Walking with the Ups and Downs of Punjab Economy

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The present Punjab has travelled through a couple of partitions since the independence of India in 1947 and is now having just 14 percent geographical area of pre-1947 Punjab. Nonetheless, it successfully remerged out of the pangs of Partition. The post-Partition Punjab was again partitioned, in the name of reorganization, into Punjab and Haryana in 1966. However, the splendid success story of green revolution started in mid-1960s, put Punjab as the top performing economy, both in terms of growth rate and per capita income; the position it retained till the mid-1990s. Thereafter, in terms of growth rate, it started lagging behind the national average growth rate. Towards the end of the 20th century, Punjab lost its top-ranking position even in terms of per capita income. This paper examines the reasons behind the ups and downs of Punjab economy since its reorganisation in 1966.

Introduction: Partition and Independence

Not looking too far off into the past, a glimpse of Punjab from the beginning of the 20th century would be appropriate to understand the economic ups and downs of the present-day Punjab. In 1901, *five frontier districts* (Peshawar, Kohat, Bannu, Hazara and Dera Ismail Khan) were separated from Punjab to constitute the North-West Frontier Province (NWEP), now in Pakistan. Delhi was separated from Punjab in 1911 when the British shifted their capital from Calcutta to Delhi. From 1911 until 17 August 1947, the British designated the whole of Punjab, including of British territories (directly administered by the British) as well as the Princely States, as the Punjab Province (Ahmed, 2011)**.**

Total area of the then Punjab Province was 3,57,692 sq. kms (1,38,105 miles); British territory (British administered Punjab Province) constituted 2,56,640 kms (99,089 sq. miles). The area of British territory was 71.75 percent and that of Princely states was 28.25 percent. For the purpose of administration, the British Territory was divided into 5 Divisions and 29 districts.[i]

Significantly, the area of undivided Punjab was larger than that of Rajasthan, the largest State of India, which has an area of 3,42,239 sq. kms. As per the 1941 population census, the total population of Punjab Province was 33.92 million of which British territory and Princely States had 28.42 million (83.79 percent) and 5.5 million (16.21 percent), respectively. The area of the undivided Punjab was larger than the now Rajasthan, the largest of all the states of India in terms of area. As per the 1941 population census, the respective share of Muslims, Hindus and Sikhs was 53.2, 29.1 and 14.9 percent in Punjab Province and that of Christians and others was 1.5 percent and 1.3 percent respectively. The share of Muslim population increased from 49 .6 percent in 1901 to 53.2 percent in 1941 and that of Hindus declined from 41.3 percent to 29.1 percent. The share of Sikhs increased from 8.6 percent in 1901 to 14.9 percent in 1941 (Ahmed, 2011).

Radcliffe Award dividing the Punjab Province

The 5-member Boundary Commission headed by Sir Cyril Radcliffe gave its Award to divide Punjab Province on 16 August 1947. This Award was almost identical to Wavell's boundary demarcation plan of 7 February 1946. Prior to that Viceroy Wavell through a top-secret communication sent 'a breakdown plan' (division of Punjab Province) of 27 December 1945 to the Secretary of State for India at the India Office, Lord Pethick-Lawrence. The basis of Wavell's 'breakdown plan' was the impending deteriorating law and order situation to a dangerous level.

Though the situation had been brewing up in preparing ground for partition and the literature is full of its genesis and culmination, yet, in a nutshell, the Partition of Punjab, inter alia, happened on religious grounds. It was a triumph of 'political entrepreneurs' and evil spirits and designs of petty-politics and narrow vested interests of the then political leadership across the parties and groups. Bigotry, fanaticism, hate and rumour-mongering led to so called 'ethnic cleansing' and large-scale genocide. What the then generations got was trauma, emotional division, injured psyche, resettlement and re-emergence. Between 5 to 8 lakh persons were brutally murdered in Punjab (Total in India:10 lakh) and nearly 10 million (more than one-third of the population of the then British administered territory of Punjab) were forced to cross over the border in Punjab (total in India 18 million); nearly 90,000 persons were abducted by men of the 'enemy' religion. Thousands of women were brutally raped and murdered (Ahmed, 2011).

Partition (Sorrow) and Independence (Joy) came side by side**.** The sorrows were mainly for Punjab and Bengal, but Punjab was the worst sufferer. India and Pakistan got independence on 14 and 15 August 1947, respectively. The Partition jeopardized the socio-cultural and politico-economic life of the people. The division was so rigid that it cut asunder the transport network, rivers, canals and even the residential houses and families. It brought havoc to the socio-cultural and politico-economic fabric of both the countries. It caused irreparable loss to collective consciousness of the people who had been living together over the centuries. The rest is history. Since then, India and Pakistan have fought two low-intensity and two full-fledged wars, but their relations continued to be abnormal. In the process, Punjab has been the worst sufferer of its 554 kilometres long international border which has never been a normal border (Ghuman, 1986; 2020 and 2024; and Hussain & Singla, 2020).

Post-reorganisation structural changes in Punjab

When Punjab was still negotiating and reconciliating with the pangs of partition, she was again Punjab was again partitioned in Punjab and Haryana on 1st November 1966 and the present Punjab has now an area of 50362 sq. kms (just 14.08% of pre-partitioned Punjab Province and 1.53% of India) and 27.74 million population (2.33% of India). Prior to that mountainous regions of Punjab were given to Himachal Pradesh (statehood in 1971) in 1966. Currently HP's area is 55673 sq. kms and that of Haryana's 44212 sq. kms.

After the reorganisation on 1st November 1966 Punjab had to readjust and renegotiate with the newly emerging economic scenario. Incidentally, the reorganisation coincided with the advent of green revolution era and Punjab emerged again as a major food-bowl of India. It is in this context that agriculture assumed a significant place amongst the other sectors and became a major growth driver. The evolving economic structure of Punjab economy is reflected by the sectoral share in gross state domestic income (GSDP) and employment over a fairly long period of time. Table 1 presents the changes in sectoral composition of Punjab economy.

Table 1: Sectoral Share in GSDP at constant prices: 1970-71 to 2022-23 in Punjab (% share)

Year	Primary	Secondary	Tertiary	Total
1970-71	57.32	15.81	26.87	100.00
1980-81	49.13	20.01	30.86	100.00
1990-91	44.01	23.80	32.18	100.00
2000-01	35.90	22.99	41.10	100.00
2011-12	30.81	25.40	43.79	100.00
2019-20	24.52	24.61	50.87	100.00
2022-23 (Q)	23.22	26.50	50.25	100.00

Source: Government of Punjab Statistical Abstract (various years). Q-quick estimates

Note: The composition of sectors is given in annexure 1.

In 1970-71, 57.32 percent of Punjab's GSDP came from the primary sector, mainly agriculture. During the same year, the share of secondary and tertiary sectors was 15.81 percent and 26.87 percent, respectively. Thereafter, the share of the primary sector witnessed a continuous decline while that of the secondary sector (manufacturing etc.) and the tertiary sector (services, etc) registered a rise. Over the span of 50 years, the primary sector's share declined by 33 percentage points. As compared to it, the secondary sector increased by just 9 percentage points. The tertiary sector on the other hand registered an increase of 24 percent. Though the long-term dynamics of structural change have been in tune with the Kaldor-Kuznets dynamics of growth, yet the share of secondary sector did not increase much. Most of the decline in the primary sector was captured by the tertiary sector.

