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ECONOMICS REVIEW NEWSLETTER

BCM ARYA

ECOBIZ CLUB

PUNJAB ECONOMY

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MESSAGE FROM THE PRINCIPAL'S DESK

*Putting pen to paper, lights more fire than matches ever will." • Malcolm Forbes

Who has not heard this proverb? Indeed it is true that the pen represents the power of ideas and intelligence which can change the world. The second volume of EcoBiz newsletter provides a snapshot of Punjab's Economy giving students an exposure to new levels and inspires a real change. The generated articles and supplemental material in this edition are purely students' diligent research and exhibit how they perceive Economics and Business at a wider level. Their in-depth study and comprehension of the ideas have exposed the dismal situation of Punjab's economy which needs rapid structural transformations and reinvention of the development model to restore and rejuvenate its economic glory.

In fact, this newsletter is a platform for students to explore ideas and diversify their approach to promote the transfer of knowledge and enable research through easy access to subject information. I compliment the efforts of EcoBiz club members and hope readers will also admire them so that they continue to exceed every expectation that we set.

Wishing this publication all success.

Punjab’s Economy in Dire Straits

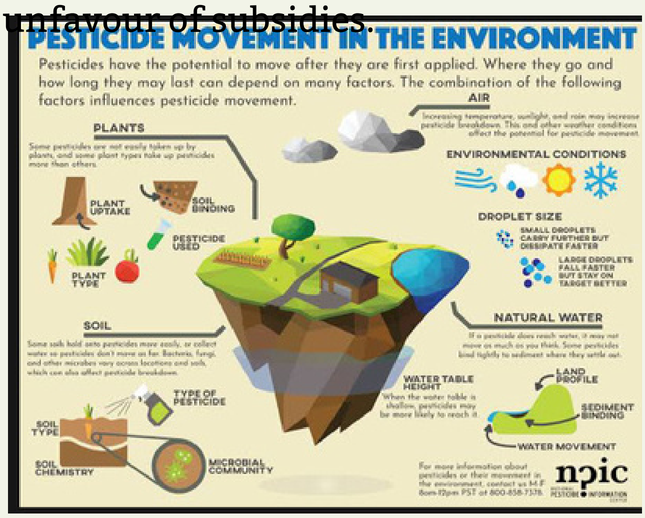
-Nandini Goyal, Janvi Shikarpuria & Shraddha Thapar

'The crisis lies in the same history that made it the granary of India. Punjab, the state which became the food pillar of the country for decades has collapsed. It has been falling behind all the economical aspects, from pro-growth reforms to building latest infrastructure as done by other fast-growing states, Punjab is certainly experiencing a huge toll, the same state which was once the most affluent, having numerous reforms and policies that pumped it’s position on top for a long time. There is large literature which is concrete proof of the unsustainable nature of Punjab’s dying agriculture and throws light on emerging issues of health, food security, inefficiency of government in recent times.

“Granary of India” a honorary title that changed India's economy and helped achieve sufficiency in food grains was not the outcome of just one reform but many that contributed to it. Green Revolution was the prime reform started by our government that helped in achieving sufficiency in food grains while we were at the mercy of foreign countries and feared being taken advantage of this vulnerability.It involved usage of new seeds popularly known as HYV (high yield variety) seeds along with regular irrigation facilities. The adoption of HYV seeds was much more extensive in Punjab due to the canal network and water flowing from the Bhakra Nangal project which strengthened Punjab’s position at the forefront of the revolution.

Digging into the past, another major change was found to be brought by Agricultural Marketing. It put emphasis on providing remunerative and fair prices to the farmers for their output all at a minimised cost. Benefits of this particular step reached multiple sections of our economy. Punjab’s farmers had a strong backbone due to the indubitable support provided by Punjab Government in form of subsidies to them. It helped them overcome financial constraints by immense investment in advanced technologies leading to enlargement in productivity. These reforms as a whole, promoted equity, helped in reducing poverty, induced stable earnings, averted social unrest and gave a significant push to the agriculture aspect of our state. Punjab’s economy bloomed splendidly then and there, awarding it with a strengthened position in the nation and filling the stomachs of thousands. As they say, a flower that bloomed will wilt one day if not properly taken care of- Punjab’s economy faced the same, absence of austerity by the government withered away the glory that sparked through initiation of reforms.

