
- ✓ Government must organize program to get drug free Punjab. These programs must highlight the harms of drug and show how young generation has been submerging in drugs and leads to crimes. Programs should be in that manner that these should give the moral, culture and social values and highlight the parent's efforts for their growth. These must highlight the value of work, so that young generation can save their life.
- ✓ Punjab government must spend some percent of total revenue on R&D department for getting better results and ensuring economic development.
- ✓ All people should be equally treated. There must be check on tax evaders and corruption. There must be punishment for that people.
- ✓ Government must make some strict rules and regulations and take actions against those owners who give low wages and salary to their employees.

VIII. Conclusion

On the basis of the study it is concluded that, if we want to see the same old shine in the star, there is need to take collectively efforts. It is indeed that Punjab Economy has been suffering from various crisis since 1980 but the recovery and progress of Punjab Economy depends upon how well government and all people manage and utilize resources (human resources, raw material and finance etc.). Firstly, there is need to understand and identify the factors which are responsible for the current deteriorating situation. After that decisions should be taken to control them. This study depicts many constraints such as government policies, monetary policies, negative growth in agriculture, slow growth in industries, low quality human capital, poor medical facilities, corruption and other various social factors; which create obstacles in the development of Punjab's Economy. On the other hand, it also suggests some ways through which we can minimize the problems. Besides, Centre government should offer some package like debt relief package; so that Punjab Government can reduce its burden up to some extent.

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