PERSPECTIVES OF GROWTH IN UTTAR PRADESH (INDIA)

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ABSTRACT

The economy of Uttar Pradesh and its development has crucial role in over all development of India. An economically strong Uttar Pradesh with its huge market could be an engine of growth for the rest of the country. However, the economic performance of the State over the years is lagging behind the rest of the country. The pattern of Gross State Domestic Product (GSDP) growth across the states in recent years show that all the states have experienced some acceleration in growth. The distribution of growth across states appears to have improved in favour of the slower growing states. The prime factor in any economic growth story is policy intervention. In recent years though the growth rate is increasing but its distribution is iniquitous with few people reaping the benefits of growth. Uttar Pradesh, the second largest economy in the country has the second lowest per capita income. It is a state with vast potential where growth has stagnated at low levels and the rising population makes provision of facilities a challenge. Economic growth has remained below the national average rate and the state has been lagging behind in provision of infrastructure facilities as well as on all social parameters in education and health. It is crucial that growth and development are boosted in this state, without which the country's double digit growth target will be difficult to reach.

KEYWORDS: gross state domestic product, per capita income, sectoral growth, economic infrastructure, social infrastructure

INTRODUCTION

In this paper an attempt has been made to examine the growth and fiscal scenario in Uttar Pradesh with a view to highlight the fact that the tepid growth and most of the indicators of socio-economic development being adverse appear to be as the root cause of inadequate resource mobilization for financing government expenditure. In fact, in a bid to accelerate the pace of growth the state has been pursuing an expansionary expenditure policy. However, the resource generation has not been commensurate with increase in public spending. Low resource base constraining the efforts of resource augmentation along with uncontrollable increase in government expenditure, especially its consumption expenditure created such a scenario in which the government has to take recourse to borrowings in order to bridge up the gap between its revenues and expenditures. The state has also not been given its due share in central assistance. This has led to emergence of fiscal crisis in terms of growing fiscal imbalances.

The economy of Uttar Pradesh and its development has crucial role in over all development of India. An economically strong Uttar Pradesh with its huge market could be an engine of growth for the rest of the country. However, the economic performance of the State over the years is lagging behind the rest of the country. The pattern of Gross State Domestic Product (GSDP) growth across the states in recent years shows that all the states have experienced some acceleration in growth. The distribution of growth across states appears to have improved in favour of the slower growing states. The prime factor in any economic growth story is policy intervention. In recent years though the growth rate is increasing but its distribution is iniquitous with few people reaping the benefits of growth.

Uttar Pradesh, the second largest economy in the country has the second lowest per capita income. It is a state with vast potential where growth has stagnated at low levels and the rising population makes provision of facilities a challenge. Economic growth has remained below the national average rate and the state has been lagging behind in provision of infrastructure facilities as well as on all social parameters in education and health. It is crucial that growth and development are boosted in this state, without which the country's double digit growth target will be difficult to reach.

With a area of 240,948 sq km, Uttar Pradesh is the fifth largest state in the country. The distinguishing feature of the state of Uttar Pradesh is its population – with 166 million people, Uttar Pradesh accounts for 16.21 per cent of India's population and this is after its division in 2000 when the hill state of Uttarakhand was carved out of it. Along with Bihar, it houses a quarter of Indians and the fortunes of the country lie largely on growth and development in these two neighbouring states in north India.

The GDP of the state has grown at the rate of 4.9 per cent annum during the period from 2000-01 to 2007-08, lower than the all-India state median of 7.8 per cent. This has led to low growth in per capita income and Uttar Pradesh has the second lowest per capita income in the country, Rs. 15,596 above Bihar's Rs. 9,765. Moreover, around 33 per cent of the total population lies below the poverty line, more than the national average of 28 per cent. Over the years, the share of the primary sector in state income has fallen only marginally from 37 per cent in the 1990s to an average of 34 per cent in the current decade. The tertiary sector contributed around 45 per cent of the total state income in the year 2006-07, while the remaining 25 per cent came from the secondary sector. The state has been stuck in a low-growth equilibrium and will require not only massive investment but more appropriate targeting and implementation to break out and match the performance of other large state such as Maharashtra.

Uttar Pradesh is predominantly an agrarian economy with around 63 per cent of the total workers being engaged in the primary sector in the year 2006-07. Agriculture contributing to around 30 per cent to the total state income has been growing at the annual rate of 1.3 per cent from 2001 to 2007. Uttar Pradesh is considered the grain basket of the country, with 74.3 per cent of its area devoted to cultivation, it has the highest production of food grains. With the Ganges and the Yamuna flowing through the state along with their tributaries and 79 per cent of its net area sown being served by irrigation facilities, the state has been assured of surplus food grain production. The western region of the state is more advanced in terms of agriculture, wheat, rice, sugar, pulses and potatoes being the major crops grown here. An important cash crop doing profitable business throughout the state of sugar cane. Horticulture is another sector which has been growing in importance.

The manufacturing sector in the state has been growing at the rate of 6 per cent per annum from 2000-01 to 2006-07 with only around 19 per cent of the total workers engaged in the secondary sector. While 55.3 per cent of the manufacturing sector comprise registered units, the number of small-scale units is the highest in the country. the western part of the state is industrially developed since this part is well connected to Delhi and therefore has the proximity to all important trading and commercial centres. Major industries in the state include mineral-based industries, chemical industry, agro-based industries, handloom and handicrafts industries, textile industries, etc.

The service sector which has the largest contribution in the state grew at the rate of 5.4 per cent per annum from 2000-01 to 2006-07. In the services sector, major contribution is made by trade, hotels and restaurants (11.65 per cent). Uttar Pradesh is one of the most favoured tourist destinations of India with some world famous tourist place like Agra. The sector has also given much importance to the booming IT sector with places like Noida, Ghaziabad, etc., being developed as key IT hubs.

Uttar Pradesh has a very poor infrastructure base. The per capita consumption of electricity in the state was only 202 kWh as against 411 KWh at the national level in the year 2004-05. To improve the power situation, there are various initiatives like Dadri Power Project of Reliance Energy Generation Limited and Roza Power Project of Birla Group, etc. It was also clearly mentioned by the honorable chief minister of the state, Ms. Mayawati in the 54^{th} NDC meeting in December 2007, 'infrastructure development has been one of the top priorities to create a development-oriented environment in the state. While determining our priorities, special emphasis has been laid on the development of a world class road network, efficient transportation system and urban rejuvenation.'