In the past, the Green revolution might have helped our economy achieve self-sufficiency but the drawbacks hit harder than what the agricultural sector was prepared for or predicted. It led to increased vulnerability to pests, soil erosion, water erosion, micronutrient deficiency and reduced availability of nutritious food crops for the local population. Most importantly, a vast number of farmers got displaced from their land and got trapped in black hole of tension and conflicts. On the other hand, subsidies had its related negative aspects too. Years of conflicts have been seen regarding the favour or unfavour of subsidies.



Drawing out a conclusion based on facts, subsidies were seen to do more harm than good. Overuse of limited water supply along with pesticides led to quotient of groundwater depletion, soil degradation and didn’t reap any benefits for the small farmers and labour group. As they say dwelling into the past continuously doesn’t change it, it’s better to work on the present in order to reap the benefits.

The issues of today are similar to those of the past, yet they are distinct and significantly worse. Recent observations have brought into notice a sharp rise in the farmer suicides caused by severe tension, depression and other mordern day problems. Not only this but monsoon failure, climate change, high debt burdens, government policies, mental health, family problems are effect the rate of farmers’ suicides in India. If this was not enough the surge in input cost has put the farmers in a spiral of misery and desolation.

Cost of chemicals and seeds has gotten more expensive for the already indebted farmers, whether it is the fertilisers, crop protection chemicals, or even the seeds for cultivation. Cost of Agricultural output is also rising. This includes the usage of agricultural equipment and machinery like tractors, submersible pumps, etc which add to the already surging costs.The culmination of all these factors has raised the overall cost of farming and at present it is three times more than it was in 2005. The Year of 2021 had the highest farmers suicide in 5 years. Between 2017 and 2021, nearly 53,000 persons engaged in the farming sector died by suicide. Of these, close to 28,600 (55%) were farmers. As many as around 15 farmers and 15 agricultural labourers died by suicide every day in 2021, accounting for nearly 7 per cent of the total suicides reported in India, the highest number of such deaths reported since 2017.

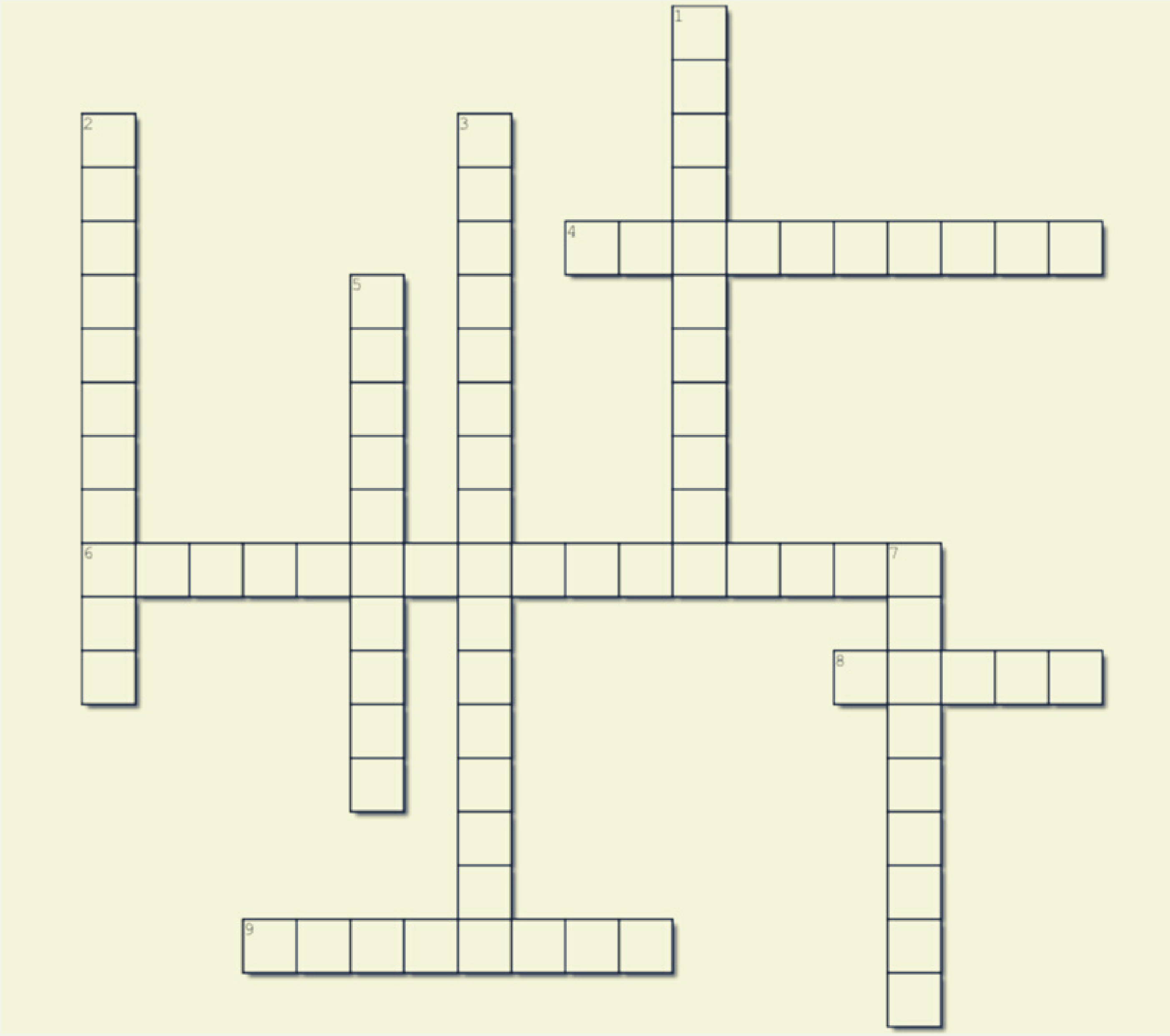
“Where there is darkness, let there be light” That being said, government officials in their capacity are trying to do their best to get to the bottom of problems and figure out possible schemes or strategies to conquer these arising problems. The outcome every time may not have been entirely positive or wholeheartedly accepted by society but efforts are made by the government to ensure welfare of the agronomist of the country. Some schemes launched by government which have shown a great outcome are as follows:

The Pradhan Mantri Fasal Bima Yojana (PMFBY) is an extensive crop subsidy insurance programme, introduced in 2016 with the intention of protecting farmers. It improved the insurance services available to farmers by combining their best qualities and removing their inherent weaknesses. The programme covers all crop-related challenges, including those that arise before sowing, throughout harvest, and in the middle of the growing season. It increases protection against financial losses suffered by farmers as a result of unforeseen circumstances. The initiative's main objectives are to lessen farmers' financial burden from insurance premiums and ensure prompt claim resolution.

Next, Pradhan Mantri Krishi Vikas Yojana initiative was launched in 2007 as an umbrella programme to guarantee the comprehensive growth of the agricultural industry and related industries. The programme encourages States to boost public investment in agriculture and related industries. overarching goals of enhancing farmer effort, reducing risk, and encouraging agribusiness entrepreneurship in order to make farming a lucrative economic activity.

Lastly, National Mission For Sustainable Agriculture. Through the adoption of a sustainable development pathway, the NMSA will address the key dimensions of "Water use efficiency," "Nutrient Management," and "Livelihood Diversification" by gradually moving toward environmentally friendly technologies, adopting energy-efficient tools, conserving natural resources, integrating farming, etc.

COMPLETE THE CROSS WORD



ACROSS

4. The costs which vary as the level of output varies are called
6. Marginal cost of a good includes
8. When MC curve cuts AC curve
9. When production level is zero then fixed cost is