Sectoral Share in Employment and GSDP

The sectoral employment scenario (Table 2) underlines the shift of employment from agricultural to non-agricultural sectors. Agriculture absorbed nearly 56 per cent of the total workforce of Punjab in 1961 whereas the remaining 44 per cent workforce was employed in non-agricultural sectors. It is an interesting phenomenon (Contrary to the Kaldor-Kuznetnt's growth dynamics) that the share of employment in agriculture increased to 62.66 per cent in 1971. This can be attributed to the emergence of green revolution. Owing to increased employment opportunities and higher wages in agriculture, a very high proportion of rural artisans turned agricultural labourers (Gill, 1980). As is evident from table 2, the share of agricultural labourers increased from 9.67 per cent in 1961 to 20.11 per cent in 1971. Compared to it, the proportion of cultivators declined from 46.25 per cent to 42.55 per cent during the same period.

Table 2: Percentage Distribution of total workers (main and marginal) in Punjab

	1961	1971	1981	1991	2001
Cultivators (C)	46.25	42.55	35.86	31.44	23.00
Agricultural Labourers (AL)	9.67	20.11	22.16	23.80	16.40
Total Agricultural Workers (C+AL)	55.92	62.66	58.02	55.24	39.40
Non-Agricultural Workers	44.08	37.34	41.98	44.76	60.60

Source: Government of India, *Census of India* (respective years)

The share of agricultural workers, however, declined to 58 per cent in 1981. This again was due to an increased proportion of agricultural labourers during 1971-81. The proportion of agricultural labourers further declined to 55.24 per cent in 1991. Thus, as compared to 1971, there was a 7.42 percentage points fall in the share of agricultural workforce during 1971-1991. This decline was solely due to the falling proportion of cultivators, from 42.55 per cent in 1971 to 31.44 per cent in 1991.

The 1990s decade, however, witnessed a substantial reduction in the share of agricultural workforce, from 55.24 per cent in 1991 to 39.4 per cent in 2001. This can be termed as a major watershed in the structural transformation of the Punjab economy as far as the sectoral composition of employment. The stagnation in agricultural yield and virtually no possibility of bringing more land under plough, perhaps, were the main reasons behind such a scenario. In fact, the employment elasticity in the agriculture sector was decreasing and the shrinking labour-absorption capacity of the major crops in Punjab seems to have led to the decline in the share of agricultural workforce in Punjab during 1991-2001 **(**Bhalla, 1987 and Gill, 2002). One may also add that the employment opportunities in the non-agricultural sector might have increased during this period. This might have happened in the informal/un-organized sector and may not be in the organized sector. However, the ground realities (in the face of not much increase of employment in the non-agricultural sectors and the ever-rising unemployment) do not lend any substantial support to such a hypothesis. As such the surplus labour in the agricultural sector seems to have been pushed out of agriculture with no place to go (Ghuman, 2005).

The quality of employment in non-agricultural sectors, on the other hand, is also a serious concern as neither wage rates nor the working conditions are commensurate with good living conditions. Paradoxically, on the one hand agriculture is pushing out workforce and children of farmers are least interested in farming. Given the alternative, the crisis-stricken peasantry is turning away from agriculture to seek alternative sources of livelihood. The 55th round of National Sample Survey Organization (NSSO) in 2001 revealed that about 37 per cent farmers in Punjab expressed their strong desire to opt out of agriculture. Another study (Ghuman, 2018) revealed that more than 75 percent of farmers in Punjab do not want their children to continue with agriculture. Punjab's industrial sector is also not attracting the educated Punjabi youth as, being dominated by small units, it is offering only mediocre jobs with low wages and not so congenial working conditions (Ghuman, B.S., 2024). Even the tertiary sector, offering largely gig-employment, is also not the foremost priority of the educated and skilled Punjabi youth. Perhaps, these, inter alia, are the main reasons that the kind of work available in the industry and service sectors is not matching with the aspirations of Punjabi youth. In other words, there is a mismatch between the kind of employment opportunities and aspirations of the youth, especially the educated youth. Under such a scenario. the foreign lands are becoming the preferred destination of the Punjabi youth which is clearly reflected by their yearning to emigrate by any means including the illegal ones.

Even the public sector employment is being given on contract and on basic pay for three years. In other words, the employment scenario in Punjab (in agricultural sector as well as non-agricultural sectors) is not attracting the Punjabi youth. Such a scenario would have numerous ill-effects on socio-cultural and politico-economic environment in the state. In such a scenario, the migrant workers are occupying the space being vacated by the Punjabi youth. They are entering into the jobs/work which the Punjabi youth is not willing to do. Ironically, the Punjab government has neither reliable data on out-migration from Punjab nor on in-migration. However, some individual scholars (Nanda et al, 2021; Sharma et al, 2023; and Singh Gian et al, 2024) have done some commendable studies on international migration from Punjab. Under such circumstances, the state of Punjab must give serious thought to its development and employment strategy for reaping the demographic dividends.

The more recent data shows that the share of agriculture in employment and income is declining further. In employment, its share declined to 26 percent in 2017-18 and further to 24.64 percent in 2022-23. During the same years agriculture accounted for 29 percent and 23.23 percent of GSDP, respectively. It supports the Kaldor-Hicks long term dynamics of growth (i.e. with development there is declining share of agriculture in employment and income over the long period). Clearly, by economic parameters, Punjab is no more an agricultural state, though still agriculture occupies a predominant position in the politico-economic structure of the state. The industry and services sectors together accounted for 74 percent of employment and 71.0 percent of GSDP in 2017-18. The respective combined share of industry and services sectors in employment and GSDP increased to 75.37 percent and 76.78 percent in 2022-23. The share of agriculture in employment at the national level, however, was 45.76 percent in 2022-23 which is significantly higher compared to Punjab but the share of agriculture in national income was just 18 percent (Table 3).

Despite this, Punjab does not have any agricultural policy. In view of this, Punjab would have to reorient its development strategy. The shrinking share of employment and income in agriculture, however, should be a cause of concern in the face of augmenting agrarian crisis and farmers' distress and huge youth unemployment in the state. The decreasing share of Punjab's wheat and rice in the central pool, too, must be taken as a cautionary note to go in for crop-diversification in a planned manner. The significant decline in industry's share in employment and income, too, should be a cause of concern as wage and working conditions in the tertiary sector (especially that of gig-workers) are very poor and do not go well with the aspirations of Punjabi youth.

Table 3: Sectoral share in employment and GSDP: Punjab and India

Sector	Share of Employment*		Share of GDP/GSDP*	
	2017-18	2022-23	2017-18	2022-23
Punjab				
Agriculture and Allied Activities	26.0	24.64	29.0	23.22
Industry (secondary sector)	33.1	34.27	24.7	26.50
Services	40.9	41.10	46.3	50.28
India				
Agriculture and Allied Activities	44.1	45.76	18.0	18.0
Industry (secondary sector)	24.8	25.30	29.2	27.87
Services	31.0	28.93	52.8	54.13

Source: National Income Accounts 2020. Annual Report of Period Labour Force Survey (PLFS), 2017-18 and Economic and Statistical Organization, Punjab.

