

A Glance on The Economy of U.P.

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Uttar Pradesh (UP) is situated in northern part of India and is surrounded by Bihar in the East, Madhya Pradesh in the South, Rajasthan, Delhi, Himachal Pradesh and Haryana in the West and Uttaranchal in the North. With a geographical area of 240928 sq. Km. Uttar Pradesh is the second biggest state economy in the country; with a share of 10.7 per cent in aggregate domestic product. Area-wise it is the fourth largest state in the country. The state recorded a growth of 4.5 per cent during 1993-94 to 2003-04. Among the major states, Uttar Pradesh ranks fourteenth in per capita income.

Uttar Pradesh is one of the fastest developing states in India and has shown a healthy growth path during the last decade. The average real GSDP of the state has grown at around 6% during FY2002-2011 and has increased more than two-fold from Rs.1,82,885 crore in FY2002 to Rs. 3,91,952 crore in FY2011.

Tertiary sector contributes a significant share of around 49% in the GSDP followed by primary and secondary sector at around 28% and 24% respectively during FY2011. It may be noted that the share of primary sector has declined marginally from around 30% during FY2006 to around 28% in FY2011, while share of secondary sector has remained stagnant at around 24% during the same period.

Table No-01
Gross State Domestic Product and its Composition

Components	FY06	FY08	FY11
GSDP at Current prices (Rs Crore)	291936	379917	599809
NSDP at Current Prices (Rs Crore)	256699	332352	522517
Economic Growth % (real GSDP)	6.3	7.5	7.8
Sectoral Contribution in GSDP at current prices (%)			
Primary*	30.1	27.9	27.6
Secondary**	23.2	25.2	23.7
Tertiary***	46.7	47.0	48.6

Source: PHD Research Bureau, compiled from Directorate of Economics & Statistics, Government of Uttar Pradesh

*Primary includes Agriculture and Animal Husbandry, Forestry and logging, Fishing, Mining and quarrying

** Secondary includes Manufacturing (Registered & Unregistered), Construction, Electricity, Gas and Water Supply

*** Services includes Transport, Storage & Communication, Railway, Other means of transport and storage, Communication, Trade and Hotel & Restaurant, Banking and Insurance, Ownership of dwellings and business services, Finance and Real Estate, Public Administration, Community and personal services and others.

Uttar Pradesh is the most populous state in India with 1320626 thousand population in 1991 and 166198 thousand population in 2001 and more than 16 per cent of India's total population. The western region is more urbanised than the rest of the state. The density of population in the western region is 762 per thousand against 689 in the state. U.P. is the most populated state of India U.P. is divided in four zones Western Zone, Central Zone, Bundelkhand zone and Eastern Zone. The high dimension of population is one to the major obstacles of development in the state. The percentage decadal growth rate of population of U.P. was 25.61 percent 1981-91 which increased slightly to 25.85 percent in 1991-01. The density of population of U.P. is very high. It was 548 in 1991 and 690 in 2001. The details of population of U.P. and its four regions are given in table no-02

Table no-02

Area and Population of U.P.

Regions	Geographical Area	Population in 2001 thousands	Decadal Growth of population 1991-2001	Density of Population
Western Zone	79831	61195	26.38	767
Central Zone	45834	30159	26.37	658
Bundelkhand zone	29418	8233	22.34	280
Eastern Zone	85845	66611	25.58	776
Overall U.P.	240928	166198	25.85	690

All round development of U.P. is essential for the development of its regions as well as over all development of the state and its people. Despite many problems in the way

of its development U.P. is progressing slowly. The fiscal position of the state has improved significantly which created an environment conducive to increased investment and rapid development of the state. The state has been successful in attracting foreign direct investments too. The state U.P. has increased its investment in constructions of roads, generation of power, development of agriculture and rural sector, social capital in forms of health and education and in poverty alleviation programmes which has resulted in wage-employment generation and self-employment generation and increase in the income of the state

Fiscal deficit

The state has improved its fiscal scenario as its gross fiscal deficit as a percentage of GSDP has declined from 4.9% during FY2010 to 4.4% in FY2011, and its primary deficit as percentage of GSDP has also decreased from 2.3% to 1.8% during the same period. However, revenue deficit has worsened from a surplus of 0.4% in FY2010 to 0.1% in FY2011, whereas primary revenue balance has also declined from -2.9% to -2.7% during the same period.