DOWN

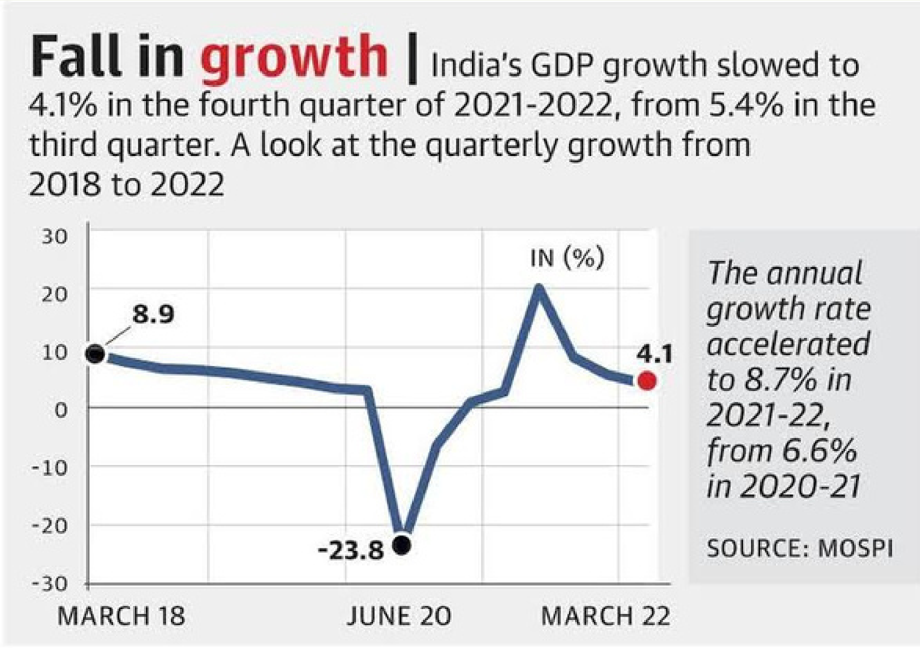
1. What happens to ATC when MC is greater than ATC
2. Per unit cost of a good is called
3. When production cost is zero total cost will be
5. TC increases at an increasing rate when MC is
7. Total cost is the vertical summation of

PUNJAB IN ECONOMIC MORASS

-Kamakshi Seth & Akshita Sharma

Punjab has the 14th largest state economy in India, with a gross domestic product of 5.41 lakh crore (US$68 billion) and a per capita GDP of US$2360, ranking 17th among Indian states. However, a report from The World Bank published in 2021 suggested that Punjab's financial system has flaws that have slowed the state's economic growth. This year, a white paper report presented by Finance Minister, Harpal Singh Cheema revealed that Punjab's current effective outstanding debt is ₹283,756.82 crore which is projected to increase to ₹305,361.44 crore by the end of this year (June 25, 2022, The Economic Times).

Among Punjab’s key development challenges, the bank lists slow growth, fiscal stress and weak institutions. When it comes to spending on salaries, pensions, and power subsidies, the bank concludes that Punjab is extremely financially stressed. Implementation delays and cost overruns serve as indicators of the poor operational efficiency of public investments. Therefore, the current debt indicators of the state are probably the worst in the country, constantly pushing it deeper into a debt trap. Tax evasion, high subsidies, poor collection of tax and non-tax revenue, centralisation of collection and distribution of tax revenue by the central government, low investment in capital formation, and pitiful resource mobilization have all contributed to Punjab's perpetual debt. The state is in a classic debt trap since a sizable amount of the annual gross debt/borrowings contracted by the government is used to pay off the previous debt and interest payments rather than for the state's future development and prosperity.

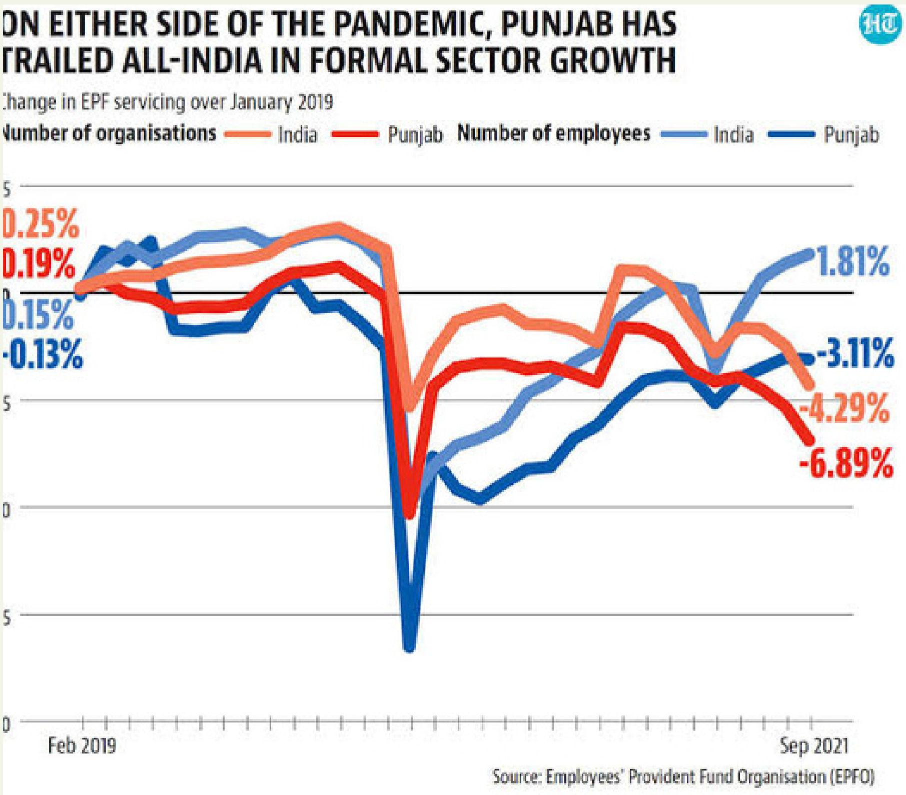


Growth rates were declining at both the state and national levels since 2016-19, and this trend has continued ever since. Punjab's growth rate was slower than the national average in 2013-14, and the projection indicates a shift in the trend. According to the 2020-21 reports, the contraction in the GSDP of Punjab was 1.3% less than the national average (March 9, 2021, The Times of India).

As of 2016, 1.7% of all remittances to India came from Punjab. Remittances kept the state viable despite the upheavals it experienced in the 1980s and 1990s. In the last ten years, the state was able to attain a growth rate of between 4% and 6%, which wasn't great but wasn't awful either. According to reports, COVID-19 caused a dramatic decline in inbound remittances in the financial year of 2020, posing an extra problem for the government of Punjab which depends primarily on inward remittances from the diaspora in addition to the pandemic's effects.

People of Punjab living in nations like Canada and Australia who were sending remittances weren't able to do so due to the economic slowdown and increased unemployment. The already considerable gap between the state's spending and tax revenue, therefore, got worse as a result of COVID-19 as the need for public spending increased and the revenue drastically decreased. The contraction in economic activity and people’s purchasing power, increased restrictions on the movement of workers and goods, and huge uncertainty disturbed entire production and supply chains and the demand cycle. Daily wage earners and other informal workers, particularly migrant laborers from economically poor states, were hit worst during the COVID-19 lockdown. Punjab was already in financial trouble before Covid-19 struck.

A thorough review of the expenditure commitments and direct income growth strategies are required to restore Punjab to its former glory days. According to the state budget which was announced earlier this year, the finance minister did not propose any new taxes and is relying on an anticipated increase in revenue receipts and a speedy collection of goods and services tax by plugging any loopholes. The finance minister proposed a rise of 17.08% in revenue receipts, providing Rs 95,378 crore to the state exchequer, noting that the government has already started revenue augmentation initiatives. The government views state excise as a game-changer, and estimates that out of the total revenue receipts of 95,378 crore, 20,550 crore will come from GST, 6,250 crore from VAT, and 9,647 crore from state excise (June 28, 2022, The Hindustan Times). Cheema stated that efforts are already being made to fix GST loopholes.



Now the question is can Punjab pull itself out of this mess? The state is now faced with the daunting task of ushering in much-needed economic reforms as a major component of government earning and borrowing is meant for servicing debt rather than capital expenditure. Unless measures are taken to correct the fiscal situation over the next few years, it will not be possible to achieve the objective of restoring Punjab to its pre-eminent position.

Podcasts related to Economics

1-Think Like an Economist

-Think like an economist and you will see the world clearly, empowering you to make better decisions at work , at home , and in your community.

2- The Economist Podcasts

-Every weekday our global network of correspondents makes sense of the stories beneath the headlines.

3-Indian Economy

-Every few months we read statistics related to the economy in the news.

4-Economics Explained

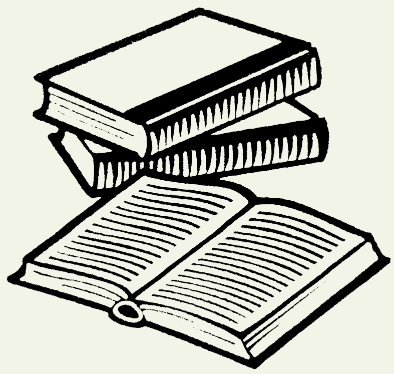
-On economics explained ,we take a look at interesting countries , policies and decisions from the point of an economist.

5-Behavioral Economics

-We all make mistakes when faced with choices . Biases and old habits can get in the way of good economic decision making.

Best Colleges for Economics in India

- Shri Ram College of Commerce, New Delhi.
- St Stephen's College, University of Delhi, New Delhi.
- Lady Shri Ram College, New Delhi.
- Hindu College, New Delhi.
- Hansraj College, Delhi.
- Christ (deemed to be University), Bengaluru.
- Miranda House College, New Delhi.
- Ashoka University, Sonipat.
- Loyola College, Chennai.
- Ramjas College, Delhi
- Delhi College Of Arts and Commerce



Punjab : The Past, The Present and The Future

– Upasna Aneja and Gunn Sachdeva

As Anne Bradstreet said, "If we had no winter, the spring would not be so pleasant; if we did not sometimes taste adversity, prosperity would not be so welcome." Punjab-the land of five (three) rivers, has never had a pretty history. With the end of colonial rule in 1947, Punjab was partitioned into East and West Punjab. This division led to turmoil in the region. However, various measures were taken to accommodate the future of the state. To generate power in the production base, several institutional reforms were initiated. This was supplemented with heavy public investment in electricity generation, irrigation systems, credit networks, agriculture marketing systems, agricultural research and extension systems, and rural road networks. By the 1960s, Punjab witnessed a manifold increase in agricultural productivity due to the new technology of high-yielding varieties of seeds, commonly known as the Green Revolution. The reduction of poverty and increased per capita income marked the growth of the economy of Punjab. The agriculture-led economic development elevated the Punjab economy to the rank of a role model state for capitalist economic development in a developing economy.

Unfortunately enough, there came a twist in the tale. Punjab's splendor began to wane sooner than anticipated due to declining returns and the constraints of agriculture-based prosperity. The capitalist development model was driven by public investment and state support, focusing on increasing food grain productivity and achieving higher production year after year by expanding the area under cultivation of wheat and paddy, using fertilizer, pesticides, insecticides, irrigation, and mechanization. These factors together resulted in poor soil fertility and a significantly lower groundwater table. Adding to the problems, the political use of religion led to racial hatred and a resulting lack of security for both life and property. This hurt investment in Punjab.

Punjab became unfavorable to industrial investment from the diaspora and the private corporate sector due to the rent-seeking mentality of the political leadership and bureaucracy. These elements played a colossal part in inhibiting Punjab's industrialization. The state urgently needs economic reform to overcome development restrictions and make the economy more inclusive and sustainable. In Punjab, revenue-generating sources like education and tourism still need to be explored. Taking a leaf from the book of Kerala, we need to learn to develop a well-diversified economy where the only egg in our basket is not agriculture.

Kerala has been the first state to recognize tourism as an industry with the highest profit margins in the tourism business, with an astonishing close to 100% literacy rate (At 96.2%, Kerala Tops Literacy Rate Chart; Andhra Pradesh Worst Performer at 66.4%, 2020). Such forays into unprecedented sectors are the need of the hour. Tourism has had a stellar track record of playing an influential role in leveraging scarce foreign exchange earnings for many developed countries worldwide, not just third-world developing countries. It employs millions of people, both semi-skilled and unskilled.

As a result, its significance in the development of Punjab, with its enormous tourism potential, cannot be ruled out. Tourism's benefits are imperative because it elevates the per capita income in the areas where tourists visit. Thereby providing a mammoth push to a state where agriculture is predominant, and ecotourism can provide it with new breathing. Punjab is a one-of-a-kind state that offers tremendous riches. Owing to it being recognized as the birthplace of great gurus, it has a rich heritage of notable religious sites, palaces, and monuments. It has a larger-than-life history of war, struggle, resilience, and great kings and warriors, which deserves to be known, studied and admired globally. Punjab is also rich in song and melody, color and joy, history and folklore, handicrafts, woodcrafts meticulously crafted in rich traditional designs and motifs, and needlework products, which are much sought after by both domestic and international tourists. We can attract tourists from the entire spectrum of tourism, like ecotourism, cultural and heritage tourism, educational and research tourism, etc.

To add to it, tourism is job-oriented and gives more employment prospects than traditional manufacturing businesses while contributing to sustainable development. It is beneficial to many different types and forms of companies. Employment in the tourism sector is critical for Punjab, which has appreciable prospects due to its sizable NRI community. Lamentably, Punjab has taken a backseat in this regard and seems unaware of tourism's immense promise. A point in case is the infrastructural bottleneck, such as less air connectivity, lack of well-arranged package tours, fewer choices of hotels and tourist guest houses, lack of facilities like good hotels and tourist lodges, affordable and reliable communication network, and pothole-ridden roads. The inconspicuous marketing strategies for promoting tourism and, most importantly, the lack of policies on tourism development due to the slightest interest by the state governments through the years have all been hampering the expected growth and promotion of tourism.

There needs to be coordination between various public industries and private sectors like eco farms, on the one hand, and Punjab Tourism Development Corporation. Another aspect of Punjab tourism that deserves to be shed some light on is the abysmal sanitation and hygiene conditions that we offer decorated on a platter with a plastic cup on top to our international guests and ourselves. A significant reason why we prefer vacationing in other lands is precisely this. To cash in on the rapidly growing tourism industry, we must create an environment where a tourist to Punjab does not return with memories of foul smells, dirty roads, and polluted waters. To add to it, the safety of the tourists and the general population must be worked upon. The most efficient strategy for removing these unfavorable impressions is to make the tourists visit the region by assuring them of absolute safety and cooperation by the local administration and protection from local thugs to encourage them to explore this unexplored tourist paradise.

Therefore, the government should take initiatives to accelerate the rate of investment in tourism facilities and infrastructural growth to aid the former. Shifting focus to another sector which is rightful of upliftment and development, let us talk about Education-the future of a nation. Having obtained a fair degree of success in fulfilling the physical targets in the field of education, the state should now concentrate on improving the quality of education. Describing education as the bedrock for building a new society, educational attainments are insufficient for the state. Since the dawn of human history, education has expanded and broadened its reach and coverage. It is a critical factor in a country's socioeconomic and political transition and one of the most essential variables in human development. Education's responsibility is to not only enhance the foundations of democracy but also to raise good citizens.

Punjab has a rich and illustrious history of both official and informal education. A plethora of issues currently besets the elementary school system. Historically, the sector has been associated with underpaid teaching staff, inadequate facilities, and an uninterested student body. Another difficulty is a gender imbalance and the financial and societal barriers that prohibit girls from accessing primary school. To offer education a boost, schools and institutes should focus on providing adequate infrastructure and faculty to ensure not only 'schooling for all but also 'learning for all.' The educational system should be centered on learning rather than exams. To strengthen the foundation of primary education, educators must develop strategies that include periodic evaluation of schools and teachers' work, as well as the inclusion of co-curricular activities as extracurricular activities such as sports, literary and cultural activities, which positively boost student morale and create well-rounded individuals.

Alternate economic solutions set aside Punjab's primary source of income; the agriculture sector, albeit its decline, remains a significant source of revenue but the chances of it staying that way appear dull. The current agricultural production, marketing, and institutional system, which was progressive in the early stages of the Green Revolution, has become very regressive and must be reformed. The agricultural innovation system is not only old and worn out, but it is also slowly dying. This leads us to conclude that aside from the need for alternative revenue-generating sources, the agricultural sector is in dire need of serious remodeling.

Punjab's agricultural innovation system must be revamped. Agricultural economists and policymakers have suggested the diversification of agriculture. Agriculture should range from low-value-added crops to high-value-added varieties. With the rise in demand for organically farmed goods, it is the right time for some consequential decisions regarding productive and sustainable agriculture to be taken. (S.Singh 2016, Johl, 1986, n.d., #)

With the world in economic turmoil and India seeming to rise undeterred, no state of this magnanimous nation deserves to fall in with the rest of the world. And Punjab, famed for its business skills and ability to overcome adversity, should certainly not be that state. Overcoming the current economic crisis and restructuring Punjab's economy may prove impossible unless alternative economic prospects for suitable and meaningful employment in highly productive economic activities are created, along with the restructuring of those already existing.

CAREER ROAD-MAP

(ECONOMICS)

- Economist
- Data Analyst
- Accountant
- Financial Planner
- Investment Analyst
- Lecturer
- Stockbroker
- Researcher
- Portfolio Manager
- Consultant
- Statistician
- Industrial Economist

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