* PLFS 2023-24, Mospi, New Delhi; and Directorate of Statistics, Punjab

Understanding Punjab's economic deceleration

Punjab's slipping down from a top performing to a laggard state vis-à-vis national average and many of the major states for well over three decades must be a cause of concern for the state as well as for the nation as it has serious implications for country's food and national security.

With just 1.53 per cent of India's geographical area, Punjab contributed 73 per cent wheat and 45 per cent rice to the central pool in 1980-81. The respective share oscillated between 58-61 percent and between 33-41 percent during the next 20 years. In 2010-11, the share of wheat and paddy declined to 45 percent and 25 percent, respectively. In 2021-22, Punjab's contribution of wheat and paddy to the central pool further declined to 30.5 percent and 21.2 percent respectively (GoP, 2023). Despite the fact that some other states have either become self- sufficient or surplus in foodgrains over a period of time, Punjab still occupies a crucial importance in country's food security. Punjab's splendid success story of green revolution not only helped the country to achieve its much-needed food self-sufficiency but also put Punjab economy head and shoulders above all other states of India. However, the very success of the green revolution turned Punjab into wheat-paddy (though indispensable foodgrains but low value crops) state at the cost of its diversified cropping pattern. This also puts great pressure on soil-health and water-table. Even the state got limited benefits of processing of wheat and paddy and thereby the consequent value addition and employment potential.

Area under wheat in Punjab increased from 1.5 million hectares in 1965-66 to 3.52 million hectares in 2022-23 (13.58-fold increase); and the area under paddy increased from 0.29 million hectares in 1965-66 to 31.68 million hectares in 2022-23 (109.24-fold increase). Currently, out of the total net sown area in Punjab, 85 percent is under wheat and 76 percent is under paddy. The wheat-paddy cropping pattern in Punjab has led to depleting water table, deteriorating soil health and environment degradation, over-mechanisation, excessive use of chemical fertilisers and pesticides, shrinking employment opportunities, increasing cost and decreasing marginal return (Gill, 2002; Gill & Nehra, 2018; Gill & Ghuman, 2001; and Ghuman, 2022). Paradoxically, in terms of rice, Punjab is virtually exporting its ground water (between 80 to 85 percent of the total quantity of water being used in rice production) to the central pool (Ghuman and Sharma, 2018).

Though agriculture has been the main growth driver of Punjab for well over two decades since 1970s yet the state could not retain its top performing position beyond mid-1990s as it could not fully translate its success in agriculture into the desired development in others sectors, especially in manufacturing and industry. This has been amply demonstrated by its growth rate over the last more than five decades (table 4). It also indicates that agriculture alone cannot carry forward the higher growth trajectory beyond a limit. The slipping down of Punjab economy in comparison to national average growth rate and some other states starts from the early1990s when agriculture, too, started experiencing fatigue.

Table 4: Average Annual real growth rate of Punjab and Indian Economy (% per annum)

Period	Punjab	India	Base Price	GDCF (Range)	
				Punjab (%of GSDP)	India (%of GDP)
1970-71 to 1978-79	5.1	3.6	1970-71 = 100		
1974-79 5th Plan	6.8	5.1	1970-71 = 100		
1980-85 6th Plan	5.3	5.7	1980-81 = 100		
1985-90 7th Plan	6.0	5.8	1980-81 = 100		
1992-97 8th Plan	4.8	6.8	1993-94 = 100	22.5 to 24.9	23.1 to 27.1
1997-2002 9th Plan	3.9	5.5	1993-94 = 100	15.2 to 21.0	22.2 to 25.9
2002-2007 10th Plan	5.1	7.8	1999-00 = 100	16.3 to 20.2	25.0 to 35.8
2007-12 11th Plan	6.9	9.0	2004-05 = 100	13.4 to 20.1	34.9 to 39.8
2012-17 12th Plan	5.8	7.1	2011-12 = 100	13.4 to 16.1	34.4 to 39.5
2014-15 to 2022-23	4.62	5.67	2011-12 = 100	13.7 to 17.6	31.3 to 37.4

Source: 1. Government of Punjab, *Statistical Abstract of Punjab*, various years.
2.Government of Punjab (2022), 6th Finance Commission of Punjab, p. 27
3. Chand Ramesh and Jaspal Singh (2024), "Performance of agriculture sector 2014-24: Implications for short- and medium-term strategy", *Economic and Political Weekly*, Vol. 59, No. 39, pp. 70-73.

Note: GDCF stands for gross domestic capital formation; GSDP stands for gross state domestic product and GDP for gross domestic product.

Punjab's average annual growth rate during 1970-71 and 1978-79 has been higher by 1.5 percentage points than the national average growth rate. During 1980-81 and 1984-85, it was lower than the national average by 0.4 percentage points but regained the lead during 1985-86 and 1989-90. However, from 1992 onwards Punjab's growth rate continues to be below the national average. The difference ranged between 1.6 and 2.7 percentage points during 1992-2012 and by 1.1 percentage points during 2014-2023. During 1992-2012, Punjab's ranking oscillated between 9th and 16th position among the 17 general category states. At 2011-12 prices, Punjab ranked at 18th position (having common rank with Uttarakhand) among 21 major states during 2014-15 and 2022-23. During the same period, Punjab's average annual growth rate has also been below the national average. Punjab stood at 19th rank in agriculture & allied sector and at 14th rank in non-agriculture growth rate, which were below the national average growth rate in both the sectors, during 2014-15 and 2022-23 (Chand & Singh, 2024). Inf act, the growth rate of Punjab's primary sector (mainly agriculture) has been below the national average since 1992-97 while its tertiary sector registered below national average growth rate since 1980-85 onwards. During 1980-85 and 2022-23, Punjab's secondary sector's growth rate also remained below the national average for 31 years.

Lagging behind in terms of per-capita income

In terms of per-capita income, Punjab has been a top-ranking state from 1970 to 1994-95. But it started sliding down with effect from 1995-96 among all the states of India.

Table 5: Ranking of 18 Major States in terms of per capita GSDP

Rank	Triennium Average of Per Capita (PC) GSDP by Ending Year				
	2001-02	2006-07	2012-13	2018-19	2022-23
1	Punjab	Haryana	Haryana	Haryana	Gujarat
2	Maharashtra	Maharashtra	Maharashtra	Kerala	Karnataka
3	Haryana	Punjab	Gujarat	Karnataka	Haryana
4	Kerala	Gujarat	Tamil Nadu	Telengana	Telengana
5	Gujarat	Kerala	Uttrakhand	Uttrakhand	Tamil Nadu
6	Tamil Nadu	Tamil Nadu	Punjab	Tamil Nadu	Kerala
7	Karnataka	Karnataka	Kerala	Maharashtra	Maharashtra
8	Andhra Pradesh	Andhra Pradesh	Telengana	Grajarat	Uttrakhand
9	West Bengal	Uttrakhand	Karnataka	Punjab	Andhra Pradesh
10	Uttrakhand	West Bengal	Andhra Pradesh	Andhra Pradesh	Punjab
11	Rajasthan	Chattisgarh	Rajasthan	Rajasthan	Odisha
12	Chattisgarh	Jharkhand	West Bengal	Odisha	Chattisgarh
13	Madhya Pradesh	Rajasthan	Chattisgarh	Chattisgarh	Rajasthan

14	Jharkhand	Odisha	Odisha	West Bengal	West Bengal
15	Odisha	Madhya Pradesh	Jharkhand	Madhya Pradesh	Madhya Pradesh
16	Uttar Pradesh	Uttar Pradesh	Madhya Pradesh	Jharkhand	Jharkhand
17	Bihar	Bihar	Uttar Pradesh	Uttar Pradesh	Uttar Pradesh
18	-	-	Bihar	Bihar	Bihar

Source: 1. CFC Reports (12th CFC to 15th CFC). (For 2001-02, 2006-07, 2012-13 and 2018-19), as given for 2022-23.
2. RBI Handbook of Statistics on Indian Economy, 2022-23.
Note: For the triennium 2022-23, PCI is of net state domestic product.