Low levels of growth are generally complementary to low levels of infrastructure penetration as the two tie together in a vicious cycle. Whether it is the spread of banks, post offices or telephones, all indicators show below-average density in the state. Without access to such basic facilities, it is no wonder that economic activity remains restricted to the rudimentary, low productivity activities. Just 44.5 per cent of the villages were connected with pucca roads in 2001 and even in 2008, a third of the habitations remain to be accessible by good roads. Only 35.4 per cent of all households are provided with electricity connections. Until the issues of accessibility and connectivity are addressed, the task of poverty alleviation will remain insurmountable.

The performance in social indicators in the state is also not satisfactory and a lot needs to be done in this context. Although the state has made a huge improvement in raising the literacy rate from 11 per cent in 1951 to 57 per cent in 2001, the rate is lower than the national average of 65 per cent. The primary school completion rate is also one of the lowest in the country with only 42 per cent of the children above 10 years of age completing primary schools as on 2004-05. This calls for steps to be taken by the government towards improving the education standard of the state. The state also does not fare well in the health sector. The sex ratio of the state is 898 of 2001 which is much below average depicting the prevalence of gender bias in the state. The sex ratio of the state is much lower than the neighbouring states of Uttarakhand and Madhya Pradesh where the sex ratio lies at 962 and 919, respectively. Th state has one of the highest infant mortality rate (IMRs) in the country with an IMR of 71 per 1,000 live births which is much higher than the IMR of 57 per 1,000 live births at the national level in 2005-06. This is a matter of great concern for the state and the state needs to take some rigorous steps to make radical changes in the provision of health services. In 2005-06, only around 29 per cent of the total births were assisted by trained personnel. In addition to this, in the same year, only around 23 per cent of children in the age group of 12-23 months received full immunization, thereby making the children more vulnerable to diseases.

On the fiscal front, Uttar Pradesh has shown a somewhat better performance. The Gross Fiscal Deficit of GSDP ratio is 3.6 per cent in 2006-07 an is close to achieving Gross Fiscal Deficit to GSDP ratio target set by the Twelfth Finance Commission of 3 per cent. The state was in revenue surplus in 2006-07 and could achieve the target of elimination of RD 2 years ahead of the target recommended by the TFC to eliminate RD by the end of March 2009. Although the state has a high ratio of own tax revenue of GSDP at 8 per cent in 2006-07, it needs to increase the ratio of non-tax ratio of GSDP.

Uttar Pradesh has a long way to go to reach the road of development. The population problem stands in the way of making strides in progress, currently if we treat Uttar Pradesh as a country, it would be the 6^{th} most populous country in the world. According to Census projections, by 2021, the crude birth rate in all states will be less than 20, except for Uttar Pradesh. Given the present trends in fertility, this state will reach replacement level of population only by 2027 AD, much after all the other states. It is clear that stabilizing population growth has to be undertaken on a priority basis.

The state fares very poorly in terms of human development indicators like health and education and has a poor infrastructure base. Constructive steps needs to be taken to enable the state to be counted with its developed counterparts. While Uttar Pradesh is in all respects an under-developed state, it has tremendous potential for growth. It human resources need to be channelised such that income and productivity are maximised - it should benchmark itself against Maharashtra for economic growth and Tamil Nadu for provision of social amenities. Growth and development in this state are crucial if India's double digit growth story is to materialise.

Table 2.1 : Economic Performance of the States in Growth Rate of Gross State Domestic Product : Growth over period percent per annum (Averages for Plan Periods)

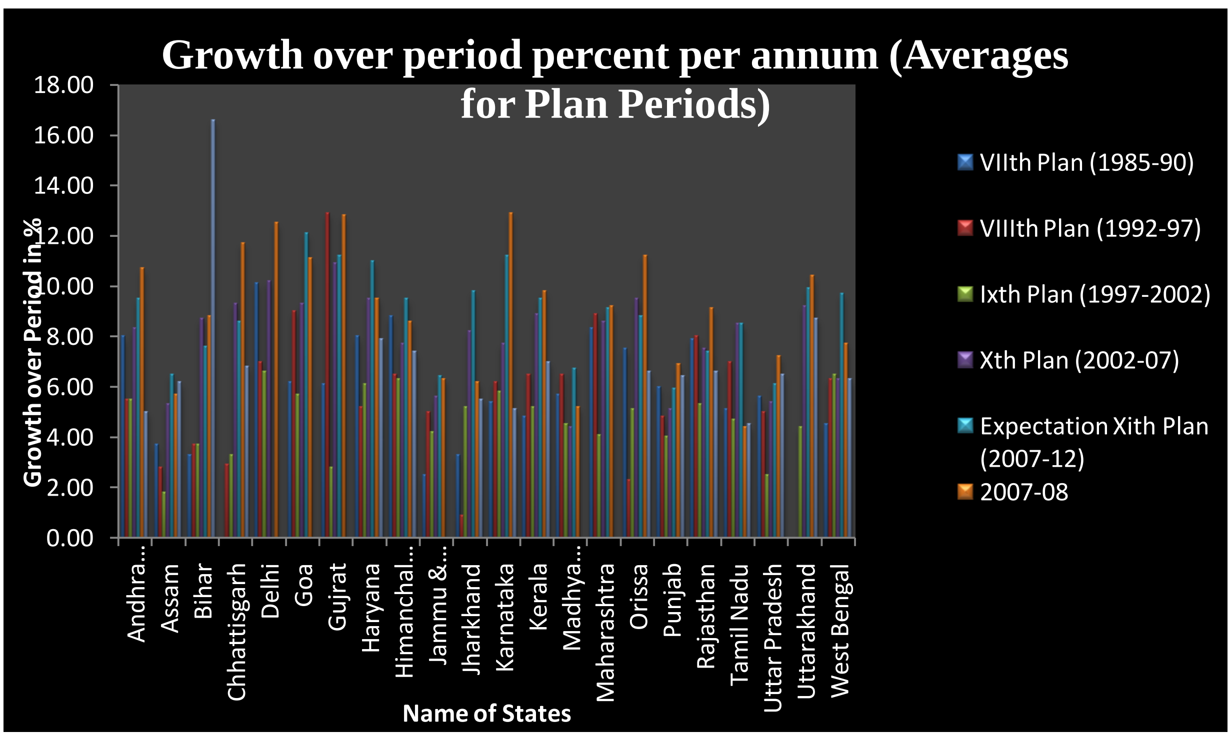
Name of States	VII Plan (1985-90)	VIII Plan (1992-97)	IX Plan (1997-2002)	X Plan (2002-07)	Expectation XI Plan (2007-12)	2007-08	2008-09
Andhra Pradesh	8.00	5.50	5.50	8.30	9.50	10.70	5.00
Assam	3.70	2.80	1.80	5.30	6.50	5.70	6.20
Bihar	3.30	3.70	3.70	8.70	7.60	8.80	16.60
Chhattisgarh	5.7*	2.90	3.30	9.30	8.60	11.70	6.80
Delhi	10.10	7.00	6.60	10.20	NA	12.50	NA
Goa	6.20	9.00	5.70	9.30	12.10	11.10	NA
Gujarat	6.10	12.90	2.80	10.90	11.20	12.80	NA
Haryana	8.00	5.20	6.10	9.50	11.00	9.50	7.90
Himachal Pradesh	8.80	6.50	6.30	7.70	9.50	8.60	7.40
Jammu & Kashmir	2.50	5.00	4.20	5.60	6.40	6.30	NA
Jharkhand	3.30	0.90	5.20	8.20	9.80	6.20	5.50
Karnataka	5.40	6.20	5.80	7.70	11.20	12.90	5.10
Kerala	4.80	6.50	5.20	8.90	9.50	9.80	7.00
Madhya Pradesh	5.70	6.50	4.50	4.40	6.70	5.20	NA
Maharashtra	8.30	8.90	4.10	8.60	9.10	9.20	NA