Table No-03
Fiscal indicators Of U.P.

(% of GSDP)

Fiscal components	FY2005- 08 (Average)	FY2009	FY2010(RE)	FY2011(BE)
GFD/GSDP	3.5	5.0	4.9	4.4
RD/GSDP	-0.7	-0.5	-0.4	-0.1
PD/GSDP	0.3	2.2	2.3	1.8
PRB/GSDP	-3.9	-3.2	-2.9	-2.7

Source: PHD Research Bureau,, Compiled from RBI. RD: Revenue Deficit, GFD: Gross Fiscal Deficit, PD: Primary Deficit, PRB: Primary Revenue Balance. BE: Budget Estimates, RE: Revised Estimates, (-) sign refers to surplus.

Agricultural Sector-

Agriculture is the primary sector of the state’s economy, employing about 72 per cent of the total work force. The share of agriculture in the total income of the state is 33 per cent. Uttar Pradesh produces 38 per cent of India’s wheat, 20 per cent of paddy and 21



per cent of sugarcane. The state boasts of the highest irrigation intensity at 66 per cent. It is the largest producer of wheat, pulses, sugarcane, tobacco, potato and milk in the country. The state has a well-developed agro-based and food processing industry. The total investment in the food processing industry is expected to be more than US\$ 42.55 million in 2004-05. The state is one of the leading producers of dairy and horticulture. The state, better known as the sugar bowl of the country is one of the largest producers of sugarcane. The state recorded total production of 5.4 million tonnes of sugar in 2001-02. The state ranks second in total number of sugar factories in the country at 101 in 2002-03. The state has the longest network of rivers and canals at 28,500 km fostering the agriculture sector. The mineral resources in the state are mainly limestone, dolomite, glass-sand, marble, bauxite, non-plastic fireclay and uranium. Endowed with fertile land, salubrious-climate and perennial river systems, the state have long been the granary of India. Agriculture is the major source of income for about 72 per cent of the population. UP is now flexing its status as the leading agricultural state in the country to emerge as a preferred destination for the food-processing industry in the country. A glance on the agricultural statistics of U.P. are provided in table no- 4, table no- 5 and table no- 6.

Table no-04

Distribution of Irrigated Land

Regions	% of net irrigated area to net sown area	% of gross irrigated area to gross sown area	% Distribution of irrigation sources 2007-08			
			canal	govt. Tube well	private tube well	other sources
Western Zone	91.3	87.7	13.5	1.7	73.4	11.4
Central Zone	82.9	79.0	20.6	1.6	77.3	0.5
Bundelkhand zone	46.3	38.2	21.1	5.9	36.6	36.4
Eastern Zone	76.2	70	21.8	5.0	68.4	4.8
Overall U.P.	79.7	75.6	18.0	3.0	70.2	8.8

Table no-05**Percentage distribution of holding by different sizes**

Regions	% Distribution of irrigation sources 2000-01			
	0-1	1-2	2-4	More than 4
Western Zone	70.7	17.5	8.8	3.0
Central Zone	77.7	14.6	6.0	1.7
Bundelkhand zone	53.8	23.6	14.2	8.3
Eastern Zone	84.2	10.5	4.2	1.2
Overall U.P.	76.9	14.2	6.6	2.3

Table No - 06**Zone-Wise Cropping, Intensity**

(Data for the year 2007-08)

Regions	Percentage of net area shown to cultivable land	Cropping intensity	Productivity of total food grains Q/hect
Western Zone	91.64	161.61	26.52
Central Zone	82.48	153.56	21.66
Bundelkhand zone	77.59	126.62	8.8
Eastern Zone	83.3	155.64	21.29
Overall U.P.	85.31	154.23	21.88