Amongst the 18 major (general category) states of India, Punjab ranked 1st at the end of triennium 2001-02. At the end of triennium ending 2005-06, Punjab slipped down to 3rd position and further to 6th position at the end of triennium 2012-13. Towards the triennium ending 2018-19, Punjab slipped down to the 9th position and further to 10th position. Thus, over the period of 25 years, Punjab's relative ranking in terms of per capita income witnessed a continuous decline.

What led to Punjab's slide-down?

The relative deceleration of Punjab in terms of growth rate and per capita income has mainly been due to the declining share of budgetary allocation to development and the lower investment-GSDP ratio. That, inter alia, has been due to the lagged-effect of more than a decade long militancy (1980-93), shift in state's orientation from development to law and order and the neo-liberal policies of the Union government and special benefits to the special category states neighbouring Punjab (especially Himachal Pradesh and Uttarakhand) and off course misplaced development priorities of the successive governments of Punjab. The geographical location (bordering hostile international border and land locked) of Punjab, too, has been a significant drag on investment and growth but that we cannot change. What we should do is to have policies to move forward with all these constraints. Punjab government's limited investment-capacity and not a favourable investment-environment (compared to many other states) for private investment, too, has been responsible for Punjab's lower investment-GSDP ratio.

Deceleration in Industrial Growth

The deceleration in the industrial sector in Punjab during the last two and a half decades could be because of several factors. First, the downfall of the industrial sector in the state started since the onset of liberal policy regime initiated in July 1991. In this period, the government of India phased out a series of benefits (freight equalization policy, the special rebate for industrial development in border areas) which was earlier being provided to the industrial sector. The elimination of such benefits as well as lack of minerals and other natural resources in Punjab placed the state industrial sector in a disadvantageous position. Besides, the changing policy regime intensified competition by opening the domestic market for multinational firms which were earlier being protected for local manufacturers. To remain competitive, local manufacturers were under pressure to supply products at competitive prices and to upgrade their production plant. Second, almost all the industrial units in the state are small and finance is the major constraint for these units. Due to this, these units could not upgrade themselves according to the changing market and technological dynamics at the global level. Hence, most of the small units became uncompetitive as they are not able to match the large international and domestic firms in any form (Ghuman and Singh, 2017). Third, financial assistance and tax concessions provided by the government of India to industrial units in neighbouring states, including Himachal Pradesh, Jammu and Kashmir, Uttarakhand and Chhattisgarh led to the emergence of the strong industrial sector in those states during the last two and a half decades. As a result, it increased competition for products manufactured in Punjab as products manufactured in new industrial locations are close substitutes. Hence, many existing industrial units from Punjab started shifting their production base in such states to avail benefits. Nonetheless, Punjab's lackluster approach to industrial development and lack of investment-climate, too, have been responsible for Punjab's industrial slow-down. The decade-long militancy also had an adverse impact on potential investment in Punjab.

The decline in the growth of industrial units and fluctuations in fixed investment after 2000 was largely because of the closure of many factories in Punjab. About 18770 industrial units were closed in Punjab during 2007 and 2014. The highest number of closed units was in Amritsar district (8053) which accounts for 43 per cent of all the closed units in Punjab. Ludhiana (2819), Gurdaspur (1864) and Jalandhar (1850) come next in order. These three districts, along with Amritsar, account for around 78 per cent of total industrial units closed in the reference period. Another two districts namely Hoshiarpur (1240), and Kapurthala (1035) share 12 per cent of the total closed units. This implies that the rest of Punjab has nearly 10 per cent of the total closed units. About 75 per cent of the closed units were located in Majha and Doaba regions of Punjab (Singh and Ghuman, 2018). Significantly, Amritsar and Gurdaspur districts are sharing the international border with Pakistan and Hoshiarpur is in the sub-mountain zone of the state.

Deteriorating Employment Scenario

The large-scale closure of industrial units must have led to the loss of employment of many skilled and unskilled workers. This would have adversely impacted their livelihood and living standard. Given the deceleration of employment, both in farm and non-farm sectors, the problem of unemployment in Punjab further accentuated (Gill, 2002; Ghuman, 2005). The total labour-absorption in Punjab's crop sector declined from 480.38 million man-days during the triennium ending 1983-84 to 431.67 million man-days during the triennium ending 1996-97 (Gill, 2002). Another study (Sidhu and Johl, 2002) shows that labour utilization in Punjab's crop sector declined from 443.32 million man-days in 1971-72 to 424.86 man-days in 1995-96. Amazingly, the government of Punjab does not have exact data on the extent and nature of unemployment as no comprehensive official estimates of unemployment have been generated since 1998, and the statistics available with the employment exchanges of Punjab are grossly underestimated (Ghuman, 2016). The sluggishness in the industrial growth compounded with the ongoing agrarian crisis in the state has been adversely affecting the economic health of the state since the mid-1990s (Singh and Singh, 2002; Singh, Singh and Singh, 2014; Singh, 2005). As per the study conducted by three universities of Punjab (PAU, GNDU and Punjabi University) commissioned by Punjab government 16006 farmers and agri-labourers had committed suicide between 2000 and 2015. Many more (maybe 5000 or so) might have been added to this list. Paradoxically, the state does not have any agriculture policy despite the submission of three drafts to the government since 2013.

The growth rates of employment and enterprises in Punjab since the 1980s also slowed down (table 6). The annual growth rate of employment in Punjab came down from 2.59 per cent during 1980-90 to 1.92 per cent during 1990-98. The deceleration in employment growth rate was both in rural and urban employment. The rural employment growth rate declined from 3.08 per cent during 1980s to 2.80 per cent during 1990s. As compared to it, the urban employment growth rate decreased from 2.36 per cent to 1.46 per cent during the same period. The decline was sharper in urban employment (0.90 percentage points) compared to rural employment (0.28 percentage points) during the two periods.

As regards the annual growth rate of enterprises, it also declined from 2.37 per cent during 1980-90 to 2.01 per cent during 1980-98. The annual growth rate of rural enterprises decreased from 2.14 per cent to 1.94 per cent and that of the urban enterprises went down from 2.55 per cent to 2.06 per cent during the same period (Table 6). Like that of employment, the percentage point decline in the growth rate of enterprises was higher in urban areas as compared to rural areas. Thus, the growth rate of enterprises and employment experienced a decline during 1990s, compared to 1980s. This, along with the increasing growth rate of workforce, explains the rising unemployment in Punjab. Unemployment, in fact, has emerged as an explosive problem in Punjab.

