

1. State economy: a macro perspective

INTRODUCTION

Punjab is the third most prosperous among the States of India, after Delhi and Goa, with a per capita net domestic product (factor cost) of Rs. 14,188 at 1994/95 prices. In terms of social indicators as well, the State is much ahead of national averages. The worrying aspects of the State are the drop in growth to below-national rates starting in mid-eighties, and the rash of populist fiscal measures introduced by an outgoing government in Q1 1997, which were not reversed, but on the contrary reinforced, by its successor government. The drop in growth after the mid-eighties coincides with the period of separatist violence in the State, on account of both the direct supply-side effect and the indirect impact of diversion of fiscal resources towards maintenance of law and order. The battle against terrorism was decisively won in the early nineties, but the battle against fiscal populism has not yet begun.

OVERALL GROWTH PERFORMANCE

The economic decline in the State after 1985/86 (see quinquennial averages in table 1.1) was enough to have reduced the average growth rate over the period 1981-96 to 5 percent, below the national average of 5.5 percent.

SECTORAL PERFORMANCE

The post-1985 growth decline was sharpest in the agriculture sector, where the growth rate fell to half the previous quinquennial average (table 1.1). Industrial growth fell too, but not as sharply, and revived after 1990/91. This sectoral growth pattern is consistent with the greater geographical incidence of terrorism in the rural hinterland than in cities. Only the service sector exhibited a rise in growth after 1985. The further breakdown of services in table A.1 (appendix A) shows this to have been a result of accelerated growth post-1985 in public administration, and insurance and banking, which clearly reflects the official and public response to the unsettled conditions at the time.

All sectors would clearly reflect the supply-side impact of the decline in capital outlay as a percentage of GSDP since the mid-eighties (chapter 2). In the case of agriculture, there is also the impact of the negative protection given to the sector during the pre-reform protectionist phase (Gulati, 1998) resulting from controls on foodgrain prices, and the

absence of export alternatives, from which Punjab has suffered in particular. This too could be explanatory of the growth decline, although the absence of any rise in the agricultural growth rate even after the post-reform freeing of agricultural exports suggests the continuance of supply-side obstacles. To the extent that these are the results of the fiscal squeeze on capital outlay, the raising of agricultural, and thereby overall growth rates will critically be a function of capital expenditure on storage facilities and feeder roads into the hinterland.

Table 1.1: Sectoral Growth Rates and Shares in GSDP

	Punjab	HIS ¹	India	Punjab	India	Punjab	India	Punjab	India
Growth rates	81/82 - 95/96			81/82 - 85/86		86/87 - 90/91		91/92 - 95/96	
GSDP/GDP	5.0	6.0	5.5	5.9	5.0	4.6	6.3	4.5	5.3
Agriculture	4.3	3.1	3.1	6.4	3.1	3.3	3.9	3.2	2.3
Industry	7.4	6.8	6.8	7.7	6.4	6.8	8.1	7.6	6.0
Services	4.2	7.5	6.6	3.8	6.1	5.2	7.0	3.6	6.8
Shares	80-81			85/86		90/91		95/96	
Agriculture ²	49.1	32.7	38.1	50.2	34.6	47.1	30.9	44.4	26.9
Industry ³	20.0	32.5	25.9	21.8	27.6	24.2	30.0	28.1	31.1
Services ⁴	30.9	34.8	36.0	28.0	37.8	28.8	39.1	27.6	42.0

Source: CSO, relevant years

- Notes:**
1. HIS is a grouping of four high income states: Goa, Gujarat, Haryana and Maharashtra.
 2. Includes agriculture, forestry and logging, and fishing.
 3. Includes manufacturing, mining and quarrying, electricity, gas & water supply, and construction.
 4. Includes transport, storage and communication, trade, hotels and restaurants, banking and insurance, real estate, public administration and other services.
 5. Sectoral shares are computed from the GSDP series at constant prices.

The growth decline in agriculture could also have been reinforced by the long-term impact of the decline in soil quality resulting from the indiscriminate and wasteful use of underpriced irrigation water. To the extent this is a factor, the fiscal giveaways introduced in Q4 1996/97 which included the zero-pricing of irrigation water and electricity for agriculturists, will further lower growth prospects. The harmful effects of these are so well-known to farmers that it should not take much political courage to repeal them.

Chart 1.1 shows that yearly growth rates of GSDP are synchronised with agricultural peaks and troughs. The share of agriculture in GSDP, at 44 percent in 1995/96 (table 1.1) was much above the share of agriculture at national level even in 1980/81. The secondary sector by virtue of its higher growth rates rose from 20 percent in 1980/81 to 28 percent of GSDP in 1995/96, but remained below the national share of 31 percent. Punjab remains predominantly an agricultural State.