Industrial Sector-

The availability of good natural resources and abundant manpower spurred the growth of the industry in the state. About 389,000 Small Scale Industries like hand-knitted woollen carpets, woodcarving, brass metal industries, terracotta, etc. provide large employment opportunities. Three most important industries in the state are sugar, cotton fabrics and diversified food preparations. The state has fifth highest share in the country in manufacturing value added of nearly 7 per cent. The state witnessed a growth of 42 per

cent in cement output in 2003-04. At 13,645, UP is in the top quartile in the total number of factories in the country. The electronics, leather, textiles and mineral-based industries have shown a promising growth over the years. The state has a well-developed agro-based industry. Being one of the largest producers of sugar cane, the state is India's sugar bowl. UP accounts for 28.03 per cent of India's sugar production. The affluence of agriculture spurred the growth of allied industries like cold storages and warehousing. In addition to industrial areas, many centres like Kanpur, Ghaziabad and Lucknow have an established traditional industry. The large livestock population allowed the leather industry to flourish in the state. Kanpur and Agra emerged as the hubs for leather goods in the country. Textile industry is the other promising sector in the state. Uttar Pradesh is the largest producer of electronic goods and is the fourth largest exporter of software products from the country. UP accounted for close to 10 per cent of IT & BPO exports from the country in 2003-04 with a productive and cost effective manpower, the state has attracted some of the largest MNCs to set-up their manufacturing facilities – Coca-Cola, Pepsi, Glaxo, Daewoo, Honda, and Piaggio to name a few. The state with its human resource potential, proactive policies and commitment to ensure encouraging climate to the investors is poised to emerge as a manufacturing hub in the country. The state has become a hub for corporate R&D with many domestic players and MNCs establishing their facilities.

Small Scale Industries

The small scale industries constitute an important segment of the state economy in terms of employment generation, source of foreign exchange earnings and exports. The favourable government policies coupled with availability of large pool of human resource makes the state one of the best location for setting up SSI units within the state. The state has set up 679703 units, which has generated employment for 2742766 persons and has attracted investment of more than Rs. 12000 crore. The state has proposed to set up 33000 units in the annual budget of FY2011-12 which would create employment opportunities for 1.3 lakhs persons of the state.

Uttar Pradesh has initiated several schemes for the development of SSIs, such as Transport Assistance Scheme, Technology Up-gradation Scheme and has introduced Single Table System for providing prompt and quick solutions to the entrepreneurs in the state. In addition to this, the state has also implemented Market Development Assistance Scheme to facilitate marketing of products of Khadi and Village industries.

Table No-07**Number of SSIs in the state**

Name of the Regions	Small Scale Industries		
	No. of units (No. of persons)	Employment	Investment (Rs. Crore)
Bundelkhand	40455	121738	366.38
Central Region	109756	421120	2309.47
Eastern Region	188442	683811	2078.74
Western Region	347050	1516097	7938.36
Total	679703	2742766	12692.95

Source: PHD Research Bureau, compiled from Planning Department, Government of Uttar Pradesh

Note: Data pertains upto March 2010

Industrial Investments

U.P. state has attracted more than Rs. 49000 crore industrial investment proposals in the last four years. However, the share of state in India's total industrial investment proposals have remained stagnant at around 1% (average 2007-10) during the recent years.

Noida SEZ enjoys a good flow of investment from domestic as well as international players such as Coca-cola, Pepsi, Glaxo, Moser Baer and BPO centres. Lucknow is growing as another hub of IT & ITES and BPO industry.

Table No-08**Industrial investments in Uttar Pradesh and India**

(Rs. Crore)

Year	Uttar Pradesh	India	Uttar Pradesh's share in India
2007	9246	834249	1.10%
2008	16550	1523852	1.09%
2009	10142	1040259	0.97%
2010	13793	1736322	0.79%
2011(upto September)	33045	1341478	2.46%

Source: PHD Research Bureau, Compiled from Department of Industrial Policy and Promotion, Govt. of India

Service Sector-

The service sector is the key emerging sector in the state. Uttar Pradesh emerged as a hub for IT companies and ranks fourth in terms of software exports. Several MNCs have established their facilities in Noida industrial area, which is in close proximity to the national capital. Tourism is one of the promising sectors in the state. With a range of pilgrimages, the state is the favourite destination for the domestic tourists. The state enjoys the highest domestic tourist visits in the country.