Table 6: Annual Compound growth rate of enterprises and employment in the unorganized manufacturing sector in Punjab: 1980-1998

Period/Sector	1980-90	1990-98
Rural enterprises	2.14	1.94
Urban enterprises	2.55	2.06
Total (rural + urban) enterprises	2.37	2.01
Rural employment	3.08	2.80
Urban employment	2.36	1.46
Total (rural + urban) employment	2.59	1.92

Source: Lakhwinder Singh (2005), 'Deceleration of Industrial Growth and Rural Industrialization Strategy for Indian Punjab' *Journal of Punjab Studies*, Vol. 12, No. 2.

Shift in State's orientation from development to law & order

Punjab has been spending a huge share of its budget on development heads up to 1990 but witnessed a major shift since the 1990s. Many experts are of the view that the decade of militancy led to a shift in development strategy from development to law and order. The data on budgetary allocation and investment-GSDP ratio supports such a viewpoint.

Table 7 presents the declining budgetary allocation to development heads since 1975-76. In 1975-76, 72.31 percent share of the budget was spent on development activities and the remaining 27.69 percent on non-development heads. The percentage share of development expenditure has continued to decline since then as is clear from table 7. But for a couple of years, the budgetary allocation to development has been below 50 percent from 1995-96. In terms of total expenditure on education and training, Punjab, with 2.79 percent of GSDP, stood 31st among all the 28 states and 8 UTs of India in 2020-21. Expenditure on higher education was just 0.24 percent of GSDP and Punjab rank was 33rd. The share of higher education in the total budgetary allocation in Punjab was 8.50 percent and rank was 31st (NITI Ayog, 2025). The relative positioning of Punjab in terms of health expenditure, too, is much below the other states. In 2021-22, Punjab's government expenditure on health (GHE) was 1.1 percent of GSDP and rank was 17th among 21 states (GoI, 2024). Punjab's rank in terms GHE as percent of Gross government expenditure (6.6 percent) was 21st, i.e., the last among 21 states. Similarly, Punjab was 17th from above in terms of GHE as percent of total expenditure on health. Clearly, in terms of public expenditure on education and health (much essential investment for development of human capital), Punjab is poorly placed.

Table 7: Percentage share of development and non-development expenditure on revenue account in Punjab

Year	Percentage Share	
	Development	Non-Development
1970-71	65.28	34.72
1975-76	72.31	27.69
1980-81	72.12	27.88
1985-86	67.99	32.01
1990-91	66.04	33.96
1995-96	46.45	53.55
2000-01	44.24	55.76
2005-06	42.25	57.75
2010-11	43.47	56.53
2015-16	50.65	49.35
2016-17	48.48	51.52
2017-18	45.44	54.56
2018-19	51.49	48.51
2019-20	49.11	51.89
2020-21	49.40	51.60
2021-22	47.10	52.90
2022-23 (RE)	50.10	49.90
2023-24 (BE)	51.20	48.80

Source: Government of Punjab (2022), Sixth Punjab Finance Commission.
RE-Revised estimates; BE-Budget estimates

Declining investment

Significantly, Punjab's GDCF rate (which is fundamental to economic growth) has been lower than the national average rate of GDCF since 1994-95, as is evident from table 8 (the range of differences in Punjab and national average is given in table 4).

Table 8: Gross Domestic Capital formation (GDCF as % of GSDP/GDP) and investment deficiency in Punjab: 1993-94 to 2022-23 (at constant prices)

Year	gross domestic capital formation		Difference India-Punjab	Punjab's GSDP (Rs. Crore)	Punjab's Investment Deficiency@ (Rs. Crore)
	India 1	Punjab 2	3 = (1-2)	4	5 = (3x4)
1993-94	23.1	23.0	0.1	30248	30
1994-95	26.3	23.7	2.6	31139	810
1995-96	27.1	24.9	2.2	32433	712

1996-97	24.9	22.5	2.4	34819	836
1997-98	24.5	21.3	3.2	35865	1148
1998-99	23.1	21.0	2.1	37870	795
1999-00	25.9	15.2	10.7	67162	7119
2000-01	24.1	18.2	5.9	69803	4118
2001-02	22.2	17.4	4.8	71146	3415
2002-03	25.0	16.4	8.6	73174	6293
2003-04	27.4	16.3	11.1	77618	8616
2004-05	32.7	19.8	12.9	96839	12492
2005-06	34.2	19.3	14.9	102556	15281
2006-07	35.8	20.2	15.6	112997	17628
2007-08	38.2	20.1	18.1	123223	22303
2008-09	34.9	16.7	18.	130431	23738
2009-10	38.4	16.8	21.6	138636	29945
2010-11	39.8	18.3	21.5	147670	31749
2011-12	38.0	13.4	24.6	266628	65590
2012-13	39.5	13.4	26.1	280823	73295
2013-14	35.2	16.1	19.1	299450	57195
2014-15	34.8	14.8	20.0	312125	62425
2015-16	34.4	13.7	20.7	330052	68321
2016-17	35.0	14.2	20.8	352721	73366
2017-18	37.4	14.9	22.5	375406	84466
2018-19	34.3	15.8	18.5	397019	73449
2019-20	34.3	16.4	17.9	413295	73980
2020-21	31.3	15.1	16.2	407264	65977
2021-22	34.4	17.6	16.8	433769	72873
2022-23	34.8 (R)	16.4 (P)	18.4	461539	84923

Source: 1.RBI, *Handbook of statistics on Indian Economy* (various years).
2.Government of Punjab, *Statistical Abstract of Punjab* (various years).
Note: 1. Data for 1993-94 to 1998-99 is at 1993-94 prices; 1999-2000 to 2003-04 at 1999-00 prices, 2004-05 to 2010-11 at 2004-05 prices, 2011-12 to 2022-23 at 2011-12 prices.
2. Figures are rounded off to the nearest whole.
@ Had Punjab's GDCF rate been equal to the national average.; R- Revised Estimates, P-Provisional

The difference of GDCF rate (percentage-points) between India and Punjab was negligible in 1993-94 but started increasing thereafter. The difference oscillated between 2.1 and 3.2 percentage points during 1994-95 and 1998-99 and between 5 and 11 percentage points during 1999-00 and 2003-04. It varied between 13 and 18 percentage points during 2004-05 and 2008-09. Thereafter, up to 2018-19, it varied between 19 and 26 percentage points. During 2019-20 and 2022-23, it oscillated between 16 and 18 percentage points. Column 5 of table 2 shows the absolute investment deficiency in Punjab. It was just Rs. 30 crores in 1993-94. But thereafter the gap increased at a fast rate. The annual average investment deficiency (due to lower GDCF than the national average) in Punjab during 1994-95 and 1998-99 was to the tune of Rs. 861 crores. It increased to Rs. 5912 crores during 1999-00 and 2003-04 and further to Rs. 21817 crores during 2004-05 and 2010-11. During 2011-12 and 2022-23 the annual average investment deficiency in Punjab was Rs. 71322 crores.

The trend growth rates of investment deficiency in Punjab during 1994-95 and 2022-23 (Table 9) has been significantly higher than that of GSDP growth rate which indicates that investment in Punjab has been significantly lower than its potentialities and there is a causal relationship between the trend growth rate of GSDP and investment deficiency. During 1994-95 and 2010-11, the annual average trend growth rate of investment deficiency has increased from 1.91 percent to 6.89 percent indicating an increasing gap between actual and potential investment in the state. The higher gap between the investment growth rate and GSDP growth rate during the entire period also indicates that there should have been much higher investment in Punjab during the last about 28 years. In other words, Punjab has lost huge investment opportunities during this long period. Whatever may have been the reasons, this is the sole major reason behind Punjab's slowing growth and per-capita income as compared to the national average and many of the well performing states. This, inter alia, has also adversely impacted the state's resource mobilisation capacity and also its employment generation.

