

Macroeconomic Analysis



Chapter 1

Uttar Pradesh Economy: Trend and Status¹

As per the population Census 2001, Uttar Pradesh, with its 16.605 crore strong population, is the most populous state in the country of 102.70 crore population. It accounts for 16.17 per cent of India's population of over one billion, fourth in terms of density after West Bengal, Bihar and Kerala. The population density for the state has increased from 548 people per square kilometre in 1991 to 696 people per square kilometre in 2001. Only Bihar experienced a higher rate of density growth. In terms of population, Uttar Pradesh compares with the seventh largest country in the world. Thus, the economics of Uttar Pradesh and its development have a vital impact on the overall development of India. An economically stronger Uttar Pradesh with its huge market could be an engine of growth for the rest of the country. It has a strong agricultural base, diverse industries that have developed over a long period, and some excellent learning centres. However, the economic performance of the state over the years has fallen behind the rest of the country. During the post-reform period of 1993-94 to 2000-01, the real GSDP at factor cost (1993-94 prices) in divided Uttar Pradesh (UP) had an average annual growth of 4.22 per cent as against all-India figure of 6.3 per cent. During the most recent period of 2001-02 to 2002-03 the average annual growth has been just about 2.24 per cent as against all-India average of 4.88 per cent.

1.1 Diverging Gap in Income from National Average

Table 1.1 and Appendix A-1.1 show that undivided Uttar Pradesh (UUP) attained respectable growth in gross state domestic product (GSDP) only during the period of 1986-87 to 1990-91 with respect to the all-India performance. Slow growth occurred in all the three sectors of agriculture, industry and services. While real GSDP was slowing down, the population growth rate was among the highest in the country. The decadal growth in population between 1991 Census and 2001 Census for Uttar Pradesh was recorded as 25.8 per cent as against an all-India figure of 21.3 per cent.

The result of poor overall economic activity and high population growth is reflected in extremely slow growth in per capita income as compared to all-India level (Figure 1.1). The per capita real income (measured by the real gross domestic product) in Uttar Pradesh recorded a cumulative growth of just about 33.6 per cent between 1980-81 and 2002-03 (from Rs. 4891 in 1980-81 to Rs. 6535 in 2002-03) as against a growth of 111.5 per cent recorded at the all-India level (from Rs. 5908 in 1980-81 to Rs. 12496 in 2002-03). At current prices, the per capita income of Uttar Pradesh during 2002-03 stood at Rs. 11856 as against all-India average of Rs. 21373. The difference in per capita real income between Uttar Pradesh and India, as a percentage of the all-India average, has grown from about 17.2 per cent in 1980-81 to almost 47.7 per cent in 2002-03. The divergence has rapidly increased during the second half of 1990s. Thus, despite rich potential in human and natural resources, Uttar Pradesh, which was once positioned to be the pace-setter for India's economic and social development, now shows far less promise.² This downward spiral must

1. Separate data for undivided Uttar Pradesh are available for limited variables and for limited years. Accordingly, the analysis is done with mixed dataset. The GSDP data for divided Uttar Pradesh is available from 1993-94 and financial data are available from 2000-01. Therefore, all related data before these years include Uttaranchal. Census 2001 data pertain to divided Uttar Pradesh.

2. *Poverty in India: The Challenge of Uttar Pradesh*, The World Bank, 2002.

be arrested by the policy makers in Uttar Pradesh and the Centre.

TABLE 1.1

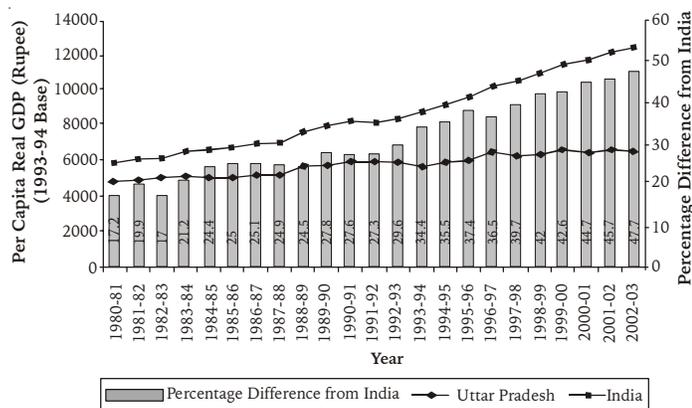
Average of the Growth Rates of Gross State Domestic Product at 1993-94 Prices: Uttar Pradesh and India

	1981-86	1986-91	1991-96	1996-01	2001-03
Uttar Pradesh					
Total	3.28	5.58	3.10	4.11	2.24
Agriculture	0.94	3.34	1.97	3.14	-2.32
Industry	6.56	8.09	4.86	3.77	5.29
Services	4.93	6.89	3.26	5.04	4.34
India					
Total	5.10	6.18	5.38	5.92	4.88
Agriculture	3.28	3.82	2.5	2.72	-0.34
Industry	6.05	8.16	6.09	5.30	5.09
Services	6.39	7.06	7.07	8.19	7.33

Source (Basic Data): CSO & Economic and Statistical Division of Uttar Pradesh. Data before 1995-96 includes Uttaranchal.

FIGURE 1.1

Trend of Per Capita in Gross Domestic Product of Uttar Pradesh and India (at 1993-94 Prices)



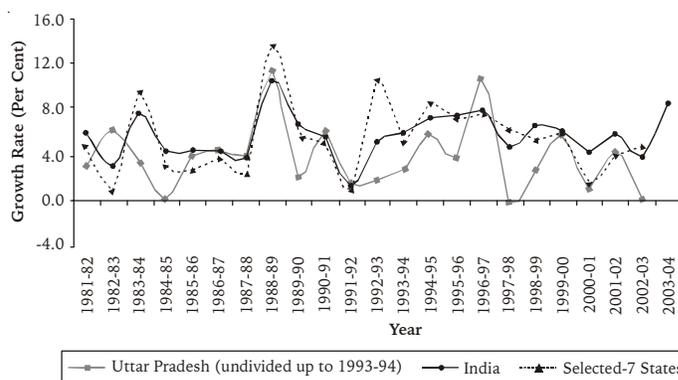
Source (Basic Data): Annual Plan 2003-04, Uttar Pradesh (includes Uttaranchal before 1993-94).

A time series plot of real growth (Figure 1.2) of Uttar Pradesh, India and the fast growing seven progressive states Gujarat (GU), Himachal Pradesh (HP), Karnataka (KT), Maharashtra (MH), Rajasthan (RJ), Tamil Nadu (TN), and West Bengal (WB) indicates that Uttar Pradesh experiences much wider fluctuations over time. After reforms, growth at all India level appears to be stabilised, while states remain volatile individually. The fluctuations seen in Uttar Pradesh are possibly due to over-dependence on agriculture.

However, some of the progressive states such as Maharashtra, Karnataka and Himachal have also slowed down during second half of 1990s, while other states such as Bihar (BH) and Haryana (HY) significantly improved their contribution to the overall growth of India (Table 1.2). In fact, contrary to the general perception, Bihar has recorded above six per cent growth in all the three sectors during 1994-2001, while Uttar Pradesh has not been able to generate a similar growth even in its strongest area, which is agriculture.

FIGURE 1.2

Average Growth Rates of Gross State Domestic Product at 1993-94 Prices: Uttar Pradesh, India and Fastest Seven States



Source (Basic Data): CSO.

The Tenth Five Year Plan of the Planning Commission has set a target growth of 7.6 per cent for Uttar Pradesh in order that India should grow at 8 per cent (Table 1.2). The sectoral growth targets are 4.67 per cent in agriculture, 11.05 per cent in industry and 7.92 per cent in services. The target for the agricultural sector is apparently possible. However, the other two targets are difficult to attain unless a policy of accelerated industrialisation is undertaken. Sector specific structure is likely to play an important role in realising these growth objectives. This is because all three sectors are not equally responsive to economic reforms. States with higher share of industry and services are more likely to meet the target than those, over-dependent on agriculture.

1.2 Shrinking Role in National Economy

The share of real activity in undivided Uttar Pradesh as a proportion of gross state domestic product shrunk from a respectable 13.8 per cent in 1980-81 to 10.5 per cent in 1999-2001. However, after division, the share

TABLE 1.2
Average of the Growth Rates of Gross State Domestic Product at 1993-94 Prices:
Uttar Pradesh and Selected States (1994-95 to 2003-04)

State	Agriculture		Industry		Services		GSDP		TFYP Target
	1994-01	2001-04	1994-01	2001-04	1994-01	2001-04	1994-01	2001-04	
UP*	2.89	-2.32	5.58	5.29	4.77	4.34	4.22	2.24	7.6
GU	2.77	27.78	7.61	9.82	8.29	7.86	6.61	11.08	10.2
HP*	1.06	2.73	11.72	4.07	7.63	6.62	7.03	4.83	8.9
KT*	5.24	-8.77	7.79	3.28	10.44	7.14	7.96	1.67	10.1
MH	1.86	-0.72	3.48	5.76	6.97	8.34	4.81	6.21	7.4
RJ	3.18	12.76	9.27	3.41	8.60	4.66	6.94	5.60	8.3
TN	2.14	-6.75	6.76	0.77	9.26	5.92	6.82	2.02	8.0
WB*	3.86	2.78	6.26	5.10	9.48	10.15	7.01	7.06	8.8
HY	2.20	3.01	7.06	5.99	9.60	9.08	6.06	6.29	7.9
BH	6.62	-2.67	8.37	3.99	8.29	4.44	6.96	1.21	6.2
India	2.53	2.98	6.89	5.60	8.35	7.91	6.31	6.09	8.0

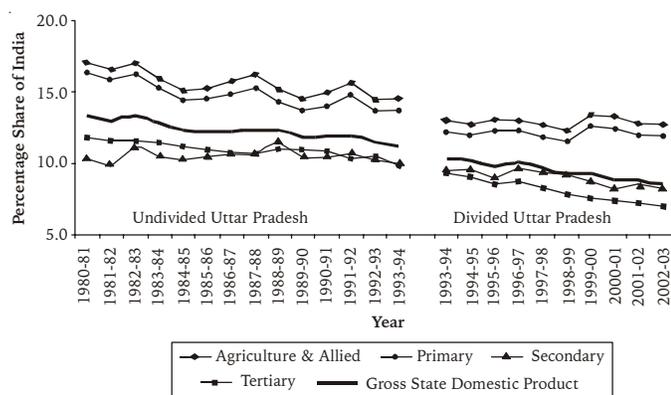
Source (Basic Data): CSO.

Note: * Data up to 2002-03 only.

fell from 9.22 per cent in 1999-01 to 8.48 per cent in 2002-2003 (Figure 1.3 and Appendix A-1.1). This means two things. First, Uttar Pradesh growth has been below average; second, other states are doing much better than average. The data also shows that Uttar Pradesh is not doing better than the national average in any one sector.³ Uttar Pradesh's sectoral shares have been consistently falling (Figure 1.3).

FIGURE 1.3

Trend of Uttar Pradesh Share in National Economy



Source (Basic Data): CSO, Department of Economic and Statistics Uttar Pradesh.

Note: Agriculture includes forest and fishery; Primary includes agriculture and mining.

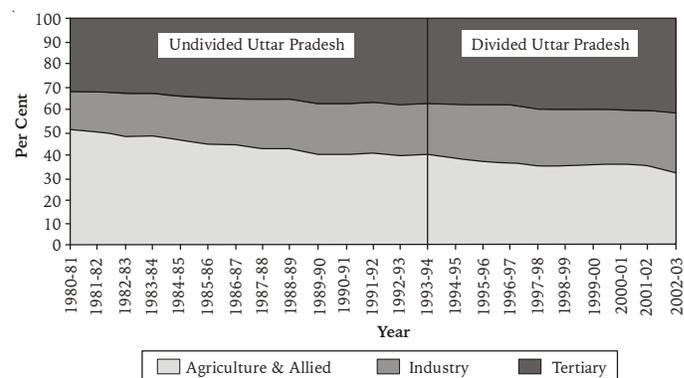
3. Primary sector includes agriculture and allied and mining; industry includes mining and secondary. Also see note in Appendix A-1.1.

The most dramatic downtrend can be seen in services (tertiary sector); agriculture presents the brightest picture. However, agriculture is holding its ground with difficulty.

The numbers for the structural composition of Uttar Pradesh are very sticky compared to the national figures (Figures 1.4 and 1.5). At the national level, the share of industry and services during 2002-03, has gone up to 27.34 per cent and 51.17 per cent respectively. In Uttar Pradesh, the corresponding numbers are 25.64 per cent and 41.99 per cent. This means that, at the national level, the dominance of agriculture has reduced significantly compared to Uttar Pradesh.

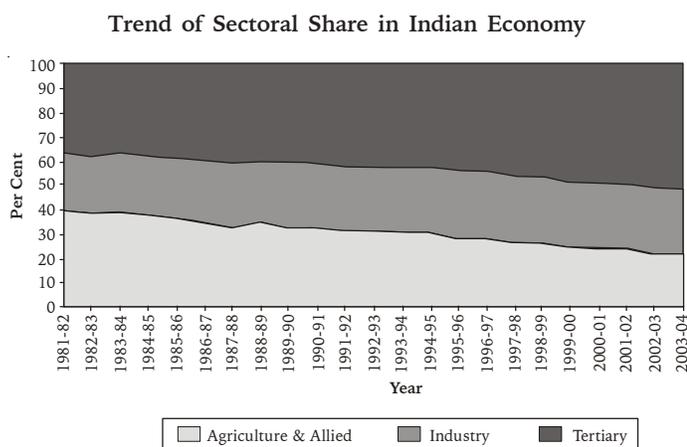
FIGURE 1.4

Trend of Sectoral Share in Uttar Pradesh Economy



Source (Basic Data): CSO.

FIGURE 1.5



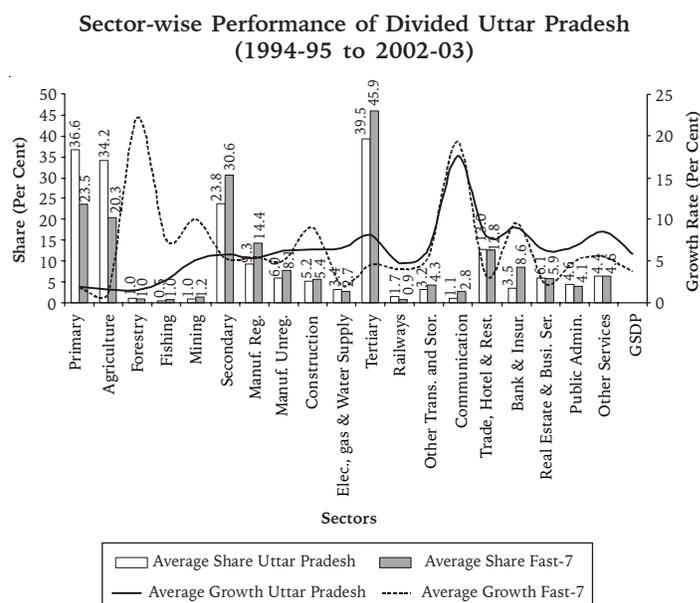
Source (Basic Data): CSO.

1.3 Where is the Growth Shrinking?

Figures 1.6 and 1.7, respectively, summarise the performance of Uttar Pradesh, the seven fast growing states, and India for the period of 1994-95 to 2002-03, across sectors. Average shares of the sectors and average growth rates are plotted. Clearly, in terms of average growth, Uttar Pradesh has performed reasonably well in the organised manufacturing, communication, construction, banking, and primary sectors. However, it has lagged in vital segments of infrastructure such as power, water supply, and railways. Similarly, growth in real estate and trade, hotels and restaurants, and unorganised manufacturing has also suffered. Thus, a good performance in manufacturing despite poor infrastructure indicates vast potential of growth. The state must concentrate on infrastructure sectors to revitalise other sectors.

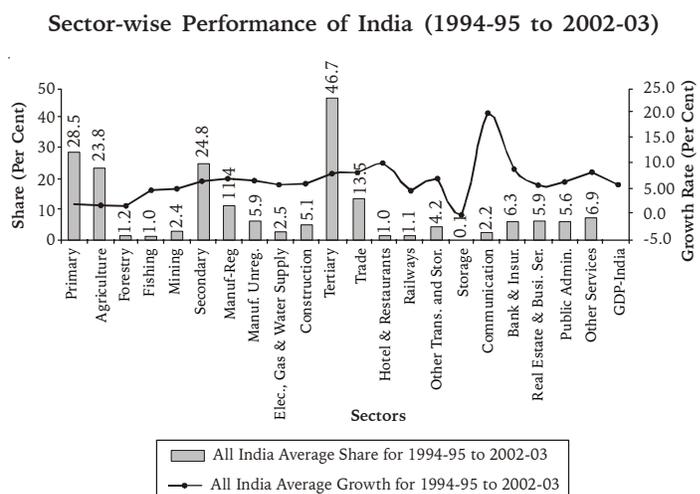
Most of the growth across fast growing states such as Maharashtra, Karnataka, Gujarat, Rajasthan and West Bengal comes from the tertiary and secondary sectors. As in the case of the fast-growing states, these sectors comprise most of the sectoral share in India as a whole. This is the reason for the overall growth in India being higher than that of Uttar Pradesh. During the second half of 1990s, manufacturing activity in Uttar Pradesh picked up more than any other sector but a sluggish growth in power and tertiary sectors have raised doubts about the overall performance of the state (Appendix A-1.1). It is therefore, stressed in this report that the consistency of manufacturing activity in Uttar Pradesh must be exploited as fast as possible to increase its share in the total economy of Uttar Pradesh.

FIGURE 1.6



Source (Basic Data): CSO.

FIGURE 1.7



Source (Basic Data): CSO.

1.4 Slower But Steady Pace in Poverty Reduction

Uttar Pradesh has seen a fall in the incidence of poverty from about 41 per cent in 1993-94 to 31 per cent in 1999-00 (Figure 1.8). However, this achievement is far below the all-India figure of 26 per cent. The differences in poverty levels with respect to national figures are more pronounced in urban areas compared to the rural areas (Table 1.3). Rural poverty has gone down by 11 percentage points as against a fall of 4

TABLE 1.3
Percentage of Population Below the Poverty Line⁴

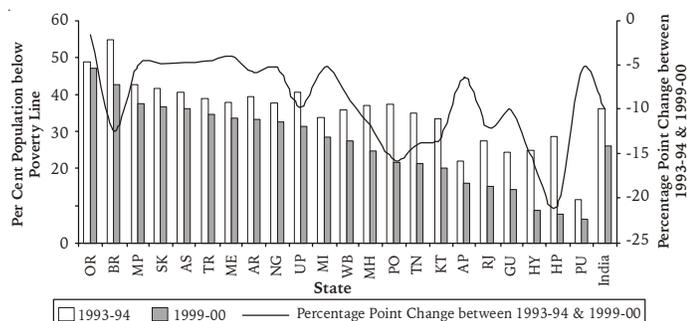
Year	Combined (Rural & Urban)		Rural		Urban	
	Uttar Pradesh	India	Uttar Pradesh	India	Uttar Pradesh	India
1973-74	57	55	57	56	60	49
1987-88	42	39		39		38
1993-94	41	36	42	37	35	32
1999-00	31	26	31	27	31	24

Source (Basic Data): National Human Development Report, Planning Commission, March 2002.

percentage points in urban Uttar Pradesh. This is not surprising given the consistent growth, albeit at low level, in agricultural sector as against a decline in the growth rate in the tertiary and industrial sectors. In addition, the informal manufacturing in Uttar Pradesh, which has significant presence in rural areas, has registered almost similar growth as registered sector.

FIGURE 1.8

Poverty Condition Across States



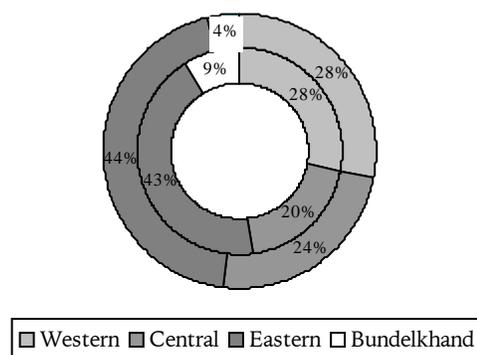
Source (Basic Data): India Yearbook 2002, Manpower Profile: IAMR.

At sub-regional level, approximately 44 per cent of total poor people in divided Uttar Pradesh during 1999-00 lived in eastern part of the state. The corresponding figures for western, central, and Bundelkhand were 28, 24, and 4 per cent respectively (Figure 1.9). In terms of reduction in poverty, Bundelkhand has been the leader where percentage of poor people below poverty line went down from about 69 per cent in 1993-94 to 24 per cent in 1999-00. During the same period, poverty in the eastern region went down from about 48 per cent to 36 per cent, in central region from 47 per cent to 40 per cent and in

western region from 30 per cent to 24 per cent (Figure 1.10).⁵

FIGURE 1.9

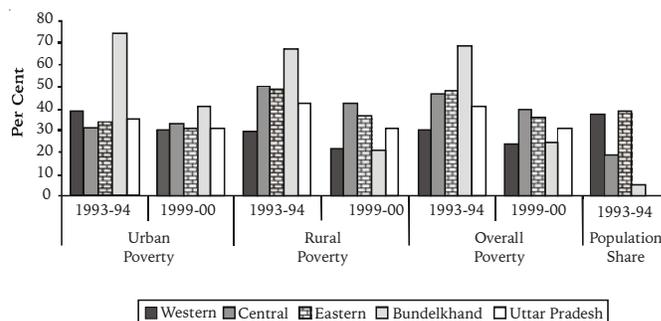
Share of Poor People Across Regions of Uttar Pradesh (Inner Ring 1993-94, Outer Ring 1999-2000)



Source (Basic Data): Table 1.7 of Poverty in India, The Challenge of Uttar Pradesh, The World Bank: May 08, 2002.

FIGURE 1.10

Poverty Incidence Across Regions in Uttar Pradesh



Source (Basic Data): Table 1.7 of Poverty in India, The Challenge of Uttar Pradesh, The World Bank: May 08, 2002.

1.5 Below Average Health Indicators

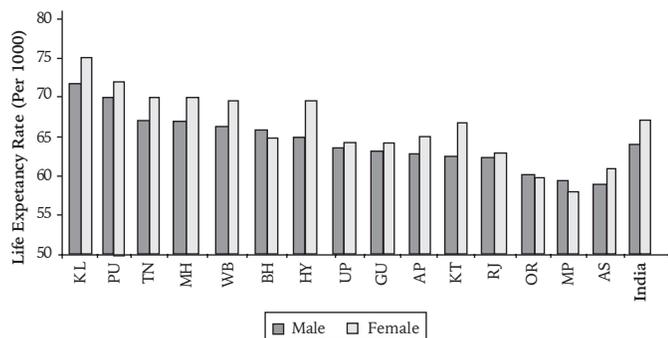
Average life expectancy in Uttar Pradesh is below the all-India average. However, the life expectancy has improved to 64.1 years for females and 63.5 for the males in the year 2001 as against 58.1 and 56.9 years, respectively in the year 1997 (Figure 1.11). Uttar Pradesh has a birth rate of 32.1, infant mortality of 83 and death rate of 10.1 per thousand population, which is much higher than the national averages of 25.4, 66 and 8.4 respectively (Figure 1.12). Among all major Indian states, Uttar Pradesh has the highest birth rate, and third highest death rate and infant mortality rate (also see Chapter 12, Volume II).

4. Poverty line is defined in terms of rupees per capita per month and it varies from state to state (refer to Table 2.21, National Human Development Report Planning Commission, March 2002).

5. Figures are calculated by approximation from Table 1.7 of Poverty in India, The Challenge of Uttar Pradesh, The World Bank: May 08, 2002.

FIGURE 1.11

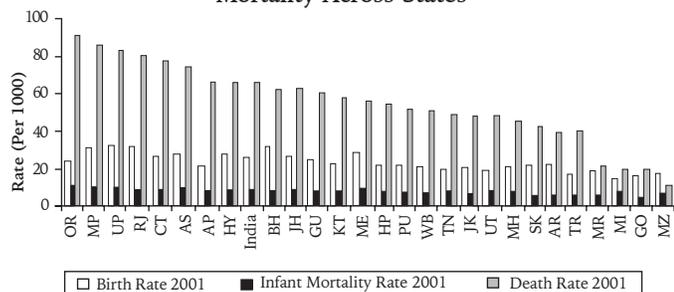
Health Indicators: Life Expectancy at Birth (2001)



Source (Basic Data): Statistical Abstract of India, 2001.

FIGURE 1.12

Health Indicators: Death Rate, Birth Rate and Infant Mortality Across States



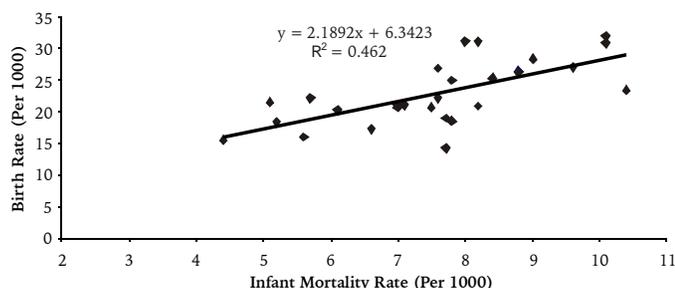
Source (Basic Data): Statistical Abstract India, 2003.

The incidence of infant mortality rates (IMR) are relatively higher (more than 100 per '000) in central and Bundelkhand regions. Across social groups, scheduled castes (SC) and other backward castes (OBC) have IMRs of more than 100 and a similar trend is noticed among low-income groups (NFHS-2 1998-99 Uttar Pradesh Report).

Data also indicates that the birth rate is positively correlated with the infant mortality rate (Figure 1.13). This is an important observation from the

FIGURE 1.13

Scatter Plot and Regression Equation between Birth Rate and Infant Mortality Across Major States



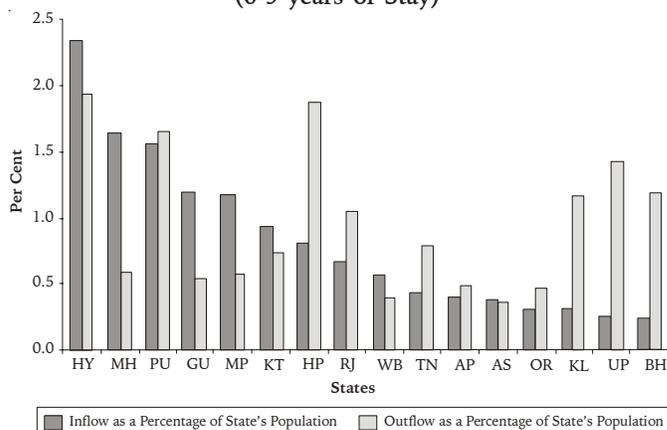
point of view of policy design. Clearly, controlling infant mortality and developing confidence in people about the survival of their offspring will go a long way in reducing family size.

1.6 Migration in and out of Uttar Pradesh

Given the gap between average income in Uttar Pradesh and the corresponding figure for the rest of the country, it is not surprising that people from Uttar Pradesh migrate in large numbers to other states. According to the 1991 Census, almost 1.4 per cent of Uttar Pradesh's population migrated to other states over the preceding decade. In contrast, the migrant inflow to Uttar Pradesh as a proportion of population was 0.3 per cent in the same period (Figure 1.14). Migration is important in many ways. It amounts to brain-drain and loss of labour force. It is not always that only illiterate and labour classes migrate; often, the best of the working class find their way to other states and countries.

FIGURE 1.14

Trends in Migrant Population: 1991 Census (0-9 years of Stay)



Source (Basic Data): Census of India, 1991.

1.7 Strengths, Opportunities and Endowments

Uttar Pradesh has a long history, with a sustainable civilisation that dates back to ancient times. The source of its vitality needs to be identified in the modern context for the state's return to its leadership position.

"I had been to other countries—in Europe, Asia and the Middle East—but none of them had provided even half as much variety, or so much to see and experience and remember, as this one State in northern India. You can travel from one end of Australia to the other, but everywhere on that vast continent you will find that

people dress in the same way, eat the same kind of food, and listen to the same music. This colourless uniformity is apparent in many other countries of the world, both East and West. But Uttar Pradesh is a world in itself"- Ruskin Bond.

Uttar Pradesh has a wealth of monuments, a variegated landscape, with mountains and lakes and evokes a deep sense of spirituality. It has something to offer to the adventure-seeker, spiritualist and casual tourist alike. Uttar Pradesh has some of the most attractive tourist spots of the country with high concentration of visitors. Major destinations include Varanasi, Agra and Gorakhpur, which need to be developed with a holistic approach. (See details on more prospects in Chapter 5 on tourism in Volume-II.)

Undivided Uttar Pradesh was the fourth largest state in geographical area covering 9.0 per cent of the country's geographical area, encompassing 294411 square kilometres and comprising 83 districts, 901 development blocks and 112804 inhabited villages. After the creation of Uttaranchal in 2000, Uttar Pradesh is now the fifth largest state with a geographical area of 238566 square kilometres (7.6 per cent of India's land area) and the highest population in the Indian Union.

Uttar Pradesh is encircled by the states of Himachal Pradesh and Uttaranchal and Nepal in the north, Haryana and Rajasthan in the west, Madhya Pradesh and Chhattisgarh in the south, and Bihar and Jharkhand in the east. The border with Nepal makes Uttar Pradesh a key strategic asset for the Union of India.

Uttar Pradesh has one of the most fertile land masses for agriculture, with a powerful river-system including the Ganges, Yamuna, Ramganga, Gomati and Ghaghara. Important towns and trading centres of the state are located on these rivers, which offer great potential for waterway transport. The 'Kumbh Mela', possibly the biggest congregation of humankind in the world, is held at Allahabad every 12th year. This is the place where Ganga, Yamuna, and mysterious Saraswati meet rendering it one of the most sacred places for most Indians. However, despite a strong network of rivers, the state's water resources are in precarious balance, with an estimated availability of 1888.3 BCM/Yr. as against withdrawal demand of 1853.1 BCM/Yr., which includes demand from industry, irrigation and water supply (Chapter 11, Volume-II.)

1.7.1 Strong Agriculture Base

Uttar Pradesh comprises 7.6 per cent of India's land area, including 16.4 per cent of the country's area

under foodgrain production (2000-01) and 12.33 per cent net area under cultivation (1997-98). Almost 51 per cent of the land in Uttar Pradesh is used for cultivation and 74 per cent of the cultivated land is irrigated. Approximately, 66 per cent of the state's worker population is engaged in agricultural activities.

The state is the largest producer of foodgrains (particularly wheat), sugarcane, pulses and potatoes, in the country (Table 1.4). About one-third of wheat produced in the country in 2001-02 comes from Uttar Pradesh. Almost half of the total sugarcane growing area in India during 2001-02 can be found in Uttar Pradesh, accounting for 38.73 per cent of total sugarcane production. The state ranks second in rice production, after West Bengal. Uttar Pradesh is the second largest producer of pulses in India.

Thus, agriculture has a strong base in the state, and has the potential to feed a major population of the country. Unsurprisingly, Uttar Pradesh has the highest agriculture GSDP in the country (Figure 1.15) and is far ahead of the second ranking Maharashtra.

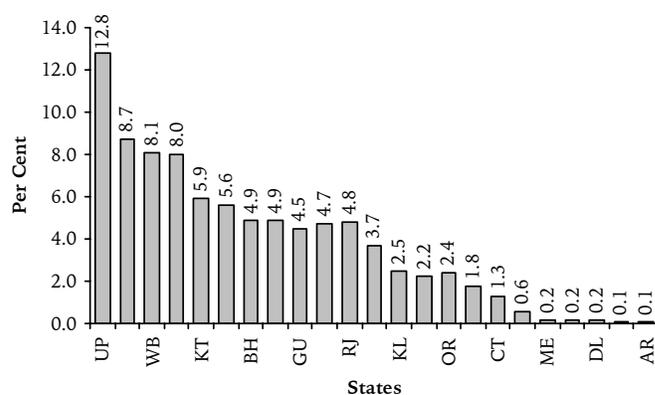
TABLE 1.4
Share of Uttar Pradesh in All-India Production of its Major Crops, 2001-02

<i>in Per Cent</i>				
<i>Wheat</i>	<i>Rice</i>	<i>Sugarcane</i>	<i>Potato</i>	<i>Pulses</i>
Uttar Pradesh (34.84)	WB (16.39)	Uttar Pradesh (38.73)	Uttar Pradesh (39.74)	MP (22.90)
PU (21.58)	Uttar Pradesh (13.39)	MH (15.04)	WB (32.48)	Uttar Pradesh (18.12)
HY (13.14)	AP (12.24)	TN (12.11)	BH (5.95)	MH (14.25)

Source (Basic Data): Agricultural Statistics at a Glance, Ministry of Agriculture.

FIGURE 1.15

State-wise GSDP—Agricultural Sector as Percentage of All-India Agricultural Sector (Average during 2001-03)



Source (Basic Data): CSO.

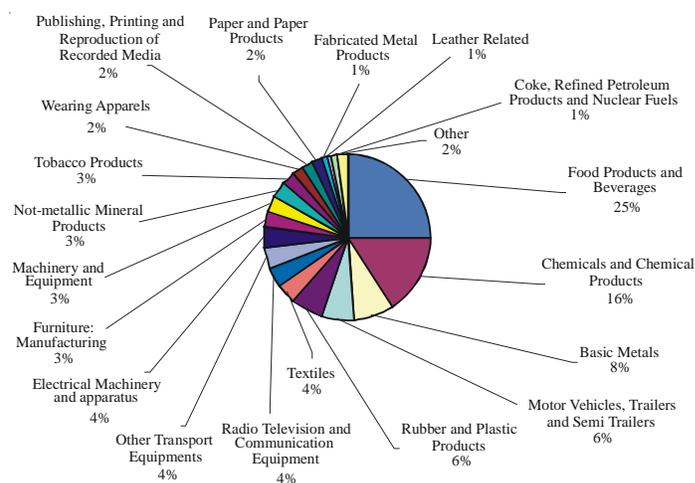
1.7.2 Diversified and Naturally Developed Industrial Activities

A large amount of industrialisation in Uttar Pradesh has taken place in an organic manner, particularly in the small-scale sector. The major industries in the state include sugar, cement, *vanaspati*, and cotton cloth and cotton yarn. Hand-knitted woollen carpets from Bhadohi and Mirzapur, 'chikan' work from Lucknow, terracotta from Gorakhpur, wood carvings from Saharanpur, brassware from Moradabad, glassware from Firozabad and hand printing from Farrukhabad, are all instances of the high levels of craftsmanship that can be found in the state (Table 1.5).

Figure 1.16 indicates distribution of the wide range of products manufactured in Uttar Pradesh. This demonstrates the potential for higher levels of industrialisation in the state, if properly developed. More importantly, although the levels of industrialisation in most parts of the states are low, industries are wide spread (Table 1.5) and have developed organically.

FIGURE 1.16

Spectrum of Industrial Activity (Two-Digit Level) in Uttar Pradesh (Year 1999-00)



Source (Basic Data): ASI 1999-00.

TABLE 1.5
Distribution of Major Industries Across Uttar Pradesh at Four-Digit Level

Industry Code	Industry Classification	Districts	Share in Value of Output in	
			All Mfg. in Uttar Pradesh	Respective Industry in India
1514	Manufacture of Vegetable & Animal Oils and Fats	Agra, Aligarh, Budaun, Kanpur Dehat, Jaunpur	0.24	0.37
1520	Manufacture of Dairy Products	Aligarh, Etah, Hathras, Mathura, Kaushambi, Lucknow, Jyotiba, Phulenagar, Chandauli	2.64	9.27
1531	Manufacture of Grain Mill Product	Hathras, Mainpuri, Kaushambi, Pratapgarh, Pilibhit, Shahjahanpur, Sant Kabir Nagar, Mahoba, Bahraich, Ambedkar Nagar, Maharajganj, Etawah, Hardoi, Sitapur, Ghazipur	3.10	5.80
1533	Manufacture of Prepared Animal Feeds	Chandauli	0.20	3.17
1542	Manufacture of Sugar	Azamgarh, Ballia, Mau, Bareilly, Pilibhit, Basti, Balrampur, Bahraich, Gonda, Bara Banki, Faizabad, Deoria, Kushinagar, Maharajganj, Hardoi, Kheri, Sitapur, Baghpat, Meerut, Bijnor, Jyotiba Phulenagar, Moradabad, Muzaffarnagar, Saharanpur	13.33	28.78
1549	Manufacture of Other Food Product n.e.c	Etah, Firozabad	1.13	3.59
1551	Distilling, Rectifying and Blending of Spirits	Rampur	1.85	23.70
1600		Farrukhabad, Kannauj, Saharanpur	1.26	7.20
1711	Preparation and Spinning of Textile Fibre incl. Weaving of Textiles	Mathura, Allahabad, Azamgarh, Ballia, Mau, Banda, Ambedkar Nagar, Rae Bareilly, Bulandshahr, Ghaziabad, Ghazipur, Jaunpur, Mirzapur, Sant Ravidas Nagar, Bhadohi	4.37	3.68
1722	Manufacture of Carpets and Rugs	Sant Ravidas Nagar, Bhadohi	0.27	17.24
1810	Manufacture of Wearing Apparel except Fur Apparel	Kanpur Nagar, Gautam Buddha Nagar	2.82	11.19

Contd. ...

<i>Contd...</i>				
<i>Industry Code</i>	<i>Industry Classification</i>	<i>Districts</i>	<i>Share in Value of Output in</i>	
			<i>All Mfg. in Uttar Pradesh</i>	<i>Respective Industry in India</i>
1920	Manufacture of Footwear	Agra, Pratapgarh	0.87	10.01
2101	Manufacture of Pulp, Paper and Paper Board	Bijnor	1.54	7.92
2212	Publishing of Newspapers, Journals and Periodicals	Varanasi	0.73	13.48
2310	Manufacture of Coke Oven Products	Mirzapur, Sonbhadra	0.38	5.69
2320	Manufacture of Refined Petroleum Products	Chitrakoot, Auraiya, Farrukhabad	1.16	1.28
2412	Manufacture of Fertilisers and Nitrogen Compounds	Allahabad, Bareilly, Budaun, Sultanpur, Gorakhpur, Kanpur Nagar	8.29	18.02
2424	Manufacture of Soaps and Detergents, Perfumes and Toilet Preparations	Hamirpur, Jalaun, Kanpur Dehat	1.31	7.15
2429	Manufacture of Other Chemical Products n.e.c.	Lalitpur	0.85	5.58
2511	Manufacture of Rubber Tyres and Tubes	Meerut	2.31	14.95
2520	Manufacture of Plastic Products	Shahjahanpur, Gautam Buddha Nagar	3.74	12.57
2610	Manufacture of Glass and Glass Products	Firozabad	0.80	14.88
2694	Manufacture of Cement, Lime and Plaster	Jhansi	0.59	2.05
2710	Manufacture of Basic Iron and Steel	Fatehpur, Hamirpur, Sultanpur, Jalaun, Unnao, Ghaziabad, Muzaffarnagar	3.05	2.35
2720	Manufacture of Basic Precious & Non Ferrous Metals	Aligarh	2.89	10.49
2731 6.50	Casting of Iron and Steel	Agra, Aligarh, Mathura, Fatehpur		0.70
2899	Manufacture of other Fabricated Metal Products n.e.c.	Fatehpur	1.08	10.62
2930	Manufacture of Domestic Appliances, n.e.c.	Varanasi	0.51	6.25
3000		Rampur	1.03	33.86
3110	Manufacture of Electric Motors, Generators and Transformers	Jhansi	1.24	7.15
3130	Manufacture of Insulated Wire and Cables	Rai Bareli	0.81	4.55
3150	Manufacture of Electric Lamps and Lighting Equipment	Firozabad, Sultanpur	0.93	29.39
3220	Manufacture of Television and Radio Transmitters and Apparatus	Gautam Buddha Nagar, Ghaziabad	1.55	16.89
3230	Manufacture of Television and Radio Receivers and Associated Goods	Gautam Buddha Nagar	2.32	15.35
3410	Manufacture of Motor Vehicles	Gautam Buddha Nagar, Lucknow,	2.78	11.33
3591	Manufacture of Motorcycles	Gautam Buddha Nagar, Kanpur Nagar	3.72	19.67
3699	Other Manufacturing n.e.c.	Moradabad	1.83	37.18
Total			78.50	

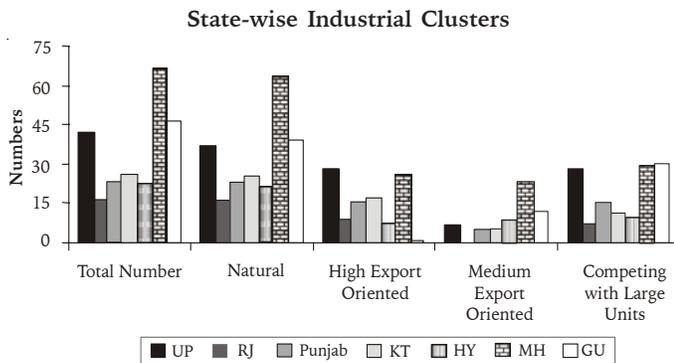
Source (Basic Data): ASI, Uttar Pradesh, 1998-99. The items covered account for 64.33 per cent of India's manufactured (ASI) value of output during 1998-99.

The data in Table 1.5 also shows that the state has high comparative advantage in several products where its share in all-India production is more than 20 per cent. This includes manufacturing of sugar; distilling, rectifying and blending of spirit;

manufacture of electric lamps and lighting equipment; and other manufactures, mainly produced in Moradabad. Uttar Pradesh has attained near-leadership in manufacturing and exporting processed food products.

There are 42 identified clusters, which is next only to Maharashtra (66) and Gujarat (46). Thirty-seven of them are natural and 28 are considered to be export oriented. Several of these clusters compete with large producers. However, the clusters need to be modernised and their operations increased in scale. Figure 1.17 compares Uttar Pradesh's clusters with those in Rajasthan, Punjab and others. The important clusters in Uttar Pradesh are NOIDA for electronics, Moradabad for brassware, Meerut for sports goods, Bhadoi, Varanasi and Pratapgarh for carpets, Kanpur and Agra for leather, Aligarh for locks, Khurja for ceramics, Kannauj for essential oil and Agra for foundries. The state's numerous clusters give it a definite edge over competing states. Figure 1.18 indicates a pattern of industrial corridors that is possible to develop in Uttar Pradesh in order to facilitate growth of the existing clusters.

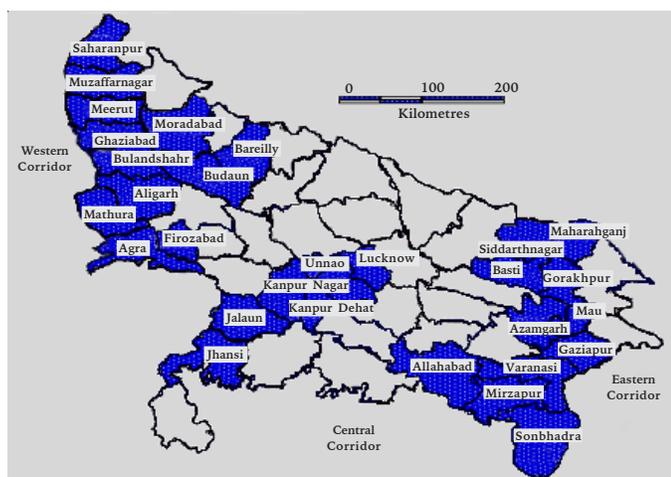
FIGURE 1.17



Source (Basic Data): Mukesh Gulati's Report on Clusters-UNIDO.

FIGURE 1.18

Industrial Corridors in Uttar Pradesh



Source (Basic Data): NCAER Survey.

While most of the export-oriented units are concentrated in western Uttar Pradesh, there are pockets of moderate concentration in almost all regions (Table 1.6). The problem appears to be promotion, scale of operations and distance from large commercial centres.

Location	Export Item
Bundelkhand Region	
Banda	Shafar stone
Chandauli	Rice
Janshi	Brass work
Lalitpur	Brass work
Mahoba	Betel leaves
Central Uttar Pradesh	
Fatehpur	Potato based products, hand printing
Kanpur	Leather, leather shoes, suitcases, bags, leather garments, software export, chemicals, egg. automobiles, textiles, handloom, power loom, essential oils and perfumes. pharmaceuticals, spices
Lucknow	Miniature painting <i>chikan zardozi</i> , floriculture, ayurvedic/herbal medicine, mango, tobacco, <i>batik</i> , camel bone carving
Unnao	Leather and leather goods
Sitapur	<i>Dhurries</i>
Eastern Uttar Pradesh	
Azamgarh	<i>Sarees</i> , silk, dress material, black pottery
Bahraich	Cotton yarn
Gonda	Wooden block
Gorakhpur	Disposable syringe, terracotta
Jaunpur	Hand-woven woollen carpet, hand needle work
Mau	Handloom and power loom textiles
Mirzapur	Woollen and cotton <i>dhurries</i> , hand-woven
Tanda, Faizabad	Jamdani
Varanasi	Woollen handicraft, fancy articles, jamdani, silk, <i>zari and zardozi</i> , handicrafts, repoussi work, brocade, wooden toys, <i>meenakari</i>
Western Uttar Pradesh	
Agra	Silk carpets, handicrafts items, embroidered goods, jewellery, studded articles, marble goods, marble inlay, stone art pieces leather shoes, slippers, bags
Aligarh, Purdilnagar	Locks, builders hardware, art metal, piled <i>dhurries</i> , glass & ceramics beads and craft items
Bareilly	<i>Zardozi</i> , embroidered articles, rice.
Farrukhabad	Hand printed cotton and silk bed spreads, <i>zardozi</i> work, wooden block, <i>tarkeshi</i>
Firozabad	Cut glass, glass items, glass bangles, scientific instruments

contd. ...

contd...	
Location	Export Item
Greater NOIDA, NOIDA, Gautam Buddha Nagar	Electronics, computer hardware and software, apparel, engineering, automobiles, chemicals
Hathras	Glass and ceramics beads, piled <i>dhurries</i> , stone/bead studded brass lamps
Kannauj	<i>Attar</i> , perfumes, rose water, sandalwood oil based perfumes
Khekra, Meerut	Sports goods, textiles, hand printing - and screen, handloom, gold jewellery
Khurja, Bulandshahr ceramic	Pottery, pottery painting, ceramics, tiles, bathroom utilities, bone china
Mainpuri	Tobacco, garlic products, <i>tarkashi</i> work on wood
Mathura	Stone craft, block printing, hand printing, <i>ghungru</i> , miniature printing
Moradabad	Art metalware, art jewellery, bone jewellery.
Mujaffarnagar	Rice, paper
Nagina Bijnore	Comb, bone craft, wood carving
NOIDA, Export Processing Zone (NEPZ)	Gems and jewellery, apparel, electronics, computer hardware and software, leather.
Rampur	Applique work
Saharanpur	Wood carving, toys, wooden fancy items, furniture, screens, rice
Sahibabad, Loni, Pilkhua Ghaziabad	Chemicals, engineering, apparel, textiles, hand printing, herbal medicines and cosmetics, stocks, bones buttons and beads, art jewellery, carpentry
Shahzahanpur	Carpet

Source: EPBUP website downloaded 30.12.2003 (Basic Data).

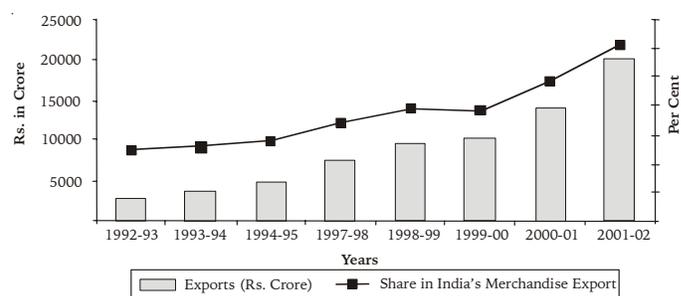
There is not much reliable data at the state level to compare export performance across states. However, Uttar Pradesh was one of the first few states to start an export promotion bureau. The bureau is reportedly finding difficulty in developing a reliable database. Nevertheless, some unpublished data compiled by the export promotion board can help in analysing export performance of the state. This data is presented in Figures 1.19 and 1.20.

Clearly, the share of Uttar Pradesh in India's merchandise trade is consistently increasing and if projections are to be believed, it crossed 12 per cent mark in 2001-02. The export of all commodities has risen between 1999-00 and 2000-01 (Figure 1.20). The main items of export include computer software and electronics, engineering and building material ware, art and metalware, leather and leather goods, hand-woven carpets and *dhurries*, clothes and garments, agro products and processed food items and gems and jewellery. Given the export composition of the country and concentration of such sectors in Uttar Pradesh there is reason to believe this data.

However, unofficial data used in policy circles at the Central level on estimates Uttar Pradesh's export share to be three per cent. Recently, this estimate was presented by the United Nations Conference on Trade and Development (UNCTAD) at a seminar on the informal sector (December 2003), organised by UNCTAD and NCAER, but neither the authors nor the source quoted in the paper (the Ministry of Commerce) took any responsibility for the numbers, which was heavily criticised during the discussion.

FIGURE 1.19

Export Performance of Uttar Pradesh

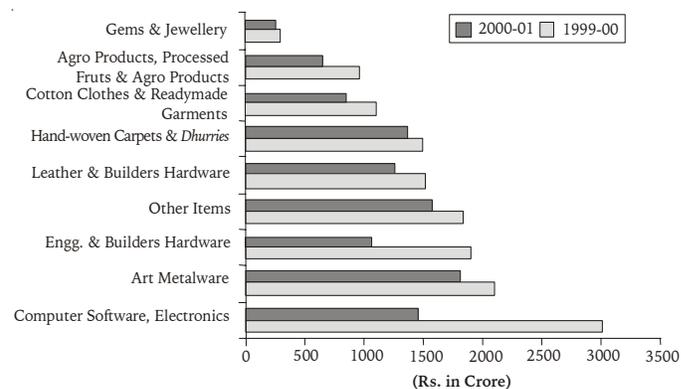


Source: Unpublished compilation of Uttar Pradesh Export Promotion Board (Basic Data).

Note: All values are approximate. Values for 2001-02 is target.

FIGURE 1.20

Performance of Major Export Items (Rs. Crore)



Source (Basic Data): Unpublished compilation of Uttar Pradesh Export Promotion Board.

Note: All values are approximate.

In recent years, Indian handicrafts, such as embroidered and crocheted goods, art-metals wares, shawls as art-ware, imitation jewellery, *zari* goods, wood ware, hand printed textiles and scarves have shown marked increase in global demand (Table 1.7). Uttar Pradesh being a leading state in art-ware, can

reap huge dividend by modernising the processing and diversifying the products according to the taste of the buyers. It may be noted that several of the progressive states such as West Bengal have commissioned extensive studies to survey and produce strategic reports to increase exports from the respective states. It is high time that Uttar Pradesh should invest in developing a good database on exports and carry out extensive economic research to augment its export potential from all possible regions of the state.

TABLE 1.7

Growth in Global Demand for Indian Handicrafts: Major Country-wise Exports of Handicraft (Rs. Crore)

	2002-03	2003-04	2004-05	Average Annual Growth (Per Cent)
Australia	128.48	158.84	200.16	24.82
Canada	272.06	327.76	392.7	20.14
France	384.95	482.59	539.65	18.40
Germany	917.79	968.43	1384.82	22.84
Italy	288.97	356.48	425.34	21.32
Japan	278.64	331.21	381.48	17.01
Netherland	218.82	291.1	369.3	29.91
Saudi Arabia	193.87	241.31	290.51	22.41
Switzerland	136.38	150.94	198.35	20.60
United States	2630.14	3200.67	3556.92	16.29
United Kingdom	938.65	1130.67	1495.88	26.24
Other Countries	1954.66	2825.71	3497.59	33.77
Total	8343.41	10465.71	12732.7	23.53

Source: Press Information Bureau of India (PIB) press release May 6, 2005; written statement by the Minister of Textiles in Rajya Sabha.

1.7.3 Mineralisation

Uttar Pradesh is not a highly mineralised state, share of mining and quarrying in real GSDP is just about one per cent. Yet, certain areas such as plateau of Bundelkhand, Mirzapur, and Sonbhadra are the areas where significant mineralisation has taken place. Mineral-based industries are major contributors to the economies of these regions. Important minerals include coal, diaspore, sulphur and magnesite, prophyllite, silica sand and limestone. Several industries using these minerals are already in operation, including fertilisers, aluminium metal, alumina, caustic soda, ferro-alloys, refractory and ceramics, sulphuric acid and oil refinery. However, the scale of operations is small. The share of reserves of some of the important minerals found in the state are presented in Table 1.8.

TABLE 1.8

Share of Mineral Resource in Uttar Pradesh

Minerals	Share in India		Location
	Reserve as on 1.1.2001	Production 2001-02	
Coal	0.48	5.01	Singrauli coalfields: Mirzapur district
Diaspore	14.75	39.19	Lalitpur, Jhansi and Hamirpur
Dolomite	1.24	3.58	Mirzapur and Banda
Glass Sand			Shankargarh, Lohargarh Allahabad and Banda
Limestone	1.96	5.45	Mirzapur
Pyrophyllite			Jhansi, Lalitpur and Hamirpur
Steatite Soapstone			Hamirpur, Lalitpur and Jhansi
Bauxite	0.61		Allahabad and Banda

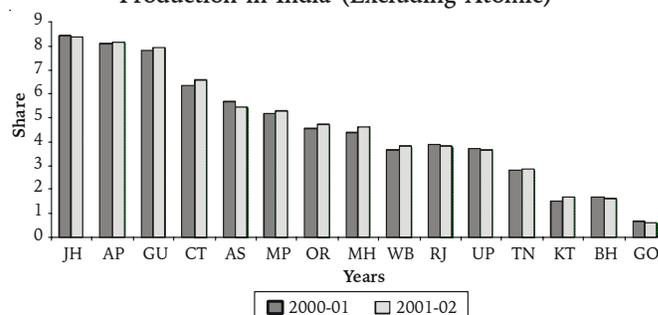
Source (Basic Data): Indian Mineral Yearbook, 2002.

In addition, a few other minerals are also found in the state. These include marble in Mirzapur and Sonbhadra; non-plastic fireclay in Bansi, and Makri-Khoh area of Mirzapur district; and Uranium found in Lalitpur district; Barytes and Edalusite in the districts of Mirzapur and Sonbhadra. Reserves of sandstone, pebbles, reh, salt punter, marang, sand and other minor minerals are also present.

The overall production of minerals is presented in Figures 1.21 and 1.22. Clearly, Uttar Pradesh is not a large producer. However, in the case of minor minerals it has an important share.

FIGURE 1.21

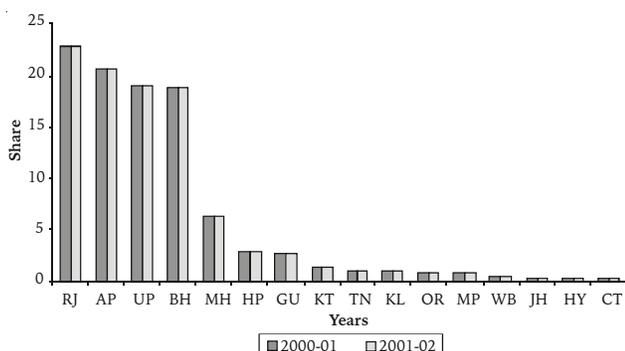
Share of the Major States in Total Value of the Mineral Production in India (Excluding Atomic)



Source (Basic Data): Indian Bureau of Mines: Indian Minerals Yearbook, 2002.

FIGURE 1.22

Share (Value) of the Selected States in Minor Mineral Production in India



Source (Basic Data): Indian Bureau of Mines: *Indian Minerals Yearbook*, 2002.

1.8 Weaknesses

Uttar Pradesh is land-locked, which creates disadvantage in competing with other states, particularly in exportable goods. Rural mass has fragmented land with small landholding, which does not allow them to use innovative methods. On top of that village and town level industrialisation is very poor. In such an underdeveloped democratic society, political compulsions and doubts about reforms, are obstacles to implementation of progressive policies. There are also issues unique to Uttar Pradesh. For example, the political sensitivity of the electorate, and the sense of ownership of the rich agricultural base. While optimal use of natural resources provide the potential source of growth for the state, over-dependence and over exploitation may create serious bottlenecks to development in the long term. Their exploitation must be sustainable and scientific and must be supported with development and value-addition in other areas of industrialisation. An understanding of systemic weaknesses in Uttar Pradesh is essential in formulating strategies for growth and development.

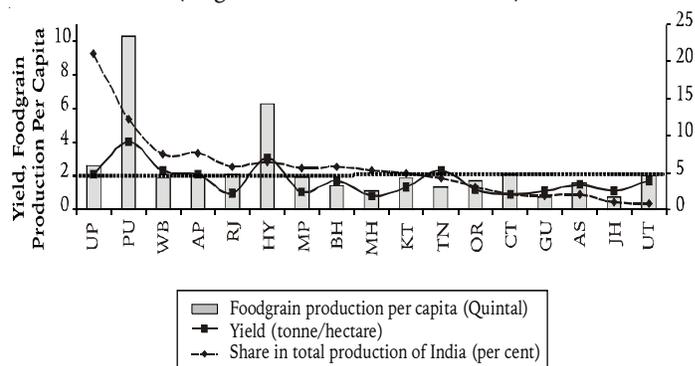
1.8.1 Low Yield in the Agricultural Sector

The strength of Uttar Pradesh lies in its strong agricultural base and high levels of output. However, in terms of per capita production and yield per hectare, Uttar Pradesh is an average state (Figure 1.23). The green revolution was restricted to all of Punjab, Haryana and parts of other states. Agriculture is not market-oriented in Uttar Pradesh as it has been in Punjab and Haryana. There is hardly any surplus to what is produced and consumed on an average in the country. Serious analysis and scientific development is

needed to professionalise agriculture. On an international scale, even the states with the highest yield in India fall short of the 4904 kg per hectare yield in China and 4315 kg per hectare yield in high-income countries (Table 1.9). There are several areas of improvement, which can be accomplished only through scientific methods such as soil testing, better seeds, efficient irrigation, more mechanisation and farmer education.

FIGURE 1.23

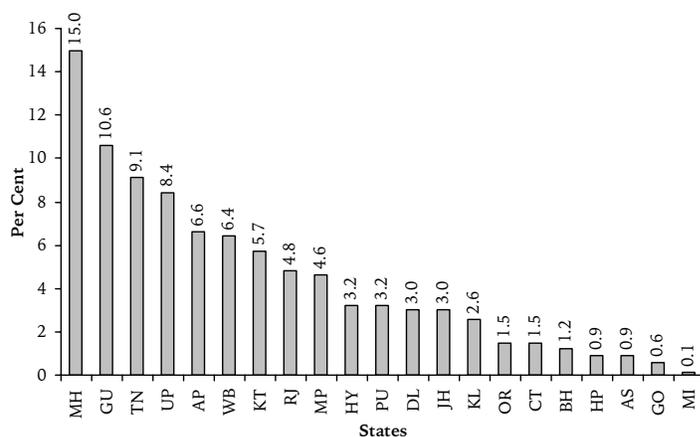
Foodgrain Production Per Capita, Yield and Share in India (Avg. of 2000-01 and 2001-02)



Source (Basic Data): *Fertiliser Statistics*, various issues.

FIGURE 1.24

Average Share of Secondary Sector Real GDP as Percentage of All-India Secondary Sector Value Addition during 2001-03 (1993-94 Prices)



Source (Basic Data): CSO.

1.8.2 Low Intensity, Low Level and Skewed Industrialisation

Despite several industrial strengths discussed earlier, Uttar Pradesh is far from being a leading state in terms of its contribution to national manufacturing (Figure 1.24). The overall industrialisation as a percentage of its

TABLE 1.9
Cereal Yields (Kg Per Hectare) in Selected Regions of the World and India

Cereal Yield (Kg Per Hectare)	1961-70	1971-80	1981-90	1991-95	1996-01	2001
India	977	1220	1622	2053	2270	2318
China	1733	2532	3823	4468	4881	4904
East Asia & Pacific	1678	1945	2205	2566	2815	3018
Latin America & Caribbean	1286	1616	1988	2095	2378	2635
South Asia	1290	1417	1631	1862	2128	2226
Low Income	930	1050	1162	1195	1315	1311
Middle Income	1257	1586	1949	2134	2287	2291
High Income	2652	3151	3746	4163	4372	4315
World	1241	1469	1768	1924	2079	2171

Source (Basic Data): WDI 2003.

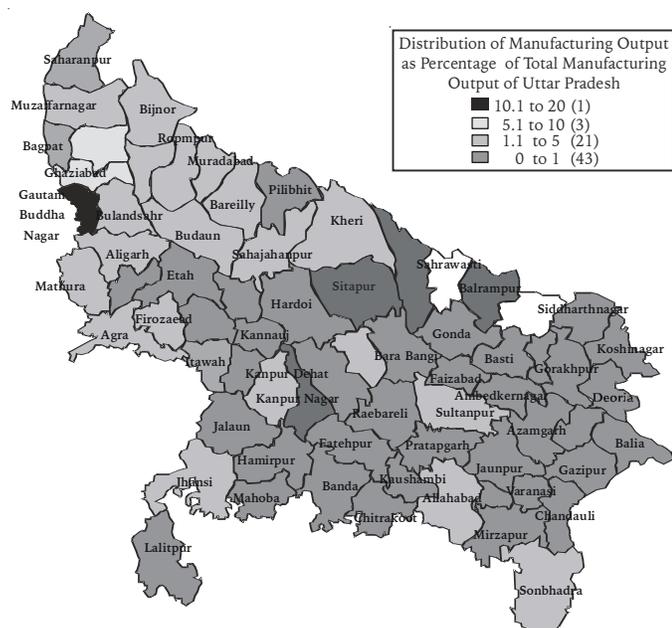
own GSDP, compared to equivalent figures for other states, is also poor.

The problem also lies in skewed industrialisation. Almost 19 per cent of manufacturing output during 1999-2000 came from a single district, while 21.8 per cent was produced in three other districts with individual contributions ranging between 5-10 per cent. There were 11 districts contributing between 2-5 per cent each, with a combined output of 31.6 per cent. There were another

per cent of the industrial output came from 25 districts, while the other 45 districts contributed only 13 per cent to output. The most productive districts lie in western part of the state, close to the national capital (Figure 1.25). The sugar industry, grains mills and low-level textile industries seem to be spread evenly across all regions (Table 1.5). Table 1.10 demonstrates the size of factory operations in Uttar Pradesh against the all-India average for the period 1999-00. Uttar Pradesh accounted for 6.8 per cent of national factory output. 9.4 per cent of the national investment in fixed capital stock was in 7.8 per cent of the total factories. On an average, a factory in Uttar Pradesh had a capital base of Rs. 366 lakh as against the all-India average of Rs. 305 lakh. There were 42 workers per factory in Uttar Pradesh compared to 48 nationally. This means average fixed capital per worker in Uttar Pradesh was Rs. 8.8 lakh as against an average of Rs. 6.4 lakh per worker nationwide. Finally, gross value added per unit fixed capital stock is 0.34 in Uttar Pradesh compared to 0.47 overall. However, there is some improvement in productivity during 2001-02 and Uttar Pradesh has attained just about average level of GVA to FCS ratio. However, its share in total fixed capita in factory sector fell to 7.0 per cent. More disturbing is the closure of factories during 1999-00 to 2001-02. Almost 11 per cent factories have closed in Uttar Pradesh as compared to 3 per cent at all India level resulting in significant reduction in workers.

FIGURE 1.25

Distribution of Manufacturing Output in Uttar Pradesh Across Districts



Source (Basic Data): ASI, 1999-00, 2001-02.

10 districts producing 1-2 per cent of output each, which accounted for another 14.10 per cent. Thus, more than 87

Clearly, capital in Uttar Pradesh is not as productive as it is elsewhere and the state displays average levels of industrialisation. Therefore, promotional strategies need to be worked out in order to transform factory composition to increase value addition and at the same time generating more employment.

TABLE 1.10
Factory Sector of Uttar Pradesh in Summary

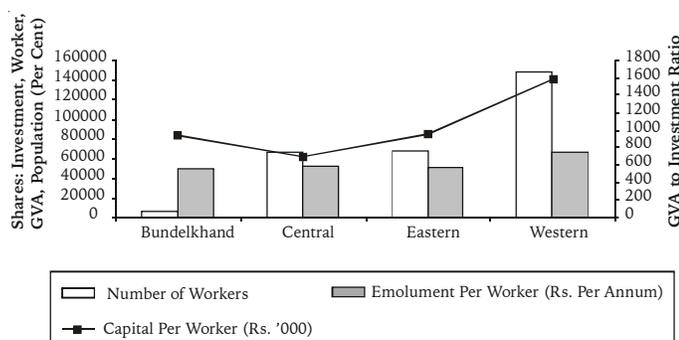
	Number of Factories	Fixed Capital	Output (Rs. Lakh)	GVA (Rs. Lakh)	Workers	Worker Per Factory	Fixed Capital Per Worker (Rs. Lakh)	Fixed Per Factory (Rs. Lakh)	GVA to FCS
1999-00									
India	131558	40186473	89793835	18857371	6280659	48	6.4	305	0.47
UP	10303	3772531	6104692	1290747	428913	42	8.8	366	0.34
Share of UP	7.8	9.4	6.8	6.8	6.8				
2001-02									
India	128549	43196013	96245663	18322914	5957848	46	7.2	336	0.42
UP	9157	3021410	6703704	1269831	382821	43	7.89	342	0.42
Share of UP	7.1	7.0	7.0	6.9	6.4				

Source (Basic Data): ASI, 1999-00, 2001-02.

At the sub-regional level, the quantum of investment⁶ and emoluments per worker is highest in the western region (Figure 1.26), while value addition per unit investment is higher in central and eastern regions (Figure 1.27). The labour (worker) cost is almost same in central, eastern and Bundelkhand regions. However, deployment of workers is low in all the regions except in the western region. Thus, the existing manufacturing activities in most parts of Uttar Pradesh has not been able to generate high employment, while at the same time the value added is also not enough to rapidly improve the living conditions of the majority of the population. Change needs to be induced in areas, which are lagging behind.

FIGURE 1.26

Distribution of Workers, Emoluments and Investment Per Worker Across Regions in Uttar Pradesh (1998-99)

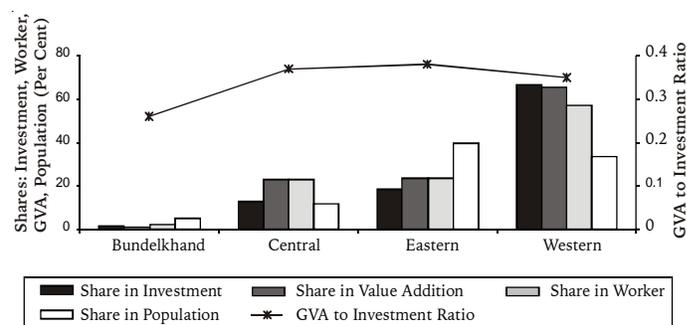


Source (Basic Data): ASI, Uttar Pradesh, 1998-99.

6. At district and region level net fixed capital data is not available. Hence, total invested capital is used for analysing district level data. This does not affect the theme.

FIGURE 1.27

Distribution of Investment, and Labour in Factory Sector Across Regions in Uttar Pradesh (1998-99)



Source (Basic Data): ASI, Uttar Pradesh, 1998-99.

In terms of sectors, 22 industries at three digit level contribute more than 80 per cent of manufacturing output. This implies that the factory sector in Uttar Pradesh is fairly diversified as indicated earlier. However, no industry has attained national leadership in production despite comparative advantage in some of the products. Table 1.11 gives a clear picture of sector level activity in Uttar Pradesh and its comparison with national activities. The 22 selected sectors are presented in the top row of Table 1.11 along with their percentage contribution (in parentheses) to the manufacturing production of Uttar Pradesh. The columns below each sector present the ranking of different states in production of that sector with respect to all-India production of that sector. Clearly, Uttar Pradesh is far behind the leaders in each of its major manufacturing sectors. One of the most important industrial sectors in Uttar Pradesh is other food products—mainly sugar (Table 1.5), which has the

TABLE 1.11
Share in All-India Production: Key Industries of Uttar Pradesh (1999-2000)

154 (Other Food Products) (11.34)	241 (Basic Chemical) (10.43)	242 (Other Chemical Product) (5.80)	151 (Food Processing) (5.05)	153 (Grain Mill Product) (4.14)	359 (Transport Equipment) (3.68)	272 (Basic, Precious Metals) (3.53)	
MH (23.2)	GU (42.3)	MH (26.0)	MP (20.0)	AP (19.0)	MH (31.7)	DN (22.6)	
UP (16.0)	MH (14.6)	GU (18.2)	AP (14.6)	PU (14.4)	HY (22.0)	OR (12.0)	
TN (12.2)	TN (9.0)	TN (8.7)	MH (11.9)	HY (9.1)	TN (13.5)	UP (10.6)	
AS (8.4)	UP (8.2)	AP (7.5)	GU (10.7)	MH (9.1)	UP (13.2)	GU (9.5)	
KT (7.8)	AP (5.6)	MP (5.25)	TN (10.2)	TN (6.54)	PU (12.8)	RJ (6.5)	
AP (5.8)	KL (3.4)	UP (5.15)	UP (8.1)	UP (6.49)	MP (2.2)	MH (6.2)	
KL (5.76)	RJ (3.04)	KT (4.14)	RJ (6.62)	GU (6.33)	KT (0.86)	TN (4.84)	
271 (Basic Iron & Steel) (3.41)	341 (Motor Vehicles) (3.35)	152 (Dairy Products) (3.29)	171 (Spinning Weaving & Finishing-textiles) (3.21)	252 (Plastic Products) (3.14)	323 (Television & Radio Receivers)	369 (Jewellery & Related Articles) (2.60)	
JH (19.7)	MH (29.1)	GU (24.6)	TN (21.3)	MH (20.2)	MH (47.3)	MH (72.0)	
MH (11.3)	TN (16.1)	MH (16.4)	GU (18.8)	GU (13.0)	UP (16.7)	UP (10.6)	
CT (8.9)	JH (8.6)	UP (11.5)	MH (15.1)	UP (11.3)	GU (8.0)	GU (4.8)	
AP (8.5)	UP (8.1)	AP (8.7)	PU (8.9)	DD (9.9)	KT (4.7)	RJ (2.6)	
GU (7.2)	MP (6.3)	PU (8.4)	RJ (7.8)	TN (6.5)	DL (3.9)	TN (2.4)	
MP (7.0)	AP (1.2)	KT (6.9)	WB (6.1)	AP (5.9)	MP (3.8)	PU (2.1)	
WB (6.1)	KT (1.08)	TN (4.10)	MP (5.0)	DN (4.42)	HP (3.4)	DD (1.2)	
UP (2.9) (Rank 13)			UP (2.7) (Rank 10)				
343 (Part for Motor)	160 (Tobacco Products) (2.57)	251 (Rubber Products) (2.41)	291 (General Purpose Machinery) (2.02)	181 (Wearing Apparel) (1.99)	269 (Non Metallic Products) (1.84)	155 (Beverages) (1.60)	210 (Pulp & Paper) (1.58)
HY (64.4)	AP (22.4)	MH (20.3)	MH (32.8)	DL (27.6)	RJ (22.0)	MH (43.7)	MH (20.7)
TN (21.8)	KT (19.3)	UP (10.4)	GU (14.1)	TN (18.8)	AP (10.1)	UP (8.7)	GU (14.3)
MH (16.1)	UP (14.7)	MP (9.7)	TN (12.8)	MH (15.7)	MP (9.1)	PU (6.4)	TN (11.3)
KT (12.4)	MH (9.6)	KL (9.5)	UP (6.6)	KT (15.4)	CT (8.7)	TN (6.3)	AP (8.7)
UP (9.5)	WB (8.3)	TN (8.4)	HY (5.5)	HY (8.5)	TN (8.2)	RJ (4.69)	UP (6.7)
PU (4.2)	GU (7.4)	PU (7.3)	AP (4.6)	UP (8.1)	GU (7.74)	AP (4.65)	KT (5.1)
DL (2.9)	BH (4.5)	HY (5.9)	KT (4.4)	GU (1.9)	KT (7.70)	KT (4.4)	UT (4.3)
				UP (3.77) Rank 10			

Source (Basic Data): ASI 1999-00.

highest share in factory sector output in Uttar Pradesh. The state ranks second in this sector in the country.⁷ It is also the highest employer of labour (Figure 1.28). However, its share in all-India GVA is lower as compared to that of basic precious and non-ferrous metals, even though the latter has a lower share in all-India output. Thus, value-adding criteria in product

choice are also important in developing policies for increasing the economic growth.

Sugar industry is faced with challenging situation given the competition from other states, complex pricing mechanism and political sensitivity. There are also issues related to permission to produce ethanol and adapting technologies to facilitate co-generation of energy. In this context, private sector is better placed effect changes. In such a background, it is important

7. See Chapter 2, Volume II for strategies to improve sugar sector and on privatisation of the sugar industry.

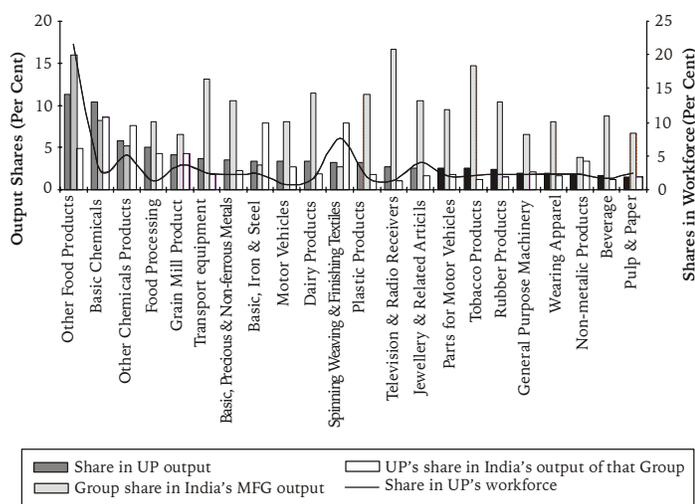
that state government should commission a comprehensive study of the sugar sector in Uttar Pradesh for better insight.

Figure 1.28 plots the share of sectoral production in national production of that sector, the share of Uttar Pradesh in that sector and share of the sector in the factory sector output of Uttar Pradesh and the sectors' share in employment in Uttar Pradesh. Employment appears to be concentrated in other food products (mainly sugar manufacturing) and spinning, weaving and finishing textiles.

The high share of Uttar Pradesh's production in some sectors that contributed very little to the all-India manufacturing map indicates specialisation. However, it is important to note that Uttar Pradesh has not taken advantage of its specialisation due to the small scale of industrial operations in these sectors.

FIGURE 1.28

Twenty-two Major Sectors of Uttar Pradesh, Share of Sectors' Production in National Production of that Sector, Share of Uttar Pradesh in that Sector and Share of the Sector in Factory Sector Employment in Uttar Pradesh



Source (Basic Data): ASI, Uttar Pradesh, 1988-99.

Representation of Uttar Pradesh in the high-value production of India is very limited (Table 1.12). The gross value added (GVA) from top five industries of India is of the order of 41.89 per cent, in which the share of Uttar Pradesh is just 1.8 per cent. The GVA from these sectors in Uttar Pradesh as percentage of total GVA in the factory sector of Uttar Pradesh was 26.37 per cent during 1999-00. Nationally, the top 20 industries contribute a further 32.8 per cent of value-added; for Uttar Pradesh, the corresponding figure is

48.63 per cent. This corroborates the foregoing argument that Uttar Pradesh can do better if it uses a two-pronged strategy. One, it should enter into high value added products and second, increase scale of operation in areas where its presence is substantial.

TABLE 1.12
Contribution of Three-digit Level Top Industries of India in Factory Sector of Uttar Pradesh

	Description	Top 5	Top 10	Top 20
Total Output	Share in total factory sector of India	38.14	57.65	76.88
	Share in Uttar Pradesh against total of Uttar Pradesh	25.68	43.11	72.4
	Share of Uttar Pradesh in total factory sector in India	1.61	3.36	5.07
Total GVA	Share in total factory sector of India	41.89	57.97	74.69
	Share in Uttar Pradesh against total of Uttar Pradesh	26.37	48.78	75.00
	Share of Uttar Pradesh in total factory sector of India	1.8	3.33	5.13

Source (Basic Data): ASI, 1999-00.

1.8.3 Poor Physical and Financial Infrastructure

There are several issues related to infrastructure development in Uttar Pradesh. These include connectivity in civil aviation, power, surface transport, communication and finance. Even the important craft clusters of Bhadohi-Mirzapur, Muradabad region, Saharanpur, Firozabad, Bareilly and Varanasi are lacking in minimum infrastructure support.