Health Sector

The health status of the state is an essential component of development. The state govt. has built up most health infrastructure and health personnel. The life expectancy, infant mortality, mutual mortality are indicators of health standards. But U.P. remains one of the unhealthy state of India. Millions of the people suffer from diseases but hospitals are not providing proper services due to rapid increase in population. There is a huge gap in the health facilities in the most and urban areas. There are many shortcomings in our health facilities have failed to produce desired and fruitful results. The region-wise growth of hospitals in India is given in table no-

Table No-09**Hospitals and beds in U.P. (2008-09)**

Regions	No. of hospitals per lakh of population	No- of Beds in Hospitals
Western Zone	2.31	32.66
Central Zone	2.32	40.38
Bundelkhand zone	3.42	45.56
Eastern Zone	2.60	37.77
Overall U.P.	2.48	36.74

Education Sector

In terms of human development indicators, U.P. lags behind most Indian states. As per the 2001 census U.P.'s literacy rate 57% was lower than the national average 65% and the female literacy 43% was also lower in all major states except Bihar. However, due to explosion in educational institutions and infrastructural facilities literacy rate in U.P. has

been increasing faster than all India. The region wise details of total literacy rate, male and female literacy rate is provided in table no-

Table No-10

Literacy rate of year 2001 in U.P.

Regions	Total literacy rate	Male literacy rate	Female literacy rate
Western Zone	57.36	68.84	43.96
Central Zone	57.58	68.06	45.52
Bundelkhand zone	59.30	73.13	43.11
Eastern Zone	54.27	68.60	39.13
Overall U.P.	56.27	68.82	42.22

Income Generation and Poverty Alleviation-

During the 1980's the economy of U.P. grew roughly at the same rate as India while the growth of U.P. was around 5.0% the growth rate of U.P. was around 5.6% . however the growth rate of U.P. decelerated to 3% per annum during 1990-05. After 1995 the growth rate of the state has been rising. The state per capita net domestic product doubled from 5066 in 1993-04 to 9870 in 2002-03 at current prices. Average monthly real per capita expenditure in U.P. by decile group reveals that growth of U.P. was in the favour of poor as the expenditure of the poorer sections increased more rapidly than the richer section. The details of absolute no. of poors in U.P. and poverty estimates for U.P. are given in table no.-

Table No- 11

Trends in Total and Per Capita Income of India and Uttar Pradesh at constant 1999-2000 Prices: 1999-2000 to 2005-06

Year	Net Income In Rs. Crore		Uttar Pradesh As Percent of India	Per Capita Income In Rs.		Uttar Pradesh As Percent of India
	India	Uttar Pradesh		India	Uttar Pradesh	
1999-00	1585501	151283	9.5	15839	9405	59.38
2000-01	1643998	155564	9.5	16133	9451	58.58
2001-02	1739876	159613	9.2	16762	9475	56.53
2002-03	1801430	165647	9.2	17075	9657	56.56
2003-04*	1959599	174833	8.9	18263	9993	54.72
2004-05*\$	2103350	182409	8.7	19297	10224	52.98
2005-06\$	2295243	193457	8.4	20734	10637	51.30

* Provisional estimates , \$ Quick estimates

Source: Annual Plan of Uttar Pradesh, 2007-08, Vol.-1

Income and poverty (Trends between 1993-94 and 2002-03)

- 1- Per capita net state domestic product in U.P. in current prices from Rs. 5066 in 1993/94 to 10,289 in 2002-03.
- 2- NSS UP data show that the pattern of growth between 1993-94 and 2002-03 was pro-poor, meaning that per capita expenditures of the poorest one-tenth of the population increased faster (by 109 percent in nominal terms) than that of the richest one-tenth (which increased by 62 percent in nominal terms)
- 3- The headcount poverty rate fell from 40.09 percent to 29.2 percent between 1993-94 and 2002-03.
- 4- In absolute terms, the absolute number of poor in U.P. declined from 59.3 million in 1993-94 to 48.8 million in 2002-03.
- 5- The poverty rate in rural areas of UP fell from 42.3 percent to 28.5 percent, while that in urban areas declined only slightly from 35.1 to 32.3 percent. In this way the urban poverty rate in U.P. is now higher than rural poverty in the state.

6- Other poverty measures such as the poverty gap and the squared poverty gap also show similar declines for U.P. during this period.

Data on poverty estimates of U.P. are given in table – 12.

Table no. 12
Poverty Estimates in U.P. for 2002-03

Poverty measure	Rural	Urban	Overall
Poverty line in Rs.	346.37	460.21	-
No. Of Poor in Millions	38.4	10.3	48.8
Head count poverty rate	28.5	32.3	29.2
Poverty gap	4.7	6.5	5.1
Squared poverty gap	1.2	1.9	1.3

Source: N.S.S. 50rounds central sample & PSMS-II

The improved fiscal situation and an increase in public investment is also reflected in an improvement in the rate of economic growth in the State. Thus, the growth rate of GSDP, which had stagnated at around 3% during 1990-2002, has increased at an average rate of around 5% during the period 2002-05. These trends suggest that the UP economy is once again showing signs of higher growth rate.

The economy of the State is characterized by very sharp variations at the regional and district levels. Generally the State is divided *into four* economic regions, namely, Western U.P., Central U.P., Eastern U.P., and Bundelkhand. The first three regions fall in the fertile *Gangetic* plains, while Bundelkhand lies in the dry *vindhyan* plateau.

The Western and the Eastern regions are the most populous, with a share of 37 and 40 percent respectively in the State population. About one-fifth of the population lives in the Central region, while only 5 per cent lives in Bundelkhand. The latter is sparsely populated with a density of population of only 280 persons per sq. km., less than half of the population density of the State. Population pressure is much higher in the three plain regions.

The Western region is relatively the most developed region of the State in terms of economic prosperity. The agricultural productivity is higher in this region. The region has

a more diversified economy with almost half of the industries in the State are located in this region. NOIDA and Ghaziabad districts located in this region are emerging as the industrial hub of the State. Central U.P. falls in the middle category in terms of economic development. It was industrially more developed with Kanpur as a major textile centre of northern India. However, the region has witnessed industrial decline in recent years. The other two regions, namely, East U.P. and Bundelkhand are officially designated as backward regions. Eastern region is most densely populated with a heavy dependence on land. It is marked by low level of diversification, low productivity and low per capita income. Most of the poor in the State are concentrated in this region. Bundelkhand region has distinct natural characteristics and has much lower irrigation intensity as compared to the other regions. It has a large landless population and had high incidence of poverty in the eighties and the nineties. Lately, the region has shown greater economic dynamism and poverty levels have declined sharply. Within all the regions sharp intra-regional disparities are found at the district level.

Similarly wide disparities are found to exist in various indicators of social development especially at the district level. The improved fiscal situation and an increase in public investment is also reflected in an improvement in the rate of economic growth in the State. Thus, the growth rate of GSDP, which had stagnated at around 3% during 1990-2002, has increased at an average rate of around 5% during the period 2002-05. These trends suggest that the UP economy is once again showing signs of higher growth rate. The State government has received sizeable grant in aid for the social sector from the Twelfth Finance Commission. This augurs well for the economic and social development of the State.

To conclude, the low level of economic development and the financial crunch faced by the State government restricted its capacity to invest in human and physical infrastructure in the past. Consequently, the performance of the State in terms of various indicators of human development remained low. The low status of human development also constrained the growth performance in U.P. *Thus, Uttar Pradesh seems to be caught in a kind of vicious circle between low levels of human development and low levels of economic development.* It is, therefore, imperative to break this vicious circle and to turn it into a virtuous circle by giving due priority to improvement in human development along with a big push to the State economy. It needs to be mentioned that the attainment of the



Millennium Development Goals in the country depends critically on a fast improvement in the social indicators in Uttar Pradesh.

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