Table 9. Trend growth rate of GSDP and Investment Deficiency in Punjab (%)

Period	GSDP	Investment Deficiency
1994-95 to 1998-99	2.14	1.91
1999-00 to 2003-04	1.46	3.50
2004-05 to 2010-11	3.12	6.89
2011-12 to 2022-23	2.14	0.76
1994-95 to 2022-23	4.57	7.94

Computed from table 8.

Ever increasing investment-deficiency, coupled with lower capital-expenditure, have, inter alia, have been the main reasons for Punjab's decelerating growth rate for well over three decades. In terms of per-capita capital expenditure, Punjab occupied the 12th rank in 2011-12 and 11th rank in 2018-19. In terms of capital-outlay Punjab ranked at 14th position in 2011-12 and at 17th position in 2018-19. In terms of the ratio of capital-outlay to capital-expenditure, Punjab slid down from 13th rank in 2011-12 to 17th rank in 2018-19. The ratio of per-capita capital-outlay to per-capita capital-expenditure decreased from 57.23 percent in 2011-12 to 34.23 percent in 2018-19 (GoP, 2022, p.68). It means that during this period Punjab's actual capital expenditure was much lower than the budgeted capital expenditure. Across the board illogical and unproductive freebies and subsidies (such as free electricity to all farmers, and all households, free transport facilities to all females, etc) and unsustainable public debt are serious constraints on public investment and development. Institutional decay and rampant corruption, inter alia, are also significant reasons for Punjab's slide down on socio-economic status (SES) index (Singh Birinder Pal, 2025).

Lack of pro-active investment-climate, prevalence of gang-and gun-culture (Gill, 2013), deteriorating law and order situation and drug menace (Ghuman et al, 2024) also discouraged private investment. This, along with low capital-expenditure and low ratio of capital-outlay to capital-expenditure also explains the lower growth rate of Punjab than the national average growth rate and many of the well performing states since 1993-94. Punjab's 554 kms long international border with Pakistan and concessions to the neighbouring special category states are also distracting investment from Punjab. Punjab's fast increasing public debt has also been a serious constraint on public investment and also on state's capacity to optimally avail central schemes. Lower public investment is also responsible for lower private investment.

Fiscal Health of Punjab

Among the 18 major states of India, Punjab stands at the last position in term of fiscal health index (FHI) during 2014-15 and 2021-22, as is evident from table 10. Punjab ended up at the end even in 2022-23. In terms of FHI score, the difference between the 17th state (Andhra Pradesh) and Punjab (18th rank) was that of 10.2 points. The difference between Odisha (1st ranking state) and that of Punjab is 57.1 points. In terms of quality of expenditure score, Punjab is not only the last ranking but is the worst state in 2022-23; the difference between the 17th state and Punjab is that of 26.7 points. In terms of debt-index Punjab's score is zero and in terms of fiscal prudence Punjab's score is the lowest. However, in terms of debt-sustainability Punjab's score is better than six states and in terms of revenue mobilisation. Punjab's score is higher than four states (NITI Ayog, 2025). On the whole Punjab is last ranking state which means Punjab is in a very precarious situation in terms of fiscal health, nay, in ICU.

Table 10: Fiscal Health Index of Major States of India: 2022-23

States	FHI Score	Rank 2022-23	Quality of Expenditure	Revenue Mobilization	Fiscal Prudence	Debt Index	Debt Sustain-ability	2014-15 to 2021-22 (Average FHI Rank)
Odisha	67.8	1	52.0	69.9	54.0	99.0	64.0	1
Chhattisgarh	55.2	2	55.1	56.5	56.0	79.6	29.0	5
Goa	53.6	3	45.5	87.1	59.4	51.0	25.2	2
Jharkhand	51.6	4	47.3	45.7	62.4	66.9	35.7	10
Gujarat	50.5	5	40.0	48.7	52.7	69.0	42.0	6
Maharashtra	50.3	6	37.1	59.1	41.8	76.4	36.5	4
U.P.	45.9	7	45.8	34.6	44.7	59.9	44.5	7
Telangana	43.6	8	36.9	75.2	40.5	53.3	11.7	9
M.P.	42.2	9	59.7	27.6	35.6	61.0	27.2	8
Karnataka	40.8	10	47.4	43.9	43.9	62 2	6.7	3
Tamil Nadu	29.2	11	32.0	41.2	25.8	36.0	11.1	12
Rajasthan	28.6	12	38.3	35.4	19.9	32.3	16.8	15
Bihar	27.8	13	56.1	5.3	11.5	47.2	18.8	11
Haryana	27.4	14	24.8	47.8	26.1	24.1	14.3	14
Kerala	25.4	15	4.2	54.2	34.0	23.1	11.3	16
West Bengal	21.8	16	32.3	12.4	25.4	18.3	20.6	17
Andhra Pradesh	20.9	17	31.4	22.1	13.3	37.8	0.0	13
Punjab	10.7	18	4.7	28.1	5.6	0.0	15.2	18

Source: NITI Ayog (2025). *Fiscal Health Index for the Financial Year 2023.*

Notes: 1. Minor sub-indices of quality of expenditure are:

(i) Total development expenditure/Total expenditure

(ii) Total capital outlay/GSDP

That of Revenue Mobilization are: (i) State's own revenue/GSDP; (ii) State's own revenue/Total expenditure.

That of fiscal prudence are: (i) Gross fiscal deficit/GSDP, (ii) Revenue deficit/GSDP.

That of debt index are (i) Interest payment/Revenue receipts; (ii) outstanding liabilities/GSDP.

And that of debt sustainability is: growth rate of GSDP minus growth rate of interest payments.

Ironically, the government is neither worried about it nor has any road map to improve the fiscal health of the state. According to the above mentioned NITI

Ayog report, Punjab, along with three other states, has been categorised in the aspirational group of states (Table 11). This means Punjab would have to be in a missionary mode to catch up even with the performer states; not to talk of the front runner and achiever states. In other words, Punjab would have to turn all the stones to improve its ranking not only in terms of fiscal health but also in terms of growth rate. It would have to improve all components of its fiscal health and the economic health, including the debt -sustainability and full potential of resource mobilisation and thereby shifting state's orientation from law and order to development.

Table 11: Categorization of States for 2022-33 on the basis of Fiscal Health Index (FHI)

States	Rank	FHI Score	Category
Odisha	1	67.8	Achiever
Chhattisgarh	2	55.2	Achiever
Goa	3	53.6	Achiever
Jharkhand	4	51.6	Achiever
Gujarat	5	50.5	Achiever
Maharashtra	6	50.3	Front Runner
Uttar Pradesh	7	45.9	Front Runner
Telangana	8	43.6	Front Runner
Madhya Pradesh	9	42.2	Front Runner
Karnataka	10	40.8	Front Runner
Tamil Nadu	11	29.2	Performer
Rajasthan	12	28.6	Performer
Bihar	13	27.8	Performer
Haryana	14	27.4	Performer
Kerala	15	25.4	Aspirational
West Bengal	16	21.8	Aspirational
Andhra Pradesh	17	20.9	Aspirational
Punjab	18	10.7	Aspirational

Notes: 1. States have been classified on the basis of the FHI score as per below categories

FHI above 50	Achiever
FHI greater than 40 & less than or equal to 50	Front Runner
FHI greater than 25 & less than or equal to 40	Performer
Less than or equal to 25	Aspirational

2. Punjab is in the category of Aspirational states in all major sub-indices except for revenue mobilization in which it is in the category of performer.