Orissa	7.50	2.30	5.10	9.50	8.80	11.20	6.60
Punjab	6.00	4.80	4.00	5.10	5.90	6.90	6.40
Rajasthan	7.90	8.00	5.30	7.50	7.40	9.10	6.60
Tamil Nadu	5.10	7.00	4.70	8.50	8.50	4.40	4.50
Uttar Pradesh	5.60	5.00	2.50	5.40	6.10	7.20	6.50
Uttarakhand	5.6*	5.0*	4.40	9.20	9.90	10.40	8.70
West Bengal	4.50	6.30	6.50	6.30	9.70	7.70	6.30
Median	5.70	5.80	4.90	8.40	9.10	9.10	6.50
Standard Deviation	2.00	2.60	1.30	1.80	1.80	2.50	2.80

Source: Mid-term Appraisal Eleventh Five Year Plan 2007-2012, Planning Commission, GoI.

Note-* In these periods, growth rate taken to be that for parent state before division

Figure 2.1



The table 2.1 shows the average rates of growth in GSDP over the last four plan periods as well as in the first two years of the Eleventh Plan.The median growth rate rose from 5.7 percent to 5.8 percent in the Seventh and Eighth Plan respectively then fell to 4.9 percent in Ninth Plan again rose to 8.4 percent in the Tenth Plan .In the first year of the Eleventh plan the median growth rate rose further to 9.1 percent but fell to 6.5 percent in 2008-09 because of the general slowdown.Uttar Pradesh's growth rate was below the median value in all the plans except in2008-09 second year of Eleventh Plan where it was sameto the median value i.e.6.5 percent.

The average growth in Seventh Plan ,Eighth Plan and Tenth Plan for Uttar Pradesh is 5.6 percent,5.0 percent and 5.4 percent but in Ninth Plan it was nearly half the growth rate in Seventh, Eighth and Tenth plan at 2.5 percent.Mid term appraisal of Eleventh FYP 2007-12 by Planning Commission expected growth for U.P. in this period to be at 6.1 percent which is better than previous Plans.Growth in 2007-08 and 2008-09 is 7.2 and 6.5 percent i.e. higher than expectation.The Ninth Plan period 1997-2002 which shows lowest average growth rate is period of fiscal crisis.Thereafter in Tenth and Eleventh plan the growth in Uttar Pradesh improved because of the introduction of series of fiscal reforms.Thus it is sound fiscal management is reflected in better growth.

If we classify states according to growth percent per annum average in different plans into greater than 8 percent ,between 8 percent and 5 percent and below 5 percent.In Seventh Plan states with above 8 percent growth were Andhra Pradesh ,Delhi ,Haryana ,Himachal Pradesh and Maharashtra. In this plan between 5 percent 8 percent growth states were Chattisgarh,Goa ,Gujarat ,Karnataka, Madhya Pradesh ,Orissa ,Punjab ,Rajasthan ,Tamil Nadu and Uttar Pradesh and below 5 percent growth states were Assam ,Bihar ,Jammu and Kashmir ,Jharkhand ,Kerala and West Bengal.In 2007-08 i.e. first year of Eleventh Plan above 8 percent growth states are Andhra Pradesh, Bihar, Chhattisgarh, Delhi, Goa, Gujarat ,Haryana, Himachal Pradesh, Karnataka, Kerala, Maharashtra, Orissa, Rajasthan and Uttarakhand. Between 5 percent and 8 percent states are Assam, Jammu and Kashmir, Jharkhand, Madhya Pradesh, Punjab, Uttar Pradesh and West Bengal.Below 5 percent growth state is Tamilnadu.Thus Uttar Pradesh lies in medium growth rate category in Seventh Plan and in first year of Eleventh Plan and is lagging behind many states and needs much effort to achieve high growth trajectory.