SOCIAL INDICATORS

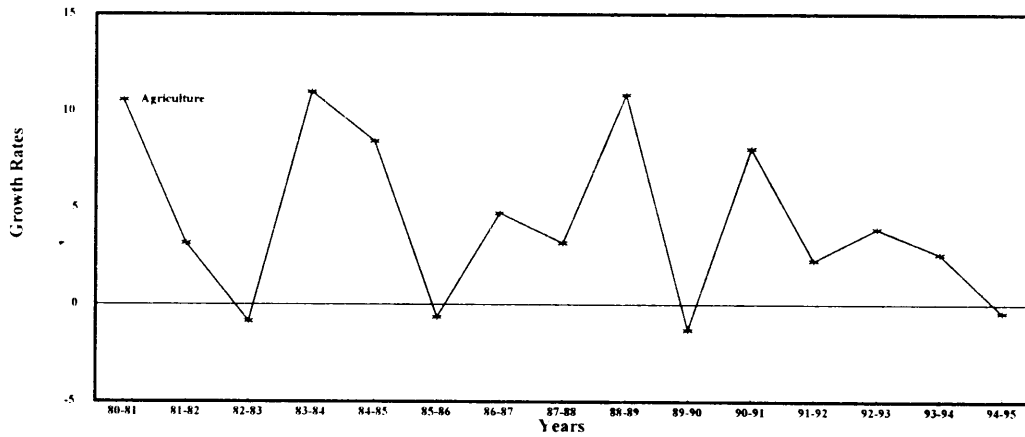
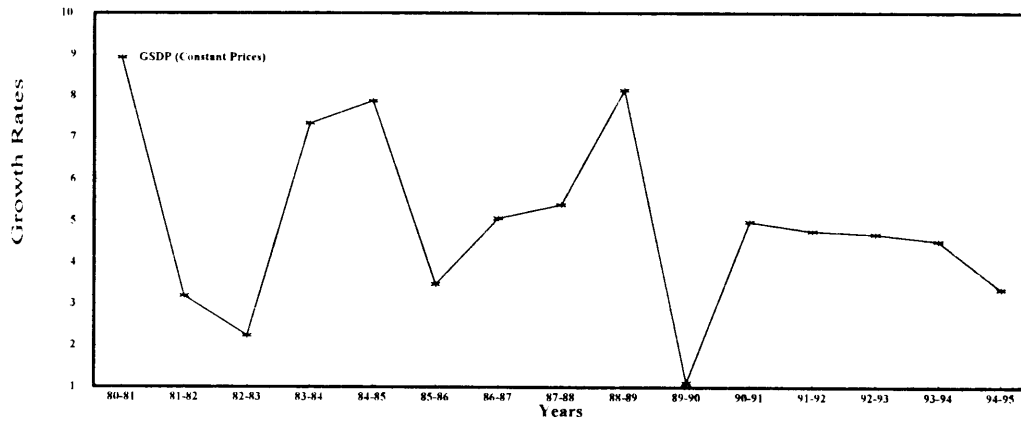
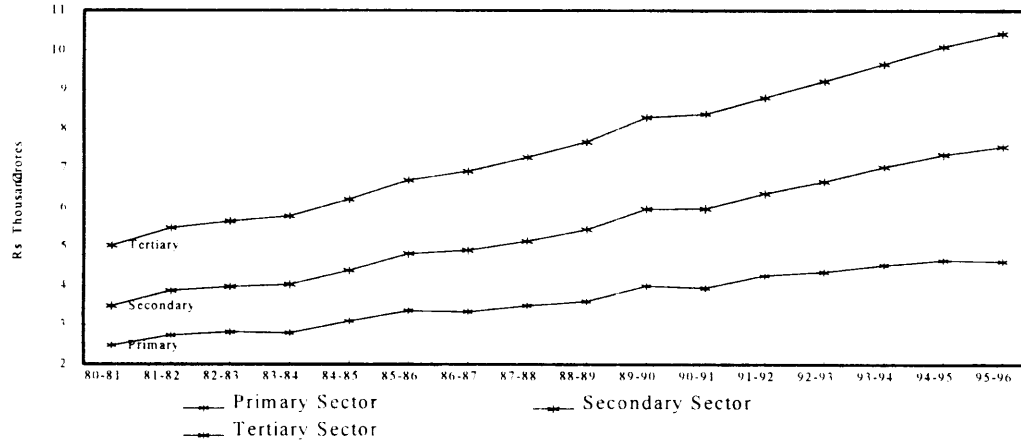
Poverty: With a poverty headcount of 11.8 percent in 1993/94, Punjab is first-ranked among all States, well below the all-India level of 36.0 percent, and well below other high income States including neighbouring Haryana (table 1.2). Only the Union Territory of Chandigarh, which functions as the capital of both Punjab and Haryana, had a lower poverty percentage of 11.4 percent (not shown in the table). There has also been a small decline in poverty in Punjab since 1983/84, despite the slowing of the growth engine during this period, unlike Haryana which experienced a worsening relative to 1983.