Even in terms of employment index (range 0 to1), Punjab's ranking has worsened from 13th position in 2005 to 16th position in 2022 among 21 states. However, in 2012 Punjab's rank was 7th while in 2019 it was 11th. In terms of male-employment index Punjab's rank slide down from 7th position in 2005 to 18th position in 2022 among 21 states. In 2012 it was 6th but slid down to 11th rank (ILO & IHD, 2024). The slide down was mainly because of overall deterioration in employment conditions. The youth (aged 15-29 years) unemployment rate increased from 22.95 percent in 2005 to 26.33 percent in 2022 (ILO & IHD). Employability of educated youth is another serious challenge in the state.

Punjab's Debt-Trap

Ever increasing outstanding debt liability has pushed Punjab into the debt-trap. Punjab's debt-liability increased from Rs. 1009 crore (21% of GSDP) in 1980-81 to Rs.7102 crore in 1990-91 (37.61 % of GSDP). Significantly 1980s was the decade of militancy and Punjab took a Special Term Loan (from Government of India) of Rs. 5799.92 crore during 1984-85 and 1993-94 for combating insurgency and militancy. Out of that, Rs. 5028.68 crore was waived off by the union government during 1995-96 and 2006-07 (Lok Sabha, 2017). Nonetheless, the debt continued to increase and rose to Rs. 34063 crores in 2001-02 (Table 12).

Table 12: Outstanding public debt of Punjab: 1980-81 to 2023-24

Year	Debt (Rs. Crore)	Annual Average ↑ese (Rs. crore)	Debt as % of GSDP	Debt as % of TRR	Debt as % of OTR	Power Subsidy % of TRR	Interest as % of Total Revenue expenditure	Int. as % of TRR
1980-81	1009		21.02	178	289	-		
1990-91	7102	609	37.61	359	550	-		
2001-02	34063	2696	42.74	310	706	-		
2006-07	51155	3418	40.24	249	567	8.19		
2011-12	83099	6389	31.7	317	441	12.25	18.87	23.94
2016-17	182526	19885	42.74	312	657	12.68	22.26	24.26
2021-22	281773	19849	48.24	362	760	17.20	19.73	24.39
2022-23	314221	32448/	46.68	359	744	23.06	17.51	22.72
2023-24	346185	31964	46.47	347	668	21.73	18.33	22.24
2024-25 (RE)	382935	36750	47.30	360	635	21.67	18.80	23.00
2025-26(BE)	417136	34201	46.80	373	660	18.35	18.42	22.37

Source: Punjab Govt. Budgets of various years; RBI Handbook on Statistics of Indian Economy (various years.).

Note: 1. In 2015-16 outstanding debt was Rs. 128836 crore but in 2016-17, it jumped to Rs. 182526 crore; the abnormal increase was mainly due to conversion of Cash Credit Limit (CCL) of Rs. 30584 crore into a long term debt for the state government. In 2015-16, GoP also borrowed Rs. 5597 crore on account of the Uday Scheme and in 2016-17 the borrowing for this scheme was 10031.

GSDP: Gross state domestic product; TRR: Total revenue receipts; OTR: own tax revenue; RE: revised estimates; and BE: Budget estimates, P-Provisional.

The debt swelled to Rs. 281773 crore (48.24 % of GSDP) in 2021-22, to Rs. 314221 (46.68 % of GSDP) in 2022-23 and further to Rs. 346185 crore (46.66%

of GSDP) in 2023-24. It increased to Rs. 382935 crore (47.30 % of GSDP) in 2024-25 and is expected to increase further to Rs. 417136 crore (46.80 % of GSDP by the end of FY 2025-26. This amount, however, does not include the debt of the public sector units and corporations for which Punjab government stands as a guarantor. There is a strong relationship between public and personal debt and as a result there has been an enormous increase in individual debt, especially in the farm sector.

Annual average debt also registered an increasing trend. During the decade of 1980s, the debt annually increased at the rate of Rs. 609 crore. It increased to Rs. 2696 crore during 1990-91 and 2001-02. During the next five years the debt increased by Rs. 6389 crore annually. However, it jumped to Rs. 19867 crore during 2011-12 and 2021-22. The annual average increase during the first three financial years of the AAP government (2022-23 to 2024-25) was Rs. 33721 crores. During 2025-26 the budgeted increase would be Rs. 34201 crores (Table 12). Punjab notoriously held 1st rank in Debt/GSDP ratio and per-capita debt in 2011-12 and 2018-19 among 17 major states (RBI). Paradoxically, the Punjab Vidhan Sabha has authorised the government to exceed the limits being specified by the Government of India from time to time, though under certain specified circumstances (Punjab Vidhan Sabha, 2023).

Significantly, the interest payments alone accounted for 22.72 percent of the total revenue of the state in 2022-23. Another 18.37 percent went towards repayment of Principal component. Thus, approximately 41 percent of the total revenue was accounted for by debt-servicing. Nearly 23 percent of the total revenue was consumed by power subsidy in 2022-23. The salaries, wages and pensions accounted for nearly 57.51 percent (36.72% salaries and wages and 20.82% pensions and retirement benefits) of the total revenue. This means the above five heads accounted for nearly 122 percent of the total revenue of the government. This is really a cause of worry as even the revenue expenditure exceeds the total revenue on current revenue. It means the government is running the show by raising additional loans and thereby leading to high net addition to debt liability. In the same year the fiscal and revenue deficits were 5.04 percent and 3.87 per cent of GSDP. Such a scenario, inter alia, is mainly the result of competitive political populism (in the name of welfarism), under-mobilisation of financial resources, injudicious use of resources, pilferage in social welfare schemes and development finances and over-centralisation of finances by the union government. It needs to be clarified that one is not arguing against the welfare responsibilities of the state but only that its policies on freebies and subsidies should be more targeted and given only to the most deserving households.

Scope for additional resource mobilisation

As per the Sixth Finance Commission of Punjab (GoP, 2022) there is huge potential to mobilise additional financial resources. It can go up to Rs. 28500 crores annually without imposing any additional taxes (annexure 2). Along with additional resource mobilisation, judicious use of resources is also imperative to resurrect the Punjab economy.

Table 13 also supports the argument that there is scope for additional resource mobilisation in Punjab as 60.6 percent of its population is in the highest wealth quintile; only Goa is higher than Punjab among the 18 major states.