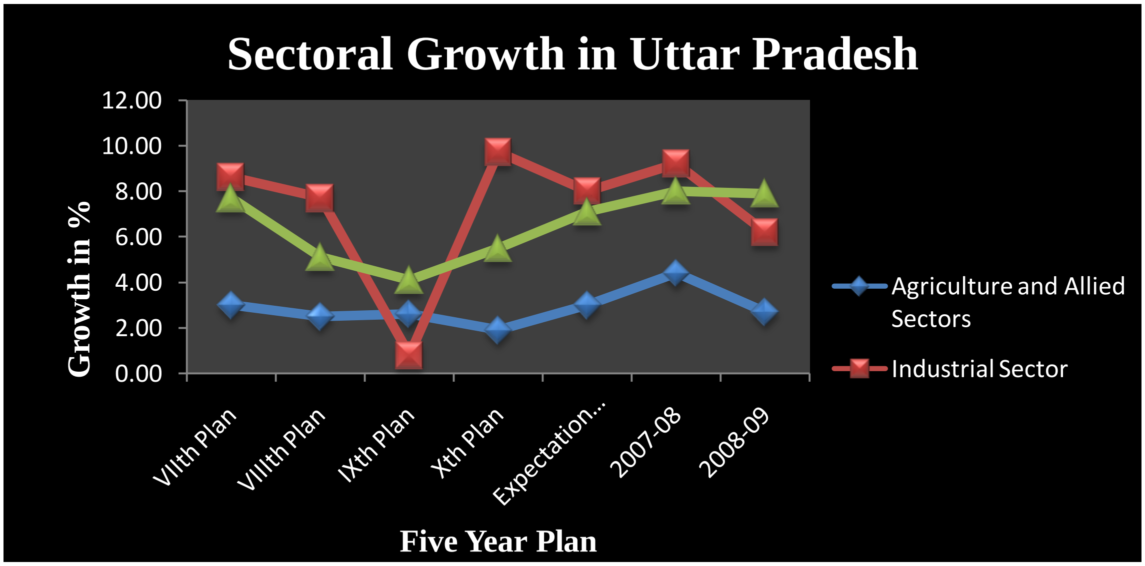
In a data presented before the Parliament, the Planning Commission said different states are lagging behind their respective targets for the 11th five year plan and have been advised to make their best efforts towards achieving the target. Bihar has been the most outstanding performer in Gross Domestic Product (GDP) growth rate with achieving an average of 10% in the first three years of the 11th plan as compared to the target of 7.6%.In 2008-09 growth rate of most of the states have fallen but that of Bihar outperformed and jumped to 16.6 percent almost double that in 2007-08 which shows that firm determination and good governance shows positive results. It has left behind Uttar Pradesh earlier its copartner in being termed BIMARU states as in 2008-09 U.P.'s growth rate was 6.50. Jharkhand was able to achieve 10.6 % growth rate as compared to the target of 9.8%. Orissa, another poor state grew at 9.6% against the target of 8.8%. Chhattisgarh, Uttar Pradesh, Uttarakhand and Madhya Pradesh also did better than the plan panels target. None of the better off states such as Tamil Nadu, Andhra Pradesh, Goa, Gujarat, Haryana, Himachal and Karnataka were able to meet the 11th five year plan target for economic growth.

Table 2.2 : Sectoral Growth in Uttar Pradesh

Five Year Plan	Agriculture and Allied Sectors	Industrial Sector	Service Sector
VIIth Plan	3.00	8.60	7.70
VIIIth Plan	2.50	7.70	5.10
IXth Plan	2.60	0.80	4.10
Xth Plan	1.90	9.70	5.50
Expectation XIth Plan	3.00	8.00	7.10
2007-08	4.40	9.20	8.00
2008-09	2.70	6.20	7.90

Source: Mid-term Appraisal Eleventh Five Year Plan 2007-2012, Planning Commission, GOI.

Figure 2.2



Sectoral growth in Uttar Pradesh show that in Seventh Plan growth rate for agriculture and allied sectors was 3.00 percent, for Eighth Plan 2.50 percent, Ninth Plan 2.60 percent and dropped to 1.90 percent in Tenth Plan. In first year of Eleventh Plan 2007-08 it was 4.40 percent but again fell to 2.70 percent in 2008-09. It was lowest in Tenth Plan and highest in 2007-08 but did not sustained. Agriculture and allied sector growth rate has been hovering around 2.5 percent to 3.0 percent. Thus we can deduce there are much potentials to be exhausted in this sector. It is responsibility of the government that growth rate in agriculture sector increase so that it can cater to the needs of the huge population. Growth rate in industrial sector has been falling since Tenth Plan. It was to its lowest level in Ninth Plan to 0.80 percent. Thereafter, increased to 9.70 percent in Tenth Plan and came down to 6.20 percent in 2008-09 in second year of Eleventh Plan due to economic slowdown . Growth rate in services sector is showing improvements in recent years. It was to its highest level in first year of Eleventh Plan at 8.0 percent.

Tertiary sector contributes a significant share of around 49 percent of Gross State Domestic Product (GSDP) followed by primary and secondary sector at around 28 percent and 24 percent respectively during 2011.The share of primary sector has declined marginally from around 30 percent during 2006 to around 28 percent in 2011, while share of secondary sector has remained stagnant at around 24 percent during the same period. During the first twenty five years of economic planning U.P.'s economic growth was extremely low at around 2 to 2.5 percent per annum, which was hardly above the population growth of the state. Growth Rates in U.P. picked up in the Fifth Plan period and caught up with the national growth rate in the Sixth and the Seventh plan period. However, since the beginning of the nineties growth rate in U.P. decelerated markedly and hovered around 3 percent per annum during the Eighth and the Ninth Plan period. There seems to be some revival of growth rate in the recent period. Thus, growth rate of SDP which was only 2.0 percent in the Ninth Plan (1997-02) jumped to 6.3 percent per annum in the Tenth Plan (2002-07). Even then, growth rates in U.P. remain markedly behind that of India indicating that the state has not been able to benefit from the fruits of economic reform and higher growth at the national level. U.P. registered a growth rate of 5.5 percent in GSDP against GDP growth rate of 7.8 percent (All-India) during the Tenth Plan. In the first two years of Eleventh plan, i.e 2007-08 and 2008-09, the state registered GSDP growth of 7.9 percent and 7.2 percent respectively. This marginal decline in GSDP is attributed to deceleration in the growth performance in Secondary sector. The growth of Secondary sector was 9.5 percent in 2007-08, which came down to 5.6 percent in 2008-09. In the same period growth rate of Primary sector increased from 4.4 percent to 4.9 percent and that of Tertiary sector increased from 9.3percent to 9.6 percent. . In Fifth and Sixth Plan state outperformed India in terms of growth. During Seventh Plan the State growth rate was close to All-India average. But after Seventh Plan growth rate of State economy has remained less than All-India average.

