

Chapter 16

Unpacking the “Diaspora-Development” Mantra: Does Punjabi Diaspora Have the Potential to Contribute to the Rejuvenation of Punjab’s Economy?

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16.1 Introduction: A Success Story Going Astray?¹

Punjab has historically been an important and strategic state. It is rich and highly productive and fertile agricultural resources tempted many a foreigner to conquer it. Throughout the Mogul, Sikh and British rule periods Punjab remained one of the most prosperous regions in the Indian subcontinent. The British invested heavily in developing its agriculture and communications infrastructure which both boosted commerce and trade and globalised Punjab and the Punjabi imagination, to the envy of other Indian states. In spite of the tragedy of partition and the second partition in 1966, in the post-independent period too, Punjab remained supreme as the number one region and contributed significantly in ensuring India’s food security. Economic development of Punjab trickled down to the poor, directly contributing to an impressive record not only in poverty alleviation but also in improving other human development indicators. Using the Tendulkar methodology introduced in 2004–05 and NSSO consumption survey data, Punjab’s poverty level during 2009–10 stood at 15.90 % compared with India’s 29.8 % and Punjab appears to be on course to achieve the Millennium Development Goal of poverty level of 11.41 % by 2015 (ESO 2013, p. 140).

However, as we entered the twenty-first century the situation began to change and the successful Punjab model based largely around agriculture came under considerable strain. Furthermore, globalisation of the Indian economy, beginning in haste with the reform process of the early 1990s, tended to have accelerated

¹I borrowed this title from a recently published comprehensive book on Punjab’s economy edited by Dhesi and Singh (2007).

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Punjab's decline rather than rejuvenating it, in sharp contrast to the case in many other states. The political leadership in Punjab appeared not to have shown the vision, capability, or the political will to respond to opportunities offered by globalisation or to arrest Punjab's relative decline (Gill 1988; Singh and Singh 2002; Dhesi and Singh 2007; Sawhney 2012; Aiyer 2012).

In terms of its demographics, as a prosperous state, Punjab has experienced considerable amounts of both in and out migrations, the latter both to other Indian states and overseas. The out or overseas migration history is well known and we will assess its implications in more detail in part 2. In-migration was largely a new phenomenon which involved large numbers, especially with the onset of the green revolution in the 1970s. Presently, migrant labour has emerged as a prominent feature of Punjab's labour force in both agriculture and industry. For example, it would not be an exaggeration to say that Ludhiana's manufacturing success has largely been driven by migrant labour where almost two-thirds of the industrial workers were migrants (Mehra and Singh 2014; Pais and Yoshifumi 2014). In-migration, just as overseas migration, has had profound effects on Punjab's polity and society and there has been considerable discussion on the nature of the effects and possible long-term consequences. In recent years, especially in the context of relative economic decline of Punjab, the discourse continues to be framed largely in negative terms. Migrants are blamed for the rise in crime, for adulterating Punjabi culture, for changing the balance in Hindu-Sikh religious identities and for changing the voter balance in certain constituencies (Kaur et al. 2011). There is a dire need for studies which comprehensively identify and assess the net contribution of inward migration in sustaining Punjab's prosperity since the onset of green revolution.

The increased population pressure, compounded by in-migration has inevitably put a great strain on Punjab's natural resources. All types of resources have become overexploited and overstretched leading to environmental damage and raising important questions about loss of biodiversity and future sustainability (PSCST 2007). In addition to the rise in overall population, the socio-economic composition of the population has also changed which brings its own problems. Given the increased competition over resources, more and more Punjabi communities resorted to invoking identity politics in the 1990s to gain greater access (Kumar and Kumar 2002; Jodhka 2005). The failures of the main political parties to deliver on their promises have turned many, especially marginalised groups, to strategically mobilise their own social and cultural capital to gain greater access. Thus over the past two decades issues of caste, class, language and religious identities assumed greater importance in the political discourses on Punjab and India in general (Ram 2007; Jodhka and Mahajan 2012).

In the new globally connected world, the economic well-being or ill-being of Punjab has a direct impact on national and global perceptions and behaviour of all stakeholders, be they resident or non-resident Punjabis, state actors, peasants, migrants, borrowers, investors or philanthropists. This paper is divided into two parts, corresponding to the two main research questions being answered: the causes of relative economic decline of Punjab and the potential for diaspora Punjabis to

arrest it. Thus first part provides an overview and a critical evaluation of the major narratives relating to the relative decline of the Punjab economy. These capture discourses on broader socio-economic and political processes including issues relating to agrarian crisis, resource sustainability, lack of industrialisation, nature of centre–state relations and the quality of economic and political governance. Given these narratives, the second part of the paper will then explore the significance of the diaspora-development nexus as applied to Punjab and assess whether the Punjabi diaspora at this juncture has the potential to arrest the decline of Punjab. The paper will conclude by assessing future prospects for diaspora contribution to transform Punjab’s economy and polity.

16.2 Part 1: Why Punjab’s Relative Decline?

The Punjab state is at a critical juncture in its process of socio-economic transformation. Available evidence suggests that the conventional characterisation of Punjab as predominantly an agricultural or agrarian state needs serious reconsideration. Certainly, in terms of contribution of agriculture to Punjab state’s well-being, usually measured by its contribution to the State Domestic Product (SDP), agriculture’s contribution has diminished significantly, from around 40 % in the heyday of the 1970s to around 15 % today. Whilst the role of agriculture has clearly declined, it is, however, not clear what Punjab is transforming into given that the historical pattern of structural change with the industrial sector leading the way, has not materialised either. We seem to be witnessing a rapid growth in tertiary sector activities with no strong lead taken by any one specific sectoral activity. With continuing stagnation in agriculture and no obvious lead sector, there is certainly a constraint on Punjab’s overall growth rate relative to economic growth in competitor states. As a consequence, this had the inevitable effect of pushing Punjab down the ranking order in terms of per capita income. A state which took pride in being “*unonumero*” for so long has now slipped to sixth or seventh position today. We need to note that this is happening during a period when the Indian economy as a whole has been booming because of rapid liberalisation and globalisation and India’s rising global prominence both economically and politically. Has the successful Punjab model run out of steam? Has Punjab submitted to and become consumed by the forces of globalisation rather than managing them better and take advantage of the opportunities it offers? Table 16.1 highlights the relative change in Punjab’s ranking as measured by per capita income over the past two decades. It clearly re-enforces the point that Punjab’s growth performance has lagged behind both India’s and of its main competitor states in the post-reform period.

Table 16.1 Punjab's comparative performance against top 10 states over the past decade (per capita income at constant 1993–94 prices)

States	Per K income (2000–01)	Rank (2000–01)	10th Plan (2002–06)		11th Plan (2007–12) ^a		Per K and rank in 2009–10 (in 2004–05 constant prices)		
			Growth rate	Per K income (2006–07)	Rank (2006–07)	Growth rate (target) ^c		Per K income (2011–12) ^b	Rank (2011–12)
Punjab	15,071	1	5.72	17,864	4	5.9	22,112	7	43,5398 (6)
Maharashtra	14,207	2	8.76	19,680	2	9.1	27,508	3	57,458 (1)
Haryana	13,882	3	9.62	18,881	3	11.0	28,126	2	55,214 (2)
Tamil Nadu	12,994	4	7.21	15,908	6	8.5	22,672	6	46,823 (4)
Gujarat	12,489	5	10.44	21,062	1	11.2	32,394	1	49,030 (3)
Karnataka	11,939	6	9.41	16,256	5	11.2	25,545	4	37,464 (8)
HP	11,085	7	8.49	15,133	8	9.5	22,016	8	40,690 (7)
Kerala	10,174	8	9.42	15,803	7	6.4	23,826	5	46,511 (5)
Arunchal P	10,301	9	5.73	10,960	11	9.5	13,284	12	n/a
Andhra P	10,195	10	5.33	13,071	10	6.4	19,258	10	36,345 (9)
All India (States only)	10,308		8.04	14,009		9.0	19,553		33,731

^aProjected^bProjected^cThe actual growth rates in 2007–08, 08–09, 09–10 and 10–11 were 9.2, 6.55, 7.84 and 7.78 %, respectively, indicating that the final outcome in 2012 is unlikely to be seventh place ranking

Source Government of Punjab, Department of Planning, Economic and Statistical Organisation (2011)

16.2.1 *Narratives on Punjab’s Decline*

Major narratives on Punjab’s decline can be categorised under the following four broad subheadings:

- Declining Role of Agriculture;
- Punjab as a Border State and Militancy of the 1980s;
- Indian Federalism and Centre–State Relations;
- Economic and Political Governance.

16.2.1.1 **Declining Role of Agriculture**

Historically, a major barometer of health of Punjab’s economy has always been the performance of the agricultural sector. The green revolution of the mid- to late 1960s and continuing through the following two decades, ushered in enormous gains both for the farmers (admittedly unevenly among them) and the non-farm sector. Punjab’s total food grain production grew from 70 lakh metric tonnes in 1970–71 to 214 lakh metric tonnes in 1996–97 and to 290 lakh metric tonnes by 2011–12, although the rate of growth has slowed down in recent years (ESO 2013, p. 142). As the regional agrarian economy thrived, it also provided an impetus for small- and medium-sized industries to develop and expand to mainly service agricultural activities. However, the green revolution began to run out of steam in the 1990s and Punjab’s agriculture thereafter began to stagnate, as evidenced by near stagnant growth in crop yields and productivity in the major crops of wheat, rice and maize (Govt. of India 2013).² At the same time, other Indian states did not stand still. Over time, as the green revolution technologies diffused to other states, their agricultural performance also saw spectacular gains and as a consequence the Indian state’s dependence on Punjab for surplus food production and procurement began to diminish. Although Punjab can still be characterised as the breadbasket of India, because it is still the single largest contributor, dependency on Punjab continues to decline as seen in its falling contribution to the Central Pool in wheat and rice procurement. For example, Punjab’s relative contribution to the Central Pool in wheat fell from 73 % in 1980–81 to 38.7 % in 2011–12 and in rice it halved from 45.3 to 22.1 % over the same period (ESO 2013).³ These are not insignificant trends and will have long-term implications.

Besides enhancing Punjab’s role as the breadbasket of India, the green revolution, however, also left a number of other legacies, the ramifications of which are

²According to the Economic Survey of India, yields of wheat, rice and maize have stagnated at around 4,000 and 4,000 between 2005–2006 and 2011–12.

³However, despite this relative decline Punjab still remains the single largest contributing state. Data taken from various issues of *Economic Survey of Punjab*, Government of Punjab, Economic and Statistical Organisation.

still being worked out in Punjab: environmental damage to soil and water caused by accentuation of the wheat–paddy rotation cropping pattern, growing level of landlessness as marginal farms lose viability, increased levels of farmer indebtedness and farmer suicides. Some of these negative consequences are discussed in greater detail below.

Green Revolution and Its Environmental Impacts

It has now become clear that the process through which agriculture has transformed over the last three decades imposed tremendous constraints on further growth and sustainability of rural livelihoods. Intensification of land use resulting in perpetuation of the wheat–rice cropping pattern has not only crowded out other forms of food or cash crop cultivation but also resulted in several detrimental environmental impacts that are worth noting. First, a lot of evidence points to a long-term fall in Punjab's water table, a decline of between 5 and 15 m between over the last 20 years and not helped by subsidies to electricity (Humphreys et al. 2010, p. 8). The intensive wheat–rice cultivation has resulted in a serious disturbance of the ground water table, resulting in water shortages in most districts but waterlogging in some others. Moreover, the general depletion of the water table in large parts of Punjab, where water usage is outstripping water recharge, is considered so serious, it forced the government to place 83 of the 138 development blocks in Punjab in the “dark” category where the annual recharge is only between 85 and 100 % and totally inadequate, leading to a fall in the water table by between 30 and 40 ft in these blocks. The situation appears to be particularly acute in the central and south-eastern districts of Punjab with falls of up to 5 m. Falling water table has one important short-term and one long-term consequence. In the short-term, many households need to have their submersible hand pumps re-bored to a deeper level for them to lift water. This is an additional expenditure which some households find difficult to undertake. For farmers who use tube wells or submersible water pumps for irrigation, this is a considerable expense as the bore has to go down as deep as 200 ft from the previous 90–120 ft. This extra but necessary expenditure may require the farmer to finance this investment through a loan, adding to their overall debt. The above effects have been relatively widespread in Punjab over the past 5–10 years. Over the longer term, if present levels of usage continue, water will fast become even more of a scarce resource and it may only be a matter of time before it becomes rationed and punitive charges are levied. Many consumers in urban areas already pay and over time this practice will also spread to rural areas.

Second, the intensity of combined usage of water, fertilisers and pesticides, the so-called magic formula for getting the best out of high-yielding miracle seeds, has resulted in soil degradation and contamination which has not only resulted in “tired-out soil” and near stagnant productivity but has also entered the food chain and animal feed with lethal consequences on well-being. In fact, in one

cotton-growing Malwa district of Punjab, infamous for its “cancer train to Rajasthan”—because reliable diagnostic or treatment facilities are not available locally—residues of excessive pesticide and insecticide use, without any health or safety considerations, has already claimed over 33,000 lives.⁴ The warning signs of the catastrophic environmental damage have been there for some time but were largely ignored until recently.

Third, intensive and extensive rice cultivation, with water-filled paddy fields lying almost adjacent to or surrounding village housing, has led to the re-emergence of water-borne diseases such as malaria and dengue which had been largely eradicated. In addition to the above environmental impacts, various other forms of air and water pollution have also been reported and there is continuing loss of biodiversity with certain species of trees, birds and other wildlife disappearing from Punjab’s landscape.⁵

The above environmental impacts have generated a vigorous academic debate and positions appear to be clearly divided along two diametrically opposed lines: that Punjab must remain specialised as this offers the Punjab peasantry risk-free and secure livelihoods under current central government pricing and procurement policies; and that Punjab must diversify its cropping pattern if agriculture is to survive as an occupation and retain viability and sustainability in the long run. Such heated academic debates have fortunately generated some positive action and agricultural diversification is now generally promoted by the state and central governments and water management and innovative rice plantation and cultivation methods have been promoted but unfortunately wheat–paddy rotation still reigns supreme today. It remains to be seen whether agriculture, the traditional sustainer of livelihoods, will also become the destroyer of livelihoods under prevailing conditions.

Agrarian Crisis, Indebtedness and Farmer Suicides

In the case of Punjab, historically there has always been an observed relationship between the peasantry and debt.⁶ There is no doubt that the total farm debt has gone

⁴There is growing evidence that high level of pesticide residues in soil and water in many Malwa villages which, along with excessive tobacco and alcohol use, contribute to more than average incidences of cancer. Studies show that Punjab has 90 cases per 100,000 of cancer patients compared with the Indian average of 80. In the Malwa region the figure rises to 107.4 but in the Muktsar district it is even higher at 136.3 per 100,000. Over 33,000 deaths were identified up to end of 2014. For some studies, see (CSE 2005; Thakur et al. 2008; The Hindu 2013; The Tribune 2014a, b).

⁵In 2007 the Punjab State Council for Science and Technology provided a comprehensive and detailed report on all aspects of environmental damage and loss of biodiversity in Punjab. See PSCST (2007) for details.

⁶During British colonial times several books by administrators highlighted this facet of Punjabi peasant life, especially as captured in the travelogues of Calvert and Darling. For a recent historical study which revisits the Punjab peasantry and debt question under British rule, see Sohail (2012).

up manifold and according to a recent study by Shergill it rose from Rs 5,700.91 crore in 1997 to Rs 13,829.32 crore in 2008 and household debt (at 1997 constant prices) has grown almost three times in the same period—rising from Rs 52,000 to Rs 1.39 lakh per household (Shergill 2010). Because farmer debt is growing faster than the rise in farm incomes, the absolute debt burden has grown with an alarming rise in outstanding debt. Shergill in his study argued that 72 % of farmers were under debt to various stakeholders such as commission agents, private moneylenders, commercial banks and cooperatives. More recent estimates, based on NSSO data, suggest that the total farmer debt in Punjab is the largest of all Indian states and stood at over Rs 35,000 crores (ESO 2013, p. 150). The debt burden facing small and marginal farmers is the most acute as their capacity to payback is very limited (Gill 2009). The causes of this rising debt are varied and although most of the borrowing appears to be for productive purposes, there is an increasing tendency, especially among some categories of farmers to use borrowing to fund excessive use of alcohol and drugs, to overspend on social ceremonies like marriages, engage in lengthy litigation and on paying travel agents to send their sons overseas in the hope that they will find a well-paying job.

Not surprisingly, the unfolding agrarian crisis in Punjab discussed above has led to the emergence of an extensive academic literature on identifying and analysing the causes of the agrarian crisis, rise in farm sector debt and increased incidences of farmer suicides. Although growing agrarian crisis and farmer distress culminating in suicides, is an all-India phenomenon, and the Punjab situation is nowhere as desperate as that in states such as Karnataka, Madhya Pradesh and Maharashtra, nevertheless it has emerged as an important debating point in discussions on the Punjab model, especially when considered in combination with other dimensions of Punjab's poor performance. The major studies, mainly focusing on the four troubled districts of Mansa, Moga, Bhatinda and Sangrur, with the latter two being the worst affected, point to a number of general but interrelated factors which include increasing cost of agricultural inputs, declining productivity and shrinking incomes which all combine to increase the severity of indebtedness especially among the small and marginal farmers (Jaijee and Sidhu 2011; Iyer and Aora 2010). These studies make two important points: the problem of farmer distress has increasingly worsened over the last 10 years and the issue is particularly acute in the district of Sangrur, followed by Bhatinda, both known for their intensive cotton cultivation. Ironically, the latter debt-ridden district, Bathinda, is also home to the Badal dynasty. Apparently, the fate of the marginal farmers and agricultural labourers in this district is not acknowledged as an issue, or it is not considered an important enough problem for something to be done about it.

The actual number of farmer suicides in Punjab is difficult to estimate, not least because of the interrelationship between the factors involved. There are methodological and other issues too in enumerating the number of total deaths and estimates continue to vary wildly. One of the difficulties relates to ways of categorising deaths. Are farmer suicides really a new phenomenon, as earlier they could have

easily been “hidden” under different categories of rural deaths or is this a new “political” category which developed out of a growing awareness about a national phenomenon popularised by left-oriented academics and the media as they highlighted the downside of India’s unquestioning embrace of globalisation? The scale of the problem and state-level generalisations are also difficult to identify. Gill, an eminent Punjab economist, commenting after reviewing the various studies on farmer suicides argued that studies which estimated total deaths based on average deaths in one or two of the high population density blocks (of a district) are likely to overestimate the number of suicides of small and marginal farmers and agricultural labourers. Incidentally, the latter category receives little attention due to many of them belonging to non-landed castes. Writing in 2005 Gill stated “there is no systematic study as yet conducted in Punjab to cover all districts of the state to arrive at accurate estimates of such suicide cases” (Gill 2005, p. 233).

Of course some of these small and marginal farmers and agricultural labourers who are in a debt trap find it difficult to manage, leading to acute distress, with many taking their lives. However, identifying the causes of farmer suicides is not an easy task as the decision is likely to be based on several interrelated factors and these are likely to vary from district to district and time to time. Some of the most common variables identified, in addition to the problem of debt, include family disputes, crop failure, loss of status, alcohol and drug abuse, mental problems and low level of education (Shiva et al. 2000).

It is interesting to note that it took some considerable time, including a 2002 directive by the Punjab and Haryana High Court, to persuade the Punjab government, first to acknowledge that there was a problem in Punjab and then to set up a quick enquiry to identify the nature and scale of the problem and finally to negotiate with the Centre to come up with a Relief and Rehabilitations Package similar to that offered to other states facing similar problems. Punjabi farmers were eventually offered relief but it was too little and in many cases too late (Sharma 2013). Finally, the Chief Minister of Punjab, Parkash Singh Badal, maybe as a fallout of the recent Lok Sabha elections, where a new party, the Aam Aadmi Party made spectacular gains and had made farmer suicides an election issue, set up an expert committee, to be led by the Chairman of the Punjab State Farmers Commission, GS Kalkat, to formulate a comprehensive policy to prevent suicide by farmers (The Tribune 2014a, b).

16.2.1.2 Punjab as a Border State and Militancy of the 1980s

Punjab’s relative industrial backwardness is often blamed on it being a landlocked, mineral-less and a sensitive border state. It is further argued that its status as a border state acted to both fuel militancy and prolong its duration. Taken together, both translated into low levels of domestic private sector investment and even lower levels of foreign direct investment. In terms of attracting Foreign Direct Investment (FDI), relative to other Indian states, Punjab’s record has been abysmal with the

state attracting less than 0.6 % of total inward FDI to India since the start of liberalisation in 1991–1992 (DIPP 2011). Undoubtedly, part of Punjab's poor performance can be blamed on the impact of militancy in the 1980s and its legacy which deterred both domestic as well as foreign investments in the state and in fact may have caused some capital flight (Bal 2005). The World Bank (2004) described the economic cost of militancy in the following stark ways:

The impact of militant activities on growth was swift, widespread and, in some cases, permanent: The industrial growth rate halved, from 8 to 4 %: and the growth rate of services sector decelerated as well, and fell by half, between 1987/88 and 1992/93. Even the agricultural growth rate plummeted from around 6 % year to around 2 % during this period due to decline in long term investment associated with the uncertainty surrounding the militancy activities. Our calculation shows that the output loss suffered by Punjab on account of militancy activities could be as large as 13,000 crores in today's prices (equivalent to 29 % of today's GSDP).

But militancy ended in the early 1990s and we cannot keep on blaming the subsequent poor performance of over 20 years on militancy. In any case Punjab politics has never enjoyed such a stable and golden age in the last 15 years with three consecutive full-term governments and with the current Akali-led government enjoying almost two full terms.

In concluding this section, whilst Punjab may have the disadvantages of being a border state and suffering a prolonged period of militancy which in turn affected investor behaviour, it would be wrong to explain away Punjab's problems using this narrative. This would not explain, for instance, why other border states, whether in South Asia or elsewhere and which are equally disadvantaged, tend to do better and have not suffered from the same fate as Punjab.

16.2.1.3 Indian Federalism and Nature of Centre–State Relations

It has been argued, most forcefully by Pritam Singh that Punjab's development problems, especially the state's overdependence on agriculture and its lack of industrialization, largely stem from the nature of the Indian federal set-up designed towards the project of Indian nation-building at the time of independence and the specific form of centre–state relations this generates (Singh 2008). These centre–state relations work against the interests of Punjab and Punjabis in several ways. First, the Indian state or the Centre generally perceives Punjab as primarily an agrarian state which is crucial for providing food security to India in its overarching quest for cementing Indian nationalism. Through appropriate use of agricultural pricing and procurement policies, Punjab is expected to provide both relatively cheap and plentiful supplies of food grains to the central pool. Second, the Indian State's project of promoting equitable development through redistributing central government grants and financial assistance from highly developed richer states such as Punjab to poorly developed ones like Bihar has disadvantaged Punjab in terms of

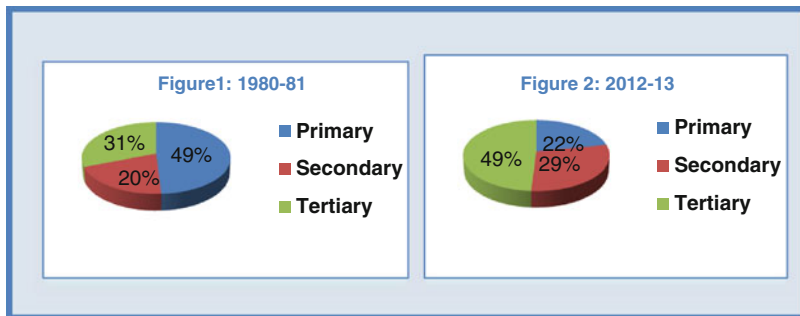
central allocation of financial resources (Vasishtha and Singh 2004).⁷ This would also partly explain why public sector investment in Punjab is negligible compared with other Indian states such as Gujarat and Maharashtra. Third, since Indian federalism works through highly centralised organisations such as the Planning and Finance Commissions, regional aspirations remain suppressed due to limited autonomy and lack of decentralisation in decision-making, thwarting the project of Sikh/Punjabi nationalism. This leads to political tension as competing nationalisms clash. And finally given the constraints under which Punjab is forced to operate, the nature of its economic development is distorted with continuing dependency on agriculture with only limited industrialization. Singh concludes “Punjab’s development pattern cannot be understood unless one situates it in the context of Indian federalism, India’s development path and the troubled history of relations between the Punjabi Sikhs and the Delhi-based central powers in general and the post-1947 Indian nationalist state in particular” (Singh 2008, p. 166).

Singh’s approach is novel and refreshing in that he contextualises the patterns of Punjab development within the wider federal set-up and Indian development strategy, rather than the more micro or regional-centric approaches used by other scholars. However, whilst this narrative may provide a useful framework for explaining Punjab’s pattern of development between 1966 and 1991, the time period studied by Singh, it may be limited in explaining Punjab’s post-1991 relative decline when greater autonomy was offered to states by liberalisation. In the post-1991 period Singh’s argument does begin to weaken and given that major constraints were removed in 1991 (when a “historic break” occurred), why does Punjab, instead of experiencing rapid industrialization, actually undergoes decline in its relative position in the economic league table of Indian states? The important question then seems to be why were other similar, economically developed states, in a better position than Punjab to take advantage of the new environment offered by liberalisation and globalisation? It is a pity that Singh’s book, although published in 2008, does not offer any commentary on this phenomenon, especially in terms of exploring post-1991 legacies. It can thus only offer us, at best, a partial understanding of Punjab’s current predicament.

In the absence of a significant experience of large-scale industrialisation in the post-1991 liberalisation period—Punjab still remains dominated by SMEs which constitute 90 % of the industrial sector of Punjab—and with Punjab now fully open

⁷Centre–State Fiscal Transfers is a thorny and controversial issue in India and much has been written about reform and shrinking fiscal space for subnational states. To simplify, the assistance to Punjab from the Centre comes in four different forms; share of central taxes, normal central assistance, special central assistance and centrally sponsored schemes. Each has its own criteria for distribution and this is believed to favour relatively poorer states. For example, the Finance Commission’s criteria for devolving central taxes to states is based on population, area, fiscal capacity, distance and fiscal discipline which tends to be biased against more developed states and according to the Punjab’s Economic and Statistical Organisation, Punjab’s share of central taxes fell from 2.45 % in 1970–75 to 1.39 % in 2010–15 (ESO 2013). Others have argued that level of extent of political representation and bargaining power at the Centre also has an effect. For the latter argument, see Vasishtha and Singh 2004.

Structural Change in the Punjab Economy and Sectoral Contribution to State Domestic Product 1980-2013(in 2004-2005 constant prices)



Source: *Economic Survey of Punjab* (2013)

Fig. 16.1 Structural change in the Punjab economy and sectoral contribution to state domestic product 1980–2013 (in 2004–2005 constant prices). *Source* Economic Survey of Punjab (2013)

to global companies, Punjabis have ended up consuming a very large proportion of both domestically produced consumer goods and imported consumer goods. This massive growth in “consumerism” is manifested in the rapid growth in transportation, distribution and warehousing and financial services which have become the leading components of the tertiary sector. Figure 16.1 shows the structural changes in Punjab’s economy over the past 30 years. It illustrates agriculture’s diminishing share in SDP and the rise of the tertiary sector, at 44 %, to emerge as the largest sector. It helps to re-enforce the point that Punjab has transformed from being a “production”-based economy to one based on “consumption”. Needless to say, the growth in middle class consumption, especially of consumer goods—cars and SUVs, cable/satellite TV, refrigerators, CD and DVD players, PCs and laptops, mobile phones and tablets, ceiling fans, air-conditioning units, washing machines, etc.—has lead to a massive demand on energy, contributing further to generate acute power shortages.

In the regional political domain, however, Singh’s diagnosis of the problem is more clearly articulated by the leadership of Shiromani Akali Dal (SAD), a Sikh party which has ruled Punjab (in coalition with the BJP as minor partner) for 12 out of the last 15 years. For SAD, every problem faced by Punjab has its roots in discrimination by the Centre, whether it is lack of industrialization, financial burden caused by fighting militancy or agricultural diversification. Given that the recent election has resulted in an outright BJP majority in Parliament, it would indeed be interesting to see how this will affect Centre’s attitude towards Punjab’s development needs.

On a related issue, although there is ample research which examines state-level performance, literature which examines intra-regional performances and inequalities, especially between the three main subregions of *Malwa*, *Majha* and *Doaba* is

very limited. cursory analysis of the subregions suggests that economic inequalities have worsened with Malwa remaining the most backward, despite having elected to office many Chief Ministers, including Badal, and other very prominent politicians.⁸ In response to Malwa’s domination in political decision-making, critics have, with some justification, often alleged economic discrimination against Manjha and Doaba as Malwa seemed to have more projects sanctioned by both the state and central government in recent years. In reality though many of these projects have failed to take off or were never completed and Malwa still remains the most underdeveloped region of Punjab and also suffers from the acute agrarian problems discussed above. This relative backwardness can be seen in many sectors such as in the number of medical institutions, education, roads and general infrastructure. The Punjab development model, especially in the non-agricultural sectors, seems to be based on strengthening the growth pole surrounding five major cities: Amritsar, Jalandhar, Ludhiana, Patiala and Bathinda. The scale of industrial development in some smaller industrial towns such as Asron, Kurali, Mohali, Nabha, Moga, Phagwara, Goraya and Batala is negligible to have an overall impact on Punjab’s economic growth. And when one moves inland, away from the cities and small towns of most districts, there is hardly any evidence of industrial development. Furthermore, situation in the border villages is even worse as they are lagging behind markedly despite various schemes to upgrade them. Thus it is imperative that rejuvenation policies for Punjab must address both state-level relative decline and growth in intra-regional inequalities.

16.2.1.4 Economic and Political Governance—Growing Fiscal Distress

Punjab is often characterised as a “rich state with poor government” due to the health of state’s public finances. One would think that a rich and buoyant state would be able to generate sufficient tax revenues to keep up with rising expenditures or at least demonstrate an element of fiscal prudence and responsibility. On the contrary, Punjab has emerged as one of the most profligate and indebted states amongst the top 10 states of India and its fiscal deficit has continued to mushroom. Punjab currently has total accumulated debt of Rs. 69549 crore which is 30.40 % of the GSDP and expected to go up to Rs. 78,000 crore by the end of 2011–12 and with net borrowing at Rs. 8923 crore.⁹ An examination of the causes of the deficit indicates that on the revenue side there is inadequate effort on collection of tax revenues and widespread tax evasion and where revenues could be raised, for example urban property taxes or through water and electricity charges, political constraints get in the way. Populist sops in the form of heavy subsidies to both urban and rural elites means that the political status quo and vote banks remain

⁸ Apparently, village Badal, the home of the Badal family, is highly developed and can be seen as an oasis in an otherwise undeveloped region.

⁹ Government of Punjab (2011) press statement as of 31/3/2011.

unchallenged. On the expenditure side, centrally mandated salary increases to an ever growing bureaucracy, pensions, interest payments on accumulated debt, subsidies to poor performing public undertakings, perks to politicians and public employees, personal gifts and grants which perpetuate feudal style political patronage by politicians, especially by the CM himself such as in the “*sangat-darshan*” programme, all contribute towards widening the fiscal deficit. Salary increases mandated by the Pay Commissions, pension payments and interest payments on accumulated debt alone constitute a very large proportion of state expenditure, in some years making up 70 % of collected revenues.

The Punjab State has generally tried to shift the blame on rising debt on expenditure incurred in fighting militancy during the 1980s and early 1990s and has regularly appealed for debt forgiveness but the Centre has refused to write off all the debt, presumably because the Centre does not see any real intent on the part of Punjab government to demonstrate fiscal prudence or responsibility, despite having passed the Fiscal Responsibility and Budget Management Act in 2003. However, we need to be fair in not laying all the blame on Punjab governments. A plan to bring down the fiscal deficit through consolidation to 3 % of GSDP by 2014–15 has been agreed with the various Finance Commissions but we wait and see if the targets on deficit reduction will be met (ESO 2013).

One important consequences of fiscal irresponsibility is that very little is left over for development expenditure on schools, higher education, hospitals and primary health facilities and community development. Whilst some of these facilities are now beginning to be provided by the private sector—maybe that is the hidden agenda—it is shameful that in large parts of the rural areas, state provision of basic services is either highly inadequate or has continued to deteriorate.

In this first part of the paper, we have used four dominant narratives which shed light on the relative economic decline of Punjab: stagnation in agriculture; Punjab as a border state coupled with role of militancy in the 1980s; Indian federalism and the nature of centre–state relations and political and economic governance. The overall relative economic decline of Punjab is matched by political and social corrosion of state institutions. The private sector (read wealthy families from the ruling elites from both Punjab and outside) is expanding its tentacles in all spheres of public life and the issue of corruption and accountability are matched by counter allegations of the same, leaving the common man helpless and a silent witness.¹⁰ There is almost a collapse in the moral and ethical dimensions of public policy. The academy has responded by highlighting the issues and has proposed positive policies to move forward but these often fall on deaf ears because acknowledging them would involve taking proactive action and showing decisive leadership. How ironical that the demise of Punjab as a top state has happened in a period of unparalleled political stability in its post-independent history. Three successive full-term governments would have been a dream in the 1960s and 1970s but instead

¹⁰This context may help us to understand why in the recent Lok Sabha election the Aam Aadmi Party surprisingly won four seats—in fact the only wins for the AAP anywhere in India.

it has turned into a nightmare and prospects for a sustainable future on current trends look bleak indeed—unless radical changes occur as a result of recent parliamentary elections.

16.3 Part 2: Does Punjabi Diaspora Have the Potential to Contribute to the Rejuvenation of Punjab’s Economy?

16.3.1 The Diaspora-Development Nexus

The closing decades of the last century have seen diasporas entering the centre stage of global affairs. Such is the importance attached to diasporas, there are now regular government-sponsored and multilateral agency conferences focusing on different dimensions of the potential contribution of diasporas to homeland development. These vary in scale and scope, for example focusing on the potential contribution of diasporas in the economic, financial, cultural, health, social and political spheres. Diaspora finance, such as remittances, bank deposits, diaspora bonds and non-resident Foreign Direct Investment, provides important sources of development funds as well as improving foreign exchange reserves. Governments and multilateral agencies are increasingly promoting innovative policies for active engagement with diasporas. The earlier dilemma posed to nation states and which dominated policymaking for several decades, perceived diasporas as “Janus faced” and a potential threat to national security (Kapur 2007, 2010). The new perception, however, increasingly views diasporas largely as agents of development (Merz et al. 2007; Brinkerhoff 2009; UNCTAD 2012). Certainly, state rhetoric and intent is there in terms of leveraging the diaspora but whether the potential is being realised or could be fully realised by nation states is a matter of some contention.

The academy too, initially, struggled in identifying roles and impacts of diasporas but there has been a fundamental shift in thinking about diaspora’s potential contribution over the last two decades. Academic discourses shifted from viewing diasporas as potential liabilities—because they can fund extremism, communalism, separatism and perpetuate inequalities—towards perceiving them as strategic assets which can bring positive contribution to the homeland, but only if the right mix of policies are adopted. The last decade has seen a proliferation in research which regurgitates the positive diaspora-development mantra (Merz et al. 2007; Brinkerhoff 2009; Kapur 2010). Figures 16.2 and 16.3 capture the essence of latest thinking on diaspora’s potential contribution to development through two lenses. Figure 16.2 identifies the four types of diaspora capital which have the potential to bring about socio-economic transformation of the homeland. Each of these “capitals” makes a contribution at different levels of the homeland economy, resulting in potential transformation. Figure 16.3 highlights the three major channels through which diasporas can raise the productive capacity and capability of the homeland,

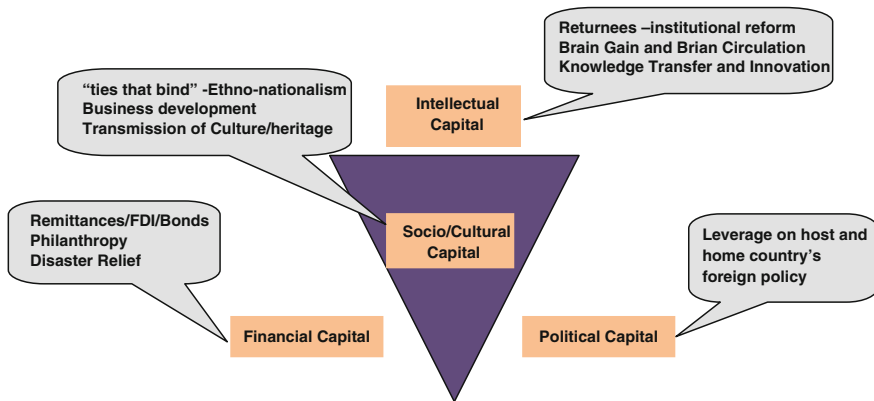


Fig. 16.2 The 4 C's of diaspora capital

through assisting with better utilisation of productive resources, enhancing entrepreneurial capabilities and via developing production linkages. The concepts and issues raised in these two frameworks need to be viewed as complementary as they both represent different dimensions of diaspora contribution.

In the Punjab case, financial capital is the most tangible and visible contribution with overseas remittances historically playing an important role (Thandi 1994). Diaspora philanthropy has also emerged as a valuable micro-level contribution especially in the health and education sectors (Thandi 2007; Dusenbery and Tatla 2010). Unfortunately, other forms of diaspora financial capital, such as FDI and diaspora bonds have little presence in Punjab with the Punjab government so far shying away from issuing special diaspora bonds, unlike the Indian and Sri Lankan governments (Ketkar and Ratha 2007). Further, thus far there is only scant evidence of diaspora contribution in the forms of social/cultural and intellectual capital and, if anything, evidence points to a negative contribution of the former with some small sections of the Sikh diaspora funding the Khalistan movement. There is some evidence of leverage of political capital but its effects are felt largely in the political rather than the economic domain. Taken together, the relative lack of almost all forms of diaspora capital mean that production linkages fail to develop and diaspora's potential contribution towards raising productive capabilities remains highly restricted.

Concluding on diaspora finance, family remittances still remain the most popular and important form of diaspora capital. Although philanthropic or community remittances have also become popular in the last couple of decades, their impact remains at the microeconomic level and their potential could be further maximised.¹¹ The most disappointing aspect of the Punjab case is lack of mobilisation

¹¹For instance according to one estimate, annual remittances to Punjab are as high as US\$2 to US \$3 billion, which amount to a significant 12–18 % of Punjab's gross state domestic product (World Bank 2004, p. 21).

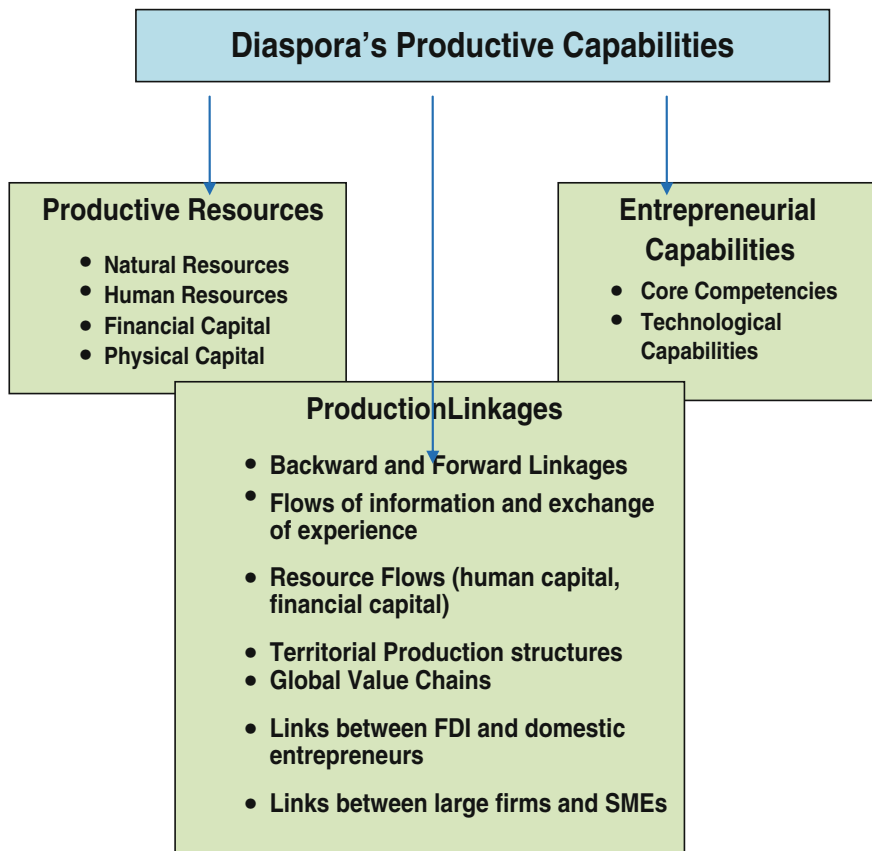
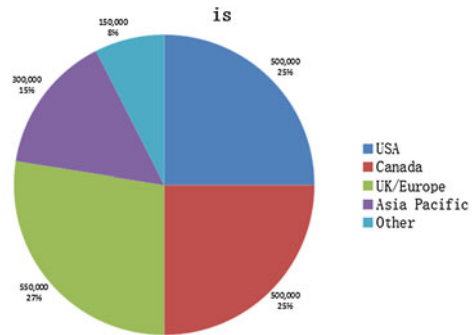


Fig. 16.3 Diaspora’s contribution to raising productive capacity. *Source* Adapted from UNCTAD (2012, p. 27)

of diasporan foreign direct investment which remains almost conspicuous by its absence and constitutes a failed story relative to other migrant-sending states of India such as Gujarat, Kerala and Karnataka. The very little NRI FDI that has flowed in has been in the IT, real estate and education sectors and is generally only of small scale.

So why has the promise of Punjabi diaspora failed to translate into reality? What explains the lack of constructive engagement? To answer these questions we need to turn to the patterns of emergence, evolution and characteristics of Punjabi diaspora and Punjab’s diaspora engagement policies.

Fig. 16.4 2 Million global Punjabis. *Source* Thandi (2014, p. 43)



16.3.2 Punjabi Diaspora: Evolution, Heterogeneity and Potential

Currently, the Punjabi diaspora is estimated at around 2 million and is spread across many developed and developing countries but the largest settlements—almost 75 %—are in Canada, USA and UK as Fig. 16.4 shows. In terms of religion, the largest component is Sikh Punjabis but there are also significant numbers of Hindu Punjabis and *Dalit* Punjabis, many of the latter are also followers of the Sikh tradition despite internal tensions. It is argued below that the Punjabi diaspora is not only very diverse and heterogeneous but also highly fragmented along religion, region, class, caste and gender lines, which makes any engagement with it highly problematic.

The emergence of the Punjabi diaspora occurred over four main and overlapping phases. The early phase starts with the formal incorporation of Punjab into the British Empire in 1849 which also coincides with the latter's expansionist phase, especially east of India. Although many went abroad as part of imperial duties in South-east Asia, there were also a considerable number of fare paying migrants looking for an adventure and opportunity abroad, venturing as far as Latin America and the Pacific coast around Vancouver. The second phase starts in the post-WW2 period, which proved to be critical in the evolution of the modern Punjabi diaspora. Mass migration occurs to the UK and then Canada and on a more limited extent to the USA, especially after immigration controls became more relaxed in North America from the mid-1960s. The third phase starts with rise of the construction boom in newly rich Gulf States in the early 1970s with different types of Punjabis readily supplying both skilled and unskilled labours. Punjabi *dalits* and artisans were particularly prone to take advantage of the new employment opportunities offered in the Gulf States and other oil-rich Arab states in general. The final phase starts with the ending of the Cold War which opened up new land and sea routes to different geographical regions of Europe. As a consequence new communities of significant size have emerged in southern mainland Europe especially in Italy, Greece and Spain, adding greatly to those already settled earlier in Germany (Thandi 2012, 2014). This phase also sees a significant increase in new migration

associated with militancy in Punjab where migrants are travelling to North America or Europe, legally or illegally, to escape violence in Punjab and claim political asylum or refugee status.

Thus, by the close of the last century there had emerged a significant global presence of Punjabis in many parts of the globe, especially in territories erstwhile occupied by the British and in the heart of the Empire itself. These Punjabis varied in terms of their districts of origin in Punjab, in terms of their religion, caste and socio-economic backgrounds. One common characteristic, however, was their overwhelmingly rural character. In diaspora locations, whilst their Punjabi regional identity united them and lead them to share many common cultural and political organisations, festivals and customs, however, fissures began to develop leading to social and caste differentiation over the longer term. In some diaspora locations such as the UK, diversity and heterogeneity continue to be perpetuated over time. We can clearly see this differentiation among Punjabi communities in terms of segregated or caste-based places of worship, festivals, neighbourhoods, social and kinship relationships. Unfortunately, even a significant percentage of philanthropic giving to Punjab has also become caste- and religion-specific. Table 16.2 provides estimates of the number of global Punjabis, their major characteristics and nature of their engagement with the homeland.

Given the lengthy period of settlement, family reunion and consolidation, diaspora communities in the more developed countries have become relatively wealthy with a substantial growth in the number of Punjabis engaged in professional, business and entrepreneurial activities in their adopted countries. Although still small in number relative to the total size of the overseas Punjabi community, businessmen and entrepreneurs wield considerable economic and political power in their host countries and have the potential to play an active part in their homeland development too, given the right conditions. In fact all members of the community have the potential to contribute through many channels discussed in Sect. 16.3.1. The reason why actual contribution is very different from the potential contribution is discussed below.

16.3.3 Constraints to Positive Engagement in Punjab

There are several specific constraints which can be identified in explaining Punjab’s lack of success in developing a constructive engagement with its diaspora. The first and foremost constraint is related to the character of Punjabi diaspora as discussed in Sect. 16.3.2. Not only is it economically, socially and politically fragmented, it also offers limited potential in terms of contributing to Punjab’s development, for example lack of a critical mass of skilled and talented migrants and established entrepreneurs who may have the potential to contribute through intellectual capital. Although Punjabi enterprise is thriving in many diaspora locations, it is largely small-scale offering limited opportunities for transnational investment and trade. In any case, the more powerful industrialists and entrepreneurs do not see Punjab as a

Table 16.2 Global Punjabi diaspora—salient characteristics

Country	No. of Punjabis	Characteristics	Type of engagement
UK/Europe	550,000	Largely second or third generation Majority rural Sikh Jats from <i>doaba</i> region Also significant number of Hindus, Ramgarhias and Ravidassias Highly politicised and caste-conscious	Remittances Philanthropy Small-scale industrial investments Investment in rural and urban real estate, e.g. purchase of land plots and apartments
USA	500,000	Limited number from “old” migrants but largely second generation Mostly post-1960s with a mixture of both unskilled/semi-skilled and professionals Mixture of rural and urban origins Significant number of vocal post-1984 migrants Highly politicised with wide support for “human rights agenda”	Remittances Philanthropy Small-scale industrial investments Investment in rural and urban real estate, e.g. purchase of land plots and apartments
Canada	500,000	Limited number from “old” migrants but largely second generation Mostly post-1960s with a mixture of both unskilled/semi-skilled and professionals although former greater in number Largely from rural areas especially <i>doaba</i> region Significant number of vocal post-1984 migrants Highly politicised with Sikh Jats most vocal especially in Vancouver and Surrey, BC	Remittances Philanthropy Small-scale industrial investments Investment in rural and urban real estate, e.g. purchase of land plots and apartments
Asia and Pacific	300,000	Constitutes “old” and “new” diasporas Old diasporas in places such as Fiji, Thailand, Malaysia and New Zealand—fifth or sixth generation Old diaspora but rapidly developing relatively new diaspora in Australia	Limited remittances
Other	150,000	Old and new—largely in Africa, Latin America, Middle East	Remittances
Grand total	2,000,000		

Source Thandi (2014, p. 45)

place to earn high returns and tend to either invest in other parts of India or world. A classic example is Swaraj Paul, head of Caparo Industries who originally migrated from Jalandhar. Although the group has made many investments in India, Punjab has not figured in the plans. Even highly successful, wealthy and large landowners in California such as Didar Singh Bains or the Tut brothers, have shown little interest in investing in Punjab agriculture or in agroprocessing industry which has been crying out for foreign investment. Further, many of the Punjabi entrepreneurs engaged in trade in ethnic goods, especially food, tend to be importers of commodities—rice, pulses, spices, canned vegetables, etc., rather than exporters. Thus, even if Punjabis showed a greater homeward orientation and patriotism, given their limited scale and scope, their ability to contribute effectively will be fairly limited in rejuvenating the Punjab economy. Punjabi diaspora’s fragmentation also makes implementation of outreach policies more challenging as their “one size fits all” character will not appeal to all kinds of Punjabis, particularly as more and more of them are born abroad (ONS 2012).¹²

As mentioned previously, an important characteristic of overseas Punjabis is their overwhelming rural origins, with many having an agrarian mindset rather than an industrial, business or ICT background. Despite business success among some diasporan Punjabis and the emergence of a sizable professional class among second- and third-generation Punjabis, they lack critical mass of financial, social and intellectual capital (as described in Figs. 16.2 and 16.3) and these act to constrain the flow of both the quantity and quality of all forms of diaspora capital to Punjab. Paradoxically therefore, for Punjab, incentives and mechanisms which increase the flow of family remittances or philanthropic giving may have a greater chance of success than the oft-hyped NRI contribution through foreign direct investment (Thandi 2007; Dusenbery and Tatla 2010; Thandi 2010). A further possibility, which has already yielded some success, for example in the case of Indo-Canadian trade and investment, is the potential role that diaspora-based Punjabi politicians can play in improving bilateral economic relations (Slessor 2013). But that too faces serious constraints as discussed below.

There are two additional points related to characteristics of overseas Punjabis which are noteworthy. First, in locations where empire or pioneer Punjabis migrated in the early part of the twentieth century, their fifth or sixth generation children have largely lost touch with their Punjabi roots and thus may not have any regular connection with Punjab, except occasional visits in connection with heritage tourism. To them, Punjab is a foreign environment and not necessarily the place they want to do business in. In such a context Punjab government’s outreach policies are hardly going to attract their attention. Second, given that the largest component of Punjabi, especially Sikh diaspora—and those settled in UK, Canada or USA—is post-mid-1960s, and with a significant number post-1980s, their relationship with Punjab has become problematic, particularly given the volatile

¹²For example the 2011 UK census reported that 56 % of the UK Sikh population was born in the UK (ONS 2012).

political situation in Punjab in the 1980s. Many still feel a deep sense of alienation from both India and Punjab especially over Operation Bluestar of June 1984 and inability of the Indian state to bring closure to the anti-Sikh violence which erupted in Delhi in the aftermath of the assassination of Indira Gandhi in November 1984. This deep sense of injustice is reflected, for instance, in one Sikh advocacy group, *Sikhs for Justice*, attempting to indict both the Chief Minister of Punjab, Parkash Singh Badal and Sonia Gandhi, leader of the Congress Party, to a USA court for alleged gross human rights violations. However, farcical this may sound or whether we see these as cheap political stunts by the Sikh advocacy group, these actions have wider support or at least there are no significant countervoices against this form of advocacy. This alienation is also seen in the significant diasporic support for the release of “political prisoners” like Bhullar and Rajoana.¹³ More recently, the release of UK government classified documents under the 30 year rule which revealed that the British government gave military intelligence assistance in planning Operation Bluestar some months before the army assault on Darbar Sahib in early June 1984 has reopened old wounds. These revelations have estranged many British Sikhs from the UK Conservative Party and created further tensions with Punjab-based parties who were party to discussions leading up to Operation Bluestar. I give these examples as symptoms of a deeply troubled relationship between significant segments of the Punjabi diaspora which probably has the greatest potential to contribute positively to Punjab’s development. Given this prevailing context, it makes little sense to regurgitate the diaspora-development mantra for Punjab.

The second factor relates to the importance of creating strong networks of emigrants engaged in the business of diaspora finance, including diasporan philanthropy. At present the most successful forms of diaspora finance are coming from individual or family remittances and from village-level philanthropic associations, some aided by Punjab government’s matching grant schemes. Recent research has indicated that private and community-oriented financing is also important in promoting equitable rural development, especially in the *doaba* region (Singh and Singh 2007; Sidel 2007; Thandi 2010; Sahai et al. 2011). In addition to the Punjab government courting only wealthy Punjabis, who may make promises to invest in Punjab, it needs to strengthen wider networks so that more investment flows into trade and industry of the whole region. Evidence from other states of India such as Kerala, Tamil Nadu and Gujarat suggests that promotion of investment in specific sectors such as health or education or by identifying industrial clusters may be a more effective strategy to harness the talent of overseas-based businessmen and professional migrants. Unfortunately, Punjab is deficient on a number of fronts which prevent potential foreign investors from taking advantage of

¹³It is noteworthy that on 28 February 2013, after a petition organised by *Kesri Lehar*, and with support from the Sikh Federation, both UK-based Sikh organisations, initiated the British government to have a one and half hour parliamentary debate on the death penalty in India. The petition was largely based on Sikhs’ opposition to the unjust treatment of Bhullar and Rajoana. For details of the debate, see Daily Hansard (2013).

positive externalities, for example lack of industrial and IT sectors which would generate agglomeration economies, sound infrastructure, lack of a pool of skilled and educated manpower, assistance in business start-ups for NRI returnees and investor-friendly and transparent decision-making. It is reasonable to assume that the very factors which constrain FDI inflows into Punjab are also responsible for limiting NRI investment and even Punjabi domestic investment.

The third failure relates to the lack of an infrastructure that would facilitate effective communication channels between diaspora communities and their homeland. The Internet offers an enormous potential for leaders in the homeland and diaspora communities to exchange and share information relatively instantly and cheaply. Such information can pertain to business and investment opportunities, skill shortages, databases on diaspora-based and homeland experts, progress reports on ongoing or new philanthropic projects, organisations offering opportunities for social and cultural exchanges and briefings on new multilateral initiatives on diaspora engagement. In Punjab, some token initiatives have been introduced to offer this facilitation but they remain largely undeveloped, under-resourced, and politicised. As regards the latter, for instance, whenever Shiromani Akali Dal or Congress Party politicians have visited abroad, their appeal remains limited exclusively to within their own political party circles, community or personal networks thereby excluding some Punjabi groups such as the Punjabi Hindus or dalits. Further, the highly politicised and fractious Punjab NRI Sabha has hardly made any inroads into identifying and assessing the contribution of all sections of the Punjabi diaspora to Punjab’s economy let alone engage in any outreach activities abroad (Thandi 2000). Punjabi pluralism abroad needs to be matched by a multipronged pluralist diaspora policy which is inclusive in approach.

The fourth failure in leveraging the diaspora has been lack of incentives and innovative mechanisms for luring migrant investment. These include not only liberalisation of key sectors not currently open to NRIs but also liberalisation of financial flows. Recent incentives such as offering matching state grants are also part of this strategy—and Punjab has in the past introduced these for NRI village modernisation projects—but this need to be expanded and fully embraced and complemented through larger budgetary allocations and dedicated administrators rather than revolving ones to develop credibility, sustainability and trust.¹⁴ Further, too often the incentives are geared towards promoting inflows but neglect the fact that incentives are also required for reversal of flows if the migrants deem it necessary. Appealing to the Punjabi migrant’s sense of cultural or ethnic identity or patriotic loyalty will not work if the migrant’s perception is that the incentives on offer are not transparent or are discretionary and unfair. In certain cases there may also be a role for offering non-financial incentives, for instance high-profile awards which acknowledge the migrant’s contribution to the economic well-being of the

¹⁴In this regard the role of Hometown Associations in contributing to economic development in some Mexican and other Central American countries is worth considering and replicating. For an assessment, see Orozco and Welle (2009).

region or in their country of adoption. The recent honouring of high-profile individuals at *Pravasi Bharatiya Divas* at national and state functions has acknowledged this requirement but these need to be promoted in a non-politicised and non-communitarian way to ensure credibility. The NRI Sabha and the Punjab Chamber of Commerce were seen as potential vehicles for promoting this activity but their limited powers and politicisation have rendered them relatively toothless in garnering wider appeal among overseas Punjabi communities.

However, it needs to be acknowledged that recent Punjab governments have become more proactive in introducing some aspects of the above policies, but often it has been the case of too little, too late—thus not generating a great deal of commitment and trust amongst the Punjabi diaspora communities. One should not be very surprised, therefore, that despite the hype, Punjabi migrant response, especially in terms of diaspora investment, has been very disappointing. The continuing perception of Punjab as a state with poor governance, lacking transparency in decision-making, having a meddlesome bureaucracy means that potential diaspora-based investors shy away.

16.3.4 Mobilisation Strategies—Is There a Way Forward?

It has been argued above that largely due to structural characteristics of the Punjabi diaspora, there are formidable barriers to it playing a constructive role in Punjab's development. However, three out of the four reasons discussed above point to shortcomings in effective engagement and mobilisation policies of successive Punjab governments, leading to a failure in making Punjabi diaspora a true partner in the home country's development process. Agunias and Newland (2012) in Fig. 16.5 highlights four fundamental principles on which to lay the foundations of a successful diaspora engagement policy: identifying goals and capacities, mapping diaspora geography and its assets and skills, taking actions which create relationship of trust between diaspora communities and governments of both host and home countries and finally mobilising all stakeholders, including diasporas, to contribute to sustainable development. Although the model outlined above shows different stages in developing an effective partnership, they are in fact interactive and need to be developed simultaneously with focus on continuous capacity building and feedback on different processes. The balloons on each side represent the actions required at each element of the engagement strategy. Applying this to the Punjab situation, whilst some of the actions have already been taken at the central or state level, many others are crucially missing, making the actions seem ad hoc, arbitrary, incoherent and incomplete which indicate an absence of strategic thinking and a long-term strategy.

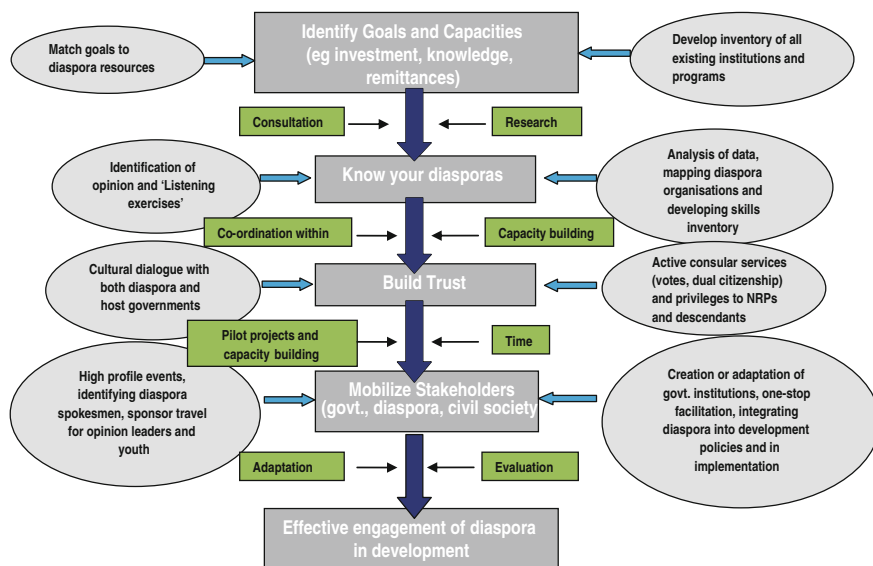


Fig. 16.5 A road map for diaspora engagement. *Source* Adapted from Agunias and Newland (2012, p. 8)

16.4 Conclusions

In this paper, we have presented two contrasting narratives and dimensions of the contemporary Punjab predicament. In the first part, we discussed in some considerable detail major explanations which diagnose the demise of Punjab from its erstwhile status as the most dynamic state in the country. These diagnoses have several policy prescriptions, some of which are beginning to be implemented in Punjab with limited success, such as, for example diversification of agriculture. The second part introduced the new diaspora-development mantra which has now emerged as conventional wisdom among multilateral institutions and governments that have large diasporas. Various policies have been implemented by both Indian and Punjab governments to woo and leverage the diaspora to enable it to contribute more effectively to host land development. This part also discussed the emergence of the Punjabi diaspora, its great diversity and heterogeneity and placed particular emphasis on the various constraints that limits its potential contribution to homeland development.

Having examined in detail, both Punjab’s specific development problems and various constraints on potential contribution by the Punjabi diaspora, we conclude that there is a significant disconnect between the causes of malaise of the Punjab economy and the capacity and capability of the Punjabi diaspora to potentially contribute in ending this malaise. Thus, diaspora’s overall potential in helping to rejuvenate the Punjab economy are at best very limited and largely relate to

microeconomic-level effects, for example boosting consumption and sustaining household and community livelihoods in rural villages rather than the macro-level interventions required to tackle the major challenges of agricultural stagnation and diversification, investment in agroprocessing, developing a strong and dynamic SME sector, improving governance and reordering centre–state relations. Therefore, strengthening the mechanisms and incentives which would increase the flow of household and community remittances may prove to be a more effective approach. However, even this may not be sustainable. Recent observations, albeit based on anecdotal evidence, suggests that we may actually be witnessing a reverse capital flow in Punjab where diaspora Punjabis are now selling their ancestral land and other non-landed assets and taking the proceeds abroad. This is also reinforced by the fact that the majority of NRI concerns, as expressed by NRIs themselves at annual *sammelans*, relate to challenges they face in asserting and securing their ownership rights over their landed and non-landed assets.

However, we do not want to end with such a pessimistic outlook about the potential of Punjabi diaspora's contribution to Punjab's economy. There can be no doubt about the existence of potential, as has been demonstrated in many countries around the world, but successfully unlocking that potential is a different matter. A large number of preconditions need to be established and nurtured—as suggested in the road map outlined in Fig. 16.5—before a more productive partnership can occur. Improving the nature of regulatory framework and promotional policies and developing new and innovative *apolitical* outreach policies, altering perceptions of corruption, bureaucracy and indifference may be essential prerequisites for successful engagement. Some of these, of course, will only happen over time through a dedicated, multipronged approach that begins to develop a genuine partnership between the government of Punjab and Punjabi diaspora. But that is only one side of the story. As Sikhs comprise the largest component of the Punjabi diaspora and arguably have the greatest potential to contribute, eliminating the current trust deficit and alienation between them and the Punjab and Indian governments assumes greater importance. Thus, the largest responsibility inevitably falls on the Punjab government and the Indian state to try harder to bring about closure to the victims and survivors of 1984 and work towards reconciliation.

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