Table 13: Percent distribution of the de jure population by wealth quintiles across major states of India 2019-21

Sr. No.	State/Union Territory	Wealth Quintile					Total	Gini Coefficient
		Lowest	Second	Middle	Fourth	Highest		
1.	Goa	0.5	2.7	9.8	25.7	61.3	100.0	0.11
2.	Punjab	1.1	5.0	11.4	21.9	60.6	100.0	0.10
3.	Haryana	2.0	8.3	15.8	26.2	47.7	100.0	0.12
4.	Kerala	0.8	4.7	17.9	36.5	40.1	100.0	0.10
5.	Maharashtra	8.6	15.3	22.1	26.1	27.9	100.0	0.17
6.	Gujarat	12.2	16.4	19.3	24.7	27.4	100.0	0.19
7.	Tamil Nadu	4.8	15.2	26.4	29.0	24.6	100.0	0.10
8.	Telangana	5.1	17.2	28.1	27.5	22.2	100.0	0.10
9.	Rajasthan	13.3	20.6	22.5	22.0	21.6	100.0	0.18
10.	Karnataka	7.3	18.2	28.4	27.2	19.0	100.0	0.16
11.	Uttar Pradesh	23.9	23.6	18.3	16.4	17.8	100.0	0.21
12.	Andhra Pradesh	5.2	19.2	31.2	28.9	15.6	100.0	0.13
13.	Madhya Pradesh	31.5	21.4	16.8	15.3	15.1	100.0	0.22
14.	Chhattisgarh	29.9	24.0	18.6	15.8	11.7	100.0	0.20
15.	Odisha	35.1	25.2	18.3	12.6	8.7	100.0	0.23
16.	West Bengal	32.7	26.1	19.3	14.2	7.7	100.0	0.25
17.	Jharkhand	45.9	21.8	14.3	10.6	7.5	100.0	0.27
18.	Bihar	42.8	26.1	15.4	10.3	5.4	100.0	0.22

Source: International Institute for population Services and ICF (2021); and National Family Health Survey (NFHS-5)2019-21, Mumbai, India, Vol., Table 2.8. p.43.

Note: States have been listed in the descending order keeping in view the share of population in the highest quintile.

The Way Forward

It is clear from the foregoing discussion that all is not well with the Punjab economy. Something seriously has gone wrong over the period of time which necessitates a sustained correction course to put the economy on a developmental path. There is a need to come out of the denial-mode and along with looking at the half filled-in part of the glass, policymakers must make earnest efforts to fill-in the empty part of the glass. It is in this context that

Punjab's economic resurrection necessitates well-functioning institutional framework, favourable investment climate, better tax compliance, judicious use of public resources, rationalisation of freebies and subsidies, enhanced public investment in development activities, including education, skill and health; and optimum use of central schemes and strengthening trade through Wagah-Attari international border, etc., etc. Having a roadmap for economic development (by shifting state's orientation from mere administration and law & order to development) across all sectors of the economy and debt-offloading are also imperative. That would necessitate additional resource mobilisation and higher investment-GSDP ratio by increasing both public and private investment. This, in turn, would require a strong politico-bureaucratic-will and vision to overcome policy paralysis and put Punjab on a fast and inclusive development pathway. Being a border state and having significant bearing on food and national security, the union government, too, must be more concerned about Punjab's economic development.

Note

[i.] The five divisions were: Rawalpindi, Multan, Lahore, Jullundur and Ambala. Rawalpindi included the districts of Attock, Rawalpindi, Jhelum, Gujarat, Mianwali and Shahpur. Multan included the districts of Montgomery, Lyallpur, Multan, Jhang, Muzaffargarh, Dera Gazi Khan. Lahore included the districts of Gujranwala, Lahore, Sheikhupura, Sialkot, Amritsar and Gurdaspur. Jullundur included the districts of Ferozepore, Jullundur, Ludhiana, Hoshiarpur and Kangra. Ambala included the districts of Ambala, Hissar, Rohtak, Karnal and Simla.)

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Annexure 1

Economy: Sectors and sub-sectors

A. Primary Sector
   1. Agriculture Forestry and Fishing
      1.1 Crops
      1.2 Live Stock
      1.3 Forestry & Logging
      1.4 Fishing
   2. Mining & Quarrying
B. Secondary Sector
   3. Manufacturing
   4. Electricity, Gas, Water Supply and other utility services
   5. Construction
C. Tertiary Sector
   6. Trade, Hotels & restaurants
      6.1 Trade & Repair Services
      6.2 Hotels and |Restaurants
   7. Transport, storage, communications & services related to broadcasting
      7.1 Railways
      7.2 Road Transport
      7.3 Water Transport
      7.4 Air Transport
      7.5 Services incidental to transport
      7.6 Storage
      7.7 Communication & services related to broadcasting
   8. Financial services
   9. Real estate, ownership of dwellings & professional services
   10. Public Administration
   11. Other services
   12. Gross State Value Added (at basic prices): A+B+C
   13. Product taxes
   14. Product subsidies
   15. Gross State Domestic Product (at market prices) (12+13-14)

Annexure 2

Box 4.1
Potential for Additional Financial Resource Mobilization in Punjab
• Punjab is passing through a serious financial crisis reflected in rising debt-GSDP ratio, rising interest payments & other committed expenditure liabilities and hardly any capital expenditure.
• Under mobilization of financial resources (reflected in low own tax-GSDP ratio), their injudicious & discretionary use, irrational and untargeted freebies & subsidies (even to the rich), financial mismanagement and misplaced development priorities are further accentuating the problem.
• This has been aptly reflected in Punjab's decelerated growth rate for the last about 30 years far below the national average; and its per capita income rank slid down from 1st till the end of 1990s to 19th amongst all 28 States of India during 2019-20.
• A plethora of election promises (including free electricity, old age pension and financial benefits to women and a lot more) would further aggravate the financial crisis; impair the governance and economic growth in the state.
• Paradoxically, all political parties indulge in such populism ambit instead of following a credible road map to raise GSDP growth rate and mobilizing additional financial resources (even in the face of Rs. 2.82 lakh crore outstanding debt of the state in 2021-22 (likely to cross Rs.3 lakh crore by 31 March 2022, interest payments ate away nearly two-third share of its own tax receipts).
• Scope for additional financial resources:
a. There is a scope for increasing own tax revenue by Rs. 16012 crore in 2020-21, by adherence to own tax-GSDP ratio of 2004-05 in the state.
b. Additional financial resources to the tune of Rs. 28500 crore annually can be mobilized without imposing any additional taxes/duties. The break-up is as follows: Rs. 5000 crore excise duty; Rs. 9000 crore GST; Rs. 2000 crore stamp and registration; Rs. 3000 crore mining; Rs. 3000 crore property tax; Rs. 1500 crore professional tax; Rs. 1500 crore power theft; Rs. 2500 crore transport and cable; and Rs 1000 crore pilferage in the social welfare schemes.
c. Another Rs. 10000 crore can be added to it by rationalizing the tax regime, subsidies and discretionary spending by Chief Minister, Ministers and MLAs.
d. Strong political-will and merger of Finance and Taxation Ministries into one ministry may be of some help.
e. Every penny should be first brought into the Consolidated Fund of State and the entire expenditure should be approved by the State Legislature.

f. It is time to follow an acclaimed book called "Good Economics for Hard Times'.
Source: An abridged version of the Note titled 'Potential for Additional Financial Resource Mobilization in Punjab submitted by Professor (Dr.) Ranjit Singh Ghuman, Economist and Special Invitee to 6th SFC

Source: Report of the *Sixth Punjab Finance Commission (2022)* submitted to the Government of Punjab in March 2022.