Literacy: Female literacy at 50 percent in 1991 was much ahead of the all-India level of 39 percent, and accounts for the higher overall literacy rate (see table B.1, appendix B). Even the rural female literacy rate in Punjab, at 44 percent is above the overall national female rate. Male literacy at 65 percent was also above the all-India level, but only by a single percentage point.

Primary school enrolment: The rural primary school enrolment rate at 97 percent is much higher than the urban rate of 60 percent (table B.2), contrary to expectations, since physical access to schools must surely be better in urban areas. The lower urban school enrolment rate suggests that the urban poverty gap may well be worse than the rural, although in terms of headcount, the urban poverty percentage for 1993/94 at 11.35 percent is lower than the rural figure of 11.95 percent (GoI, 1993).

School dropout rates: There is the usual sharp drop from 97 percent rural primary enrolment to 60 percent at upper primary (table B.2). However, the urban enrolment rate actually rises from 60 percent at primary to 70 percent at upper primary level. The rise is

Chart 1.1
Gross State Domestic Product at Constant 1980-81 Prices



particularly sharp for girls. Clearly, girl children are moved from rural to urban schools at upper primary level.

Gender balance in school enrolment: Primary enrolment shows a gap of roughly 6.5 percentage points in rural areas, but near-parity in urban areas. At upper primary level, because of the rural out-migration of school girls, the gender gap widens in rural areas, with a corresponding inverse gender gap in urban enrolment of 79 percent for girls relative to 62 percent for boys.

Sex ratio: This is the single indicator that jars against other evidence of gender parity. The Punjab ratio of 882 per 1000 males (1991 census) is lower than the all-India figure of 927, but higher than the figure of 865 in neighbouring Haryana.

Health status: All health indicators show a superior health status compared to the national level. Infant mortality in both 1981 and 1991 was well below the all-India figures and those for the reference states in table 1.2. Despite a marginal increase from 53 in 1991 to 54 per thousand in 1995 (see front table) at a time when the national figure fell from 80 to 74, the infant mortality rate remains better than the national target for the year 2000 of 60 per thousand (table B.4). The immunization indicators (table B.5) show achievement of more than 100 percent of the relevant targets. The expectation of life (table B.6) exceeds by 2.6 years the year 2000 target of 64 years.

Health services: The average radius served per institution is low at 2.70 kilometres (tables B.7 to B.8). The 4:1 rural/urban break-up of medical institutions suggests a satisfactory spatial spread. Together with the good health status indicators, the State appears to be well-served in terms of both accessibility and quality of health services.

Infrastructure: The composite infrastructure index (table 1.3) shows a decline in the relative value for Punjab from 205.8 in 1985/86 (India=100) to 191.4 in 1993/94. There is a similar decline for the other high-income States. These figures are not necessarily troubling *prima facie*. What is important is the absolute provision of infrastructure rather than the relative standing, which could drop due to a better spatial spread of infrastructure in the country.

Table 1.2: Comparative Social Development Indicators

	Punjab	Other comparable States			Goa	India
		Haryana	Maharashtra	Gujarat		
1981						
Poverty (1983/84)	16.2%	21.4%	43.4%	32.8%	19.0%	44.5%
Literacy	40.9%	36.2%	47.2%	43.7%	56.7%	36.2%
Female literacy	33.7%	22.3%	34.8%	32.3%	47.6%	24.8%
Infant mortality per thousand	81	101	79	116	-	110
Life expectancy at birth (years)	66	63	62	59	-	50
Sex ratio (females per 1000 males)	879	870	937	942	981	934*
1991						
Poverty (1993/94)	11.8%	25.1%	36.9%	24.2%	15.0%	36.0%
Literacy	58.5%	55.9%	64.9%	61.3%	75.5%	52.2%
Female literacy	50.4%	40.5%	52.3%	48.6%	67.1%	39.3%
Infant mortality per thousand	53	69	60	69	-	80
Life expectancy at birth (years)	67	65	64	62	-	59
Sex ratio (females per 1000)	882	865	934	934	967	927

Source: GoI. Census of India 1981 and 1991; and GoI, 1993 (a).

Notes: Goa includes Daman, Diu.

* Excludes Assam.

Table 1.3: CMIE Relative Composite Infrastructure Index

State	All India=100	
	1985-86	1993-94
Punjab	205.8	191.4
High Income States		
Haryana	143.1	141.3
Maharashtra	116.8	107.0
Gujarat	124.8	122.4

Source: CMIE, 1997.

Notes: Figures for Goa were not available.