Thus, except for a brief interlude in the eighties the growth rate of the U.P. economy has remained markedly below that in the country as a whole. This has resulted in ever widening divergent between the national and the state per capita income. Per capita income of U.P. which was almost equal to the national average at the beginning of the planning period, is now almost half of that now. In other words, if U.P. economy had grown at the same rate as the Indian economy, its present per capita income would have been almost double of the present level and poverty levels would have been much lower.

The fluctuations in the SDP growth witnessed in U.P. were closely related to the level of plan expenditure in the state (Singh 2007). Plan expenditure as a proportion of NSDP was below 4 percent till the Fourth Five Year Plan. The ratio showed a marked jump to about 7 percent during the period 1975 to 1992, which is the period when U.P. experience relatively higher economic growth. Plan expenditures as percent of GSDP declined sharply in the nineties when the state faced fiscal crisis. The resulted in a sharp decline in the growth rate of state economy. The upward trend in the growth rate witnessed in the Tenth Plan against is associated with a rise in the ratio of plan expenditure to state income. These trends suggest that public expenditure does matter in a poor economy like U.P. and there is 'crowding in' effect of public expenditure on private investment.

An analysis of the sectoral pattern of growth provides insights into the dynamics of economic growth in the state. Thus, the acceleration in the growth rates which was visible since the mid 1970s till 1990 was largely agriculture led growth in the wake of the green revolution Rise in public investment mentioned earlier during this period also played a supportive role. The sharp decline in agricultural growth rates observed since early nineties was also accompanied by a sharp decline in the growth rates of the other sectors as well. Thus, the agricultural sector remains crucial for the economic growth in the state because of its larger size in the sate economy and its strong linkages with the non-agricultural sector both on the demand and supply side.

Per Capita Income

Per capita income of U.P. stands at a modest level of Rs. 23132 (2010) which is much below national average of Rs.44345. However, the state has posted significant growth in terms of raising its per capita income level. It has increased from Rs. 14115 in 2006 to Rs. 23132 in 2011 with a growth of more than 60 percent.

Table 2.3 : Per Capita Income (Rs)

Year	Uttar Pradesh
2006	14115
2007	15865
2008	17602
2009	20004
2010	23132

Source: PHD Research Bureau, compiled from Directorate of Economics and Statistics, Govt. of Uttar Pradesh.

Note: per capita income is at current prices.

As per the advance estimates the growth rate of GSDP is 6.2 percent in 2011-12 while it was 7.9 percent in 2010-11. The growth rate of country's GDP also declined from 8.4 percent to 6.9 percent during the same period. In 2011-12, there is deceleration in all the three sectors of the economy in comparison to 2010-11. In 2010-11 the growth rate of primary sector was 4.1 percent; in 2011-12 it declined to 3.3 percent. The secondary sector grew with growth rate of 4.3 percent in 2011-12, while its growth in 2010-11 was 9.3 percent. The same pattern could be observed in the growth rate of tertiary sector, in 2010-11 it grew with growth rate of 9.0 percent but in 2011-12 it grew with growth rate of 8.4 percent.

Table 2.4 : Annual percent growth rate of GSDP of UP based on new Series (2004-05)

Year	Primary	Secondary	Tertiary	Total (UP)
2005-2006	2.9	10.2	7.1	6.5
2006-2007	2.4	14.1	8.7	8.1
2007-2008	3.2	9.2	8.8	7.3
2008-2009	4.2	0.8	11.7	7.0
2009-2010	0.6	3.8	10.1	6.1
2010-2011	4.1	9.3	9.0	7.9
2011-2012	3.3	4.3	8.4	6.2

Source: Twelfth Five Year Plan of Uttar Pradesh.

The Per Capita Income (PCI) of India reached to the level of Rs. 60972 in 2011-12 from Rs. 53331 in 2010-11, in U.P. PCI also increased to the level of Rs. 29417 in 2011-12 from Rs. 26355 in 2010-11. There is a wide gap in PCI of India and U.P., the PCI of India is almost double of PCI of U.P. The following graph describes the fact about increasing gap in per capita income of UP and India.

Table 2.5 : GDP and GSDP

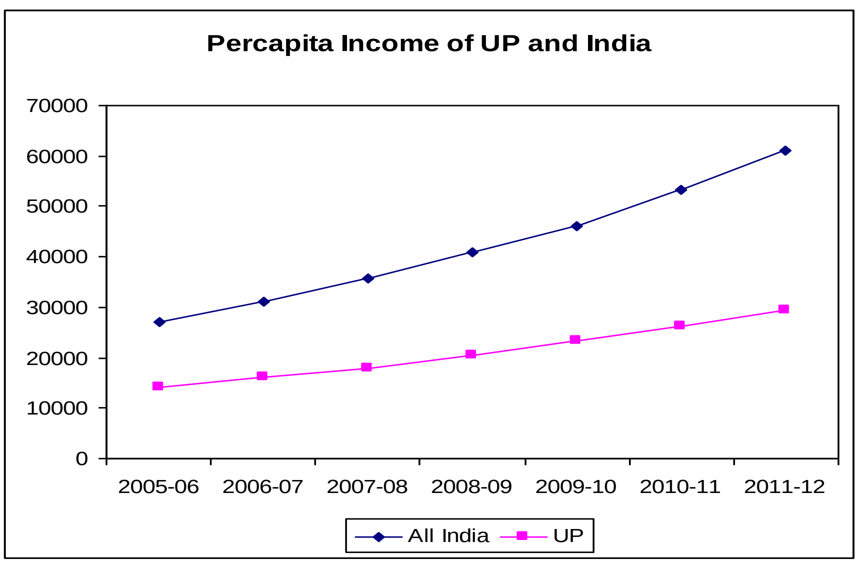
Year	GDP Growth in All India and GSDP growth of UP (At constant prices 2004-05)		GDP All India and GSDP of UP (in Cr. Rs.) (At current prices)		Per Capita Income (In Rs.) (at current Prices)	
	All India	UP	All India	UP	All India	UP
2005-06	9.5	6.5	3390503	293172	27131	14221
2006-07	9.6	8.1	3953276	336317	31206	16013
2007-08	9.3	7.3	4582086	383026	35825	17785
2008-09	6.7	7.0	5303567	444685	40775	20422
2009-10	8.4	6.1	6091485	521930	46117	23392
2010-11	8.4	7.9	7157412	595055	53331	26355
2011-12	6.9	6.2	8279975	676083	60972	29417

For India Estimates of 2010-2011 are Quick Estimates

For U.P. Estimates from Year 2005-06 to 2009-10 are Provisional and 2010-11 Quick Estimates, 2011-12 Advanced estimates.

