



Catastrophe in Rural Punjab: A Socio-economic Analysis

KEYWORDS

Punjab, Rural Economy, Crisis

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ABSTRACT Punjab, which was predominantly an agriculture based economy, has lost its position of a prosperous state to a slothfully growing state. The factors hampering the growth and reasons for the economical decline are needed to be taken into account. The systematic failure in Punjab is discernible as reflected by its declining growth rate and unfavourable fiscal parameters needed a sincere attention.

Introduction

Punjab has historically been one of the fastest-growing and richest states of India. The state was viewed as the most dynamic and progressive state of the country, particularly on account of its success during the green revolution. Punjab's agricultural growth rate was the highest during the 1960s to the middle of the 1980s. Punjab was among the first states to provide weather-proof roads and electricity to all villages. Punjab has always boasted a tradition of entrepreneurship, and willingness to travel to other states and countries in search of work. This has produced a large flow of cash transmittal to Punjab.

However, since the 1980s, the state has lost its economic leadership among states, and steadily slipped behind other states. Since the 1990s, Punjab's GDP growth has been lower than the national average. According to government data the state's GDP growth in 1994-2002 was 4.32% per year, against the national average of 6.16%. In the period 2002-11, Punjab's rate was 6.61% against the national 7.95%. By global standards, these were reasonable rates of growth. But relative to other Indian states, Punjab kept slipping.

Punjab continues to be predominantly a rural economy as two-thirds of its total population live in villages. Further, 39.40 per cent of the total workers in Punjab are engaged in agriculture. Their share in total rural workers, as per the 2001 Census, is 53.50 per cent. An empirical study of three villages in three districts of Punjab, however, highlights that only about 16 per cent of the rural workers were employed in the rural-non-farm-sector. There are about 18.44 lakh farm households in Punjab, out of which 8.41 lakh are cultivators. A very high proportion supplements its income from dairying. Another 8.65 lakh farm households are exclusively dependent on activities other than farming. They are largely engaged in dairying and livestock rearing. Nearly 32 per cent of operational holdings are smaller than five acres and another 33 per cent are between five and 10 acres. The percentage share of the marginal and small holdings (up to five acres) in the total operated area is merely 8.73 per cent. These holdings have already become uneconomical. But for dairying, 2.96 lakh marginal and small farmers would have been below the poverty line. About one-third of the gross domestic product of Punjab in 2005-06 was contributed by agriculture and livestock. The share of livestock in the total income generated by agriculture and livestock is approximately 32 per cent.

Agriculture sector:

Over the past decade, the state has slipped in the ranking of the prosperous states in the country. The crisis in agriculture has manifested itself in the form of stagnating productivity, rising cost of production, decelerating income, shrinking employment, escalating indebtedness and ecological imbalance. One of the main consequences of this agrarian distress has been that the marginal and small farmers find it increasingly hard to sustain on farming and are getting pushed out from agricultural sector. These farmers are not being fully absorbed outside this sector due to the unfavourable nature and structure of the industrial sector in the state. As many as 6,550 industrial units have been declared sick and 18,770 units have shut down or migrated out of Punjab since 2007. Thus, a large chunk of 'reserve army of labour' is prevalent in the economy. It is estimated that about 75 lakh persons are unemployed in Punjab and the numbers are adding up each day. The situation has worsened to the extent that young farmers have become the victims of suicides. Today's Punjab is the story of farmers' suicide, youth unrest and the storey of a dying civilisation..

Since the early 1990s, the yield of major agricultural crops has been experiencing stagnation. As a consequence, per hectare net return is declining resulting to real crisis of Punjab agriculture. The annual trend growth rate of per hectare return, over variable costs, from wheat and paddy (combined) was -2.18 per cent during the 1990s. In the case of cotton, it was -14.24 per cent per annum during the same period. Along with the shrinking of income, the labour absorption capacity of agriculture is sharply declining. The employment of labour in the rearing of major crops in Punjab declined from 48 crore man-days during the triennium ending 1983-84 to 43 crore man-days during the triennium ending 1996-97. About 12.85 lakh persons (10.07 lakh cultivators and 2.78 lakh agricultural labourers) in agriculture and livestock sectors were surplus in 1991.

A major weakness has been a high fiscal deficit, which is the highest among all major states—budgeted at 3.40 per cent of GDP for 2011-12. The high fiscal deficit arises mainly out of huge unwarranted subsidies, the chief culprit being free power to farmers. About 52 per cent of this debt is from non-institutional sources. Next to Andhra Pradesh and Tamil Nadu, the debt incidence of farmers is the third highest in Punjab. About 65 per cent farmer households in Punjab are under debt. Nearly 64 per cent of farmers (up to 10 acres) may not be able to repay the

debt/loan and may fall in a debt-trap in the next 10 to 15 years. About 37 per cent of farmers have already expressed their willingness to opt out of agriculture.

Education

Education in rural Punjab has almost collapsed. Various studies revealed that the State of Education available to the children in the villages is alarming. There are very few higher secondary schools in the rural areas. The shortage of teachers, head teachers and headmasters is more than 40,000. The dropout rate from class 1 to class 10 is around 48 per cent. Approximately, 65 to 80 per cent of students in rural government primary schools belong to scheduled castes, other backward classes and other economically weaker sections. As a consequence, students do not opt for science or commerce subjects. Thus, they are unable to compete for professional higher education. The Punjab Agricultural University has almost all students from urban non-farming families. If this is the situation in the subjects of the Agriculture stream, one can well imagine the situation in respect of engineering, medical and other professional streams.

The condition is no better in case of higher education also. A recent study conducted by Punjabi University Patiala revealed that only 4 per cent of the students in four State Universities are from rural areas during 2005-06. Simply because the standard of education is poor and the students cannot compete for admissions to colleges. The situation is still worse in case of education in professional colleges where rural students from 3.70 per cent only of the total students admitted. It has serious socio-economic implications for the future growth potential of the state economy.

Education is being pushed into the hands of private players and in the process, there a reckless commercialisation of education has taken place. The huge fee being charged by the private service providers is beyond the reach of 80 per cent households in Punjab. About 40 per cent of the rural households and 31 per cent of the urban households in Punjab cannot afford the fees and funds of general higher education even for a single child, not to talk of medical, engineering and other professional education. Clearly, education cannot be left to the market forces and for-profit private players.

Health

Punjab is no longer a state of health and prosperity it is believed to be. A recent investigation by Down to Earth (DTE) has shown that the current health status of people in the state is alarming. While the state had done well in reducing maternal mortality rate (MMR) and Infant Mortality Ratio (IMR), it was currently struggling with a new generation of crippling diseases which are widely prevalent. These include diseases like hepatitis C, learning disabilities, cancer and reproductive disorder, high prevalence of cerebral palsy, arthritis, among others. Arthritis is reported by young people as early as in their twenties. A large proportion of elderly people are reported to be suffering from depression while as many as 50-60 per cent of young people in the 16-35 years age group are addicted to drugs, according to the state health department.

The public health delivery system in Punjab during the past two decades has been deteriorating, more so in rural areas. People living here face two difficulties – scarce availability of quality health services and limited affordability. In the absence of a sufficient number of qualified doctors and

paramedical staff, rural inhabitants are largely left to the mercy of unqualified doctors (chemists, quacks, faithhealers, etc) who provide sub-standard services and that too, at high prices.

Unfortunately, the state has not recruited doctors and other paramedical staff during the last decade or so. Contrary to this, the neighbouring state of Haryana, has regularly been recruiting doctors every year. The appointment of doctors (on contract), as service providers, by the Congress regime in its last year, i e, in 2006, has made a mockery of the health delivery system in rural areas. The share of health and family welfare in the state budget declined from 7.24 per cent in 1970-71 to 4.32 per cent in 1991-92 and further to 3.51 per cent in 2004-05. Rural inhabitants are the worst hit by such a withdrawal of funds by the government. The government must remember that the delivery of health services, particularly at the primary level, cannot be left to the mercy of private service providers.

Conclusion

The systematic failure in Punjab is discernible as reflected by its declining growth rate and unfavourable fiscal parameters. The assessment of the entire fiscal reform process in the state reflects that the government has failed to honour its own commitments from time to time and has also shown utter disregard for certain constitutional provisions. The non-transparencies in the utilisation of funds are all too obvious. So a mere enactment of acts and legislations is not enough to put the once glorious economy of Punjab on the path of socio-economic development so much associated with the state. A perusal of the finances of the Government of Punjab shows large revenue and fiscal deficit year after year indicating continued macro fiscal imbalances of the state. Increasing dependence on the RBI and the continuous application of borrowed funds largely on current consumption and debt servicing indicates unsustainability and reflects vulnerability of the state finances. An increase in the ratio of fiscal liabilities to GSDP together with a large revenue deficit indicates that the state is gradually getting into a debt trap. Thus, the state needs to generate more revenue out of its existing assets. The corruption and size of black economy in the state are highly correlated with each other. Going by the national estimates of black economy (40 to 45 per cent of GDP) the size of the black economy in Punjab is likely to be in the range of Rs 35,000 to 40,000 crore per annum. This, along with high degree of corruption, should be a serious concern of all the political parties in the state.

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