Source: Twelfth Five Year Plan of Uttar Pradesh.

Figure 2.3



During Xth Five Year Plan period annual growth rate of GSDP was 5.2 percent, while for XIth plan period the same was around 6.9 percent. During the Xth Five Year Plan Per Capita Income growth was 3.2 percent and during the XIth Five Year Plan period its growth was 5.0 percent.

Table 2.6 : Annual Growth during Five Year Plans

SECTORS	I Plan	II Plan	III Plan	IV Plan	V Plan	VI Plan	VII Plan	VIII Plan	IX Plan	X Plan	XI Plan
PRIMARY	**1.8**	**1.5**	**(-)0.2**	**0.9**	**5.5**	**9.6**	**2.7**	**2.5**	**1.6**	**1.8**	**3.1**
1-Agriculture & Animal Husbandry	1.7	1.4	(-)0.5	0.8	5.7	9.7	2.7	2.7	0.8	1.3	3.0
2-Foresty & Logging	6.2	2.2	8.1	2.3	(-)2.9	3.9	(-)7.4	(-)13.1	32.9	5.9	2.0
3-Fishing	1.2	13.0	7.3	3.9	4.3	9.6	11.6	5.3	9.1	5.5	9.4
4-Mining & Quarrying	32.0	30.0	25.3	(-)1.4	5.8	23.7	6.4	0.0	0.2	14.0	4.9
SECONDARY	**1.6**	**3.2**	**9.2**	**6.7**	**7.3**	**9.5**	**8.8**	**3.3**	**(-)0.9**	**10.8**	**5.4**
5-Manufacturing	2.3	1.7	5.7	3.4	9.4	11.8	10.9	4.2	(-)4.3	6.6	3.4
Tertiary	**3.0**	**2.3**	**2.6**	**2.9**	**5.3**	**6.5**	**8.0**	**3.9**	**3.8**	**5.2**	**9.6**
6-Trasport,Storage, Communication & Trade	2.9	2.0	1.8	2.5	6.6	8.6	4.5	2.6	3.1	5.6	8.6
7-Finance and Real Estate	2.4	2.5	2.5	2.9	7.3	5.7	11.2	5.5	2.9	4.7	10.9
8-Community and Personal Services	3.8	2.7	4.1	3.7	1.8	3.1	11.0	4.4	5.8	4.9	9.8
Total (UP)	**2.0**	**1.9**	**1.6**	**2.3**	**5.7**	**8.7**	**5.7**	**3.2**	**2.0**	**5.2**	**6.9**
Per Capita Income (UP)	0.5	0.3	(-)0.2	0.4	3.3	6.3	3.3	1.4	(-)0.4	3.2	5.0
All Sectors (India)	**3.6**	**4.0**	**2.2**	**3.3**	**5.3**	**5.3**	**5.8**	**6.8**	**5.6**	**7.8**	**7.6**
Per Capita Income (India)	1.7	1.9	0.0	1.1	2.9	3.1	3.6	4.9	3.6	6.1	6.2

Source: Twelfth Five Year Plan of Uttar Pradesh.

Agriculture

Agriculture sector is very important sector in UP for determination of total growth rate of the economy, because state's economy is an agrarian economy.

The total food grain production in UP increased to 473 lakh metric tone in 2010-11 from 383lakh metric tone in 2002-03. There is 24 percent increment in food grain production during the period in the State. The corresponding figures of the country are 1784 and 2448 lakh metric tones in 2002-03 and 2010-11. There is 40 percent increment in food grain production at the country level during the same period.

Production of wheat increased to 300 lakh metric tones from 237 lakh metric tones, production of rice increased to 120 lakh metric tones from 96 lakh metric tones in the same period. In the percentage terms, 27 percent increment in the wheat production and 24 per cent increment in the rice production during 2002-03 to 2010-11.

Infrastructure

The importance of infrastructure for sustained economic development is well recognized. High transactions costs arising from inadequate and inefficient infrastructure can prevent the economy from realizing its full growth potential regardless of the progress on other fronts. Physical infrastructure covering transportation, power and communication through its backward and forward linkages facilitates growth; social infrastructure including water supply, sanitation, sewage disposal, education and health, which are in the nature of primary services, has a direct impact on the quality of life.

Power

The total consumption of electricity was 430890 lakh KWH in 2010-11, 413384 lakh KWH during 2009-10 and 334242 lakh KWH in 2006-07.Per capita production of electricity was 120 KWH in 2007-08 and 131 KWH in 2008-09, while per capita consumption of electricity was 346 and 372 KWH during the respective periods. Clearly reflects the gap between demand and supply of electricity in the state. The total electrified villages in UP are 86450 in 2008-09, which is 88.27% of total habited villages in the state. In UP total installed capacity is 4609 MW in 2010-11, it was 4686 MW in 2006-07. Total production of electricity during 2010-11 was 196224 Lakh KWH, while it was 210670 Lakh KWH in 2009-10 and 221723 Lakh KWH in 2006-07.

Irrigation

The gross cultivated area in UP in 2009-10 is 254.40 lakh hectares and net cultivated area is 165.89 lakh hectares, out of which gross irrigated area is 193.54 lakh hectares during the same period. The net irrigated area is 133.83 lakh hectares. Gross irrigated area is 76.07 percent of total cultivated area and net irrigated area is 52.60 percent of total cultivated area. The total irrigation capacity of the state is 347.12 lakh hectares out of which 230.93 lakh hectares are under use. Education is very important parameter in deciding the level of human development. The state of human development not only decides the social growth of any society but also the future economic growth of the society.

Education

The total literacy rate of the state is 69.7 percent, male literacy rate is 79.2 percent and female literacy rate is 59.3 percent in 2010-11. Rural literacy rate is 52.5 percent, rural male literacy rate is 66.6 percent and rural female literacy rate is 36.9 percent during the aforesaid period. Urban literacy rate is 69.7 percent, urban male literacy rate is 76.8 percent and urban female literacy rate is 61.7 percent in 2010-11.

The total number of universities is 30 and 3166 degree colleges exist in the state in 2010-11. Number of secondary schools are 17644, higher primary schools are 53218 and number of primary schools are 147376 in 2010-11.

Health

The total number of allopathic hospitals and dispensaries increased to 4771 in 2011 from 4595 in 2007. There is big increase in the number of beds in allopathic hospitals from 48283 in 2007 to 71668 in 2011.Number of hospitals and dispensaries on per lakh of population is 0.43 in UP and 1.1in India on 1st January 2010. Number of beds in hospitals and dispensaries on per lakh of population is 28.2 in UP and 48.5 in India on the same date.

A close look at the pattern of deployment of resources in the Eleventh Five Year Plan throws up the following few important points for consideration.

(1) The resources deployed in power, irrigation and transport are an investment on **economic infrastructure** for development. The share of the resources deployed on **economic infrastructure** in the Five Year Plans, from Second to the Eighth Plan, was in the range of 48% to 49% of the total expenditure. The share rose from the modest 48% in the Second Plan to 72% in the Fifth Plan The share started declining thereafter and came down to 49% in the Eighth Plan, 44% in the Ninth Plan, 38% in the Tenth Plan and 35% in the Eleventh Plan.

(2) It will be recalled that the growth of the State's economy was 5.7% in Fifth Plan and 8.7% in the Sixth Plan which was greater than that of national average. Subsequently, it dipped to 3.2% in the Eighth Plan, 2.0% in the Ninth Plan, 5.2% in Tenth Plan and improved to 6.9 % in the Eleventh Plan. A declining share of **economic infrastructure** in the expenditure of the plan and the declining trend in average annual growth and economy has, thus, gone together.

(3) The **social infrastructure** comprising education, medical and public health & water supply and sanitation, is equally important for development. Unlike economic infrastructure, which is an investment on physical assets contributing to growth, social infrastructure is basically an investment on human resource in order to ensure greater efficiency in the use of resources for development. The resources deployed on social infrastructure were 21% of the total expenditure in the First Five Year Plan. This was the highest share of social infrastructure in all the five year plans. There was a decline in this share in subsequent five year plans, going as low as 9% in the Fifth Five Year Plan, where after it ranged between 21% to 12% in the subsequent plans.

Investment Flow to the State

The most important reason of the slow rate of growth in U.P. is the low level of public and private investments in the state. Per capita plan expenditure in the state was as little as Rs. 25 in the First Plan (1951-56) and Rs. 32 in the Second Plan. Plan expenditure went up in the subsequent plans and stood at Rs. 1,582 in the Eighth Plan (1992-97), Rs. 1704 in the Ninth Plan and Rs.2528 in the Tenth Plan. The levels of per capita plan expenditure in UP have not only been low in absolute terms but have also fallen short of the average plan expenditure of all states and have been less than half and plan expenditure of developed states, such as Punjab . In fact, the gap has increased in the recent plans.

Table 2.7 : Per Capita Plan Expenditure in Uttar Pradesh

Plan Period		Per Capita Plan Expenditure			Per Capita Plan Assistance	
		U.P.	Punjab	All States	U.P.	All States
First Plan	1951-56	25	175	38	13	24
Second Plan	195-61	32	146	51	17	26
Third Plan	1961-66	72	212	92	46	55
Annual Plans	1966-69	53	90	61	30	36
Fourth Plan	1969-74	132	316	142	58	65
Fifth Plan	197479	329	691	361	14	147
Annual Plans	1979-80	94	199	113	218	258
Sixth Plan	1980-85	588	1126	718	375	438
Seventh Plan	1985-90	1077	2113	1270	372	451
Annual Plans	1991-92	470	1014	565	-	-
Eighth Plan	1992-97	1559	3342	2206	711	948
Ninth Plan	1997-02	1704	4040	3421	1569	1808
Tenth Plan	2002-07	2528	4588	5134	2409	2470

Source: Statistical Diary, Uttar Pradesh, 2007.

Being a poor state UP's capacity to generate substantial resources on its own for plan financing is limited. Consequently, it is not able to attract a larger level of plan assistance from the Centre. Central plan assistance to U.P. has been below average for all states throughout the plan period. Moreover, U.P. was not able to attract investments by Central PSUs on any substantial scale. U.P.'s share of total investments in Central Government undertakings was a paltry 4.8 per cent till 1980-81. The situation has not shown any substantial change even after that. There were no special economic benefits in setting up plants in the State in absence of power, good quality infrastructure or any other major attractive incentive. A few undertakings which were set up like the Bharat Pumps & Compressors, IDPL and Fertilizer Units subsequently turned sick.

Plan investments as a ratio of GSDP declined sharply in the nineties due to the fiscal crisis faced by the state government. Thus, total plan expenditure which was around 7% of NSDP in the eighties came down to less than 4% in the nineties. The same true of the public capital expenditure. Capital expenditure of U.P. Government was as low as 6-7 percent of total public expenditure and around 1.5 percent GSDP in the late nineties. However, there has been some improvement in the situation in the last few years with public investment showing a distinct improvement.

U.P. is not perceived as an attractive investment destination. The State being land-locked did not find investors in major export industries. As the export related growth became important with rapidly expanding industrial base at national level - IT Sector, Gems & Jewellery, Textiles, Engineering - the State lagged behind as it had no such expanding export segment. Its major exports of carpets and handicrafts were not capable of a very rapid expansion and faced stiff international competition. The textile industry not modernize and diversify. The State did not have any major specific mineral resource like coal, iron- ore or petroleum which could form the focus for new industries to come up. The private sector investments in social infrastructure, power and roads have not been encouraged in the State in the earlier plans. It was only in the late nineties that the decision was taken to open up the private sector for investment in higher education, technical institutes, medical colleges and management institutes.

There is no hard data about the level of private investment in the state. However, whatever information exists is indicative of a low level of private investment. Analysis of Centre for Monitoring of Indian Economy (CMIE) data reveals that private and public investment in industrial projects completed during 1998-2005 amounted to only 1.27% and 0.78% of state GDP respectively in D.P. against the national average of 1.73% and 1.51 % respectively. Moreover, 73 per cent of all completed investments between 2002-05 were accounted for by only three districts - Ghaziabad, Gautam Budh Nagar (both bordering Delhi) and Sonbhadra, while most districts in East and Southern UP have received no sizeable fresh investments in the last 8-10 years.

Thus, U.P.'s share in total proposed investment through Industrial Entrepreneurs Memoranda (IEMs) in the country between August 1991 and November 2007 was a meager 5.3%. In per capita terms proposed investment in D.P. has been less than one third of India and hardly one-tenth of Gujarat. Even this proposed investment has not fully materialized as the implementation rate has been around one-third of proposed investment. In fact, the share of the state in proposed investment has declined during the present decade as compared to the previous decade.

The inflow of foreign investment into the state has been even less. U.P.'s share in total approved FDI during 1991-2003 was a meager 1.73 per cent. Similarly D.P. could get a paltry sum of Rs. 2252 crore during January 1997 and April 2006 as foreign direct investment approvals, which was a mere 1.04 per cent of the total FDI approvals of Rs. 2,17,487 crore in the country. Maharashtra, Karnataka, Tamil Nadu and Andhra Pradesh were the leading states with FDI approvals of Rs. 39,235 crore, Rs. 27,063 crore, Rs. 15,648 crore and Rs. 14,873 crore respectively during the same period.

Lending by the financial institutions has been extremely low in U .P. considering its size and population. For instance, U.P.'s share in bank loans in the country was a paltry 5.15% in 2001 and declined further to 3.30% in 2006. Bank credit-deposit ratio in the state is much lower than the national average. It was as low as 30 percent during 2001 and 2002, but improved to around 40 percent by 2O05 U.P.'s share in loans from term lending institution like IDBI, ICICI and REC has also been quite low between 2 and 3 percent only. Only in case of NABARD loans U.P. got a fair share. The poor lending performance by the financial institutions is reflective of poor investment climate in the state and lower demand for credit.

To achieve the targeted growth of 10% during the Twelfth plan period, aggregate investment required would be Rs 17.64 lakh crore. In view of the financial constraints of the State, various policy measures have been initiated/being initiated by the State Government to create a more conducive environment climate for attracting private investment. The estimates of investment-requirement and the sources from where this investment will come is given in the table 2.8.

Table 2.8 : Investment Requirement and the Sources of Investment.

Sector	Investment Requirement (Lakh Cr. Rs.)	Investment Requirement to achieve 10% growth in terminal year (Lakh Cr. Rs.)
Total Investment (1+2)	**17.64**	**16.70**
1. Private Sector	**12.51**	**11.84**
2. Public Sector	**5.13**	**4.86**
(a) State Government	3.42	3.24
(b) Central Government	1.71	1.62
3. State Plan Outlay for Twelfth Plan (2012-17)	**3.61**	**3.61**

Source: Twelfth Five Year Plan of Uttar Pradesh

As given above, a huge investment, at Rs. 12.51 lakh cr. is projected to be made in the plan by the private sector. In order to realize this, necessary policy framework, ease of doing business environment and availability of infrastructural facilities are extremely necessary. The State is deficient in supply of power and it requires huge capital investment. Thus, the Central Government would have to come forward for creating industry friendly infrastructure facilities in the State.

It is pertinent to mention that the State has suffered in getting adequate central assistance. The following table shows that per capita central assistance to the State has not increased as compared to other States and it is about half of the national average.

Table 2.9 : Per capita Central Assistance to States (in Rs.)

States	2009-10	2010-11	2011-12	% increase over 2009-10
West Bengal	740	1241	2092	182.7%
Gujarat	708	1159	1513	113.7%
Punjab	951	1354	1890	98.7%
Madhya Pradesh	1105	1863	1941	75.7%
Andhra Pradesh	1254	1803	2199	75.4%
Rajasthan	912	1402	1597	75.1%
Bihar	911	1404	1593	74.9%
Orissa	1554	2341	2550	64.1%

Haryana	1544	1967	2373	53.7%
Tamil Nadu	884	1091	1304	47.5%
Maharashtra	1156	1367	1547	33.8%
Uttar Pradesh	1032	1052	1256	21.7%
All India	1492	1927	2327	56.0%

Source: Twelfth Five Year Plan of Uttar Pradesh.

Since timely and adequate availability of investment is the pre-requisite for economic development, adequate flow of through bank credit and other Institutional Finance should be ensured to backward states like U.P. where the credit deposit ratio has been declining over the years. The credit-deposit ratio of the nationalised commercial banks in June, 2010 in the State stood at 41.85% which is very low in comparison to the national average of 73.94%. The corresponding figure for Tamil-Nadu was as high as 114.32%. It has been estimated that in case the CD ratio in the State (41.85%) is brought even at par with the national average 73.94 %, the State can obtain an additional credit of about Rs.1,00,000 crore.

Mobilization of investment requirement of Rs.12,51,000 crore from the private sector for achieving the targeted growth rate of 10% per annum during the Eleventh Plan in the State, appears a challenging task looking at the past performance in this regard. Thus, if the State's economy is to be pulled out of the dilemma of backwardness, conscious and concentrated efforts will have to be made both at the level of the State as well as Centre to implement the aforesaid measures which would provide enough ground and motivation to the private sector that the latter would come up to the expectations not only in the Eleventh Plan but also in future plans with much more enhancements.

Apart from these efforts which will be required to mobilize, the stipulated investment in the private sector, the State government will also have to keep a very close liaison with the Central government and its agencies in order to get its legitimate and maximum shares in the central sector investment. This is again, a very difficult task and unless suitable steps are taken in this direction right from the beginning of the plan, the investment of this order will not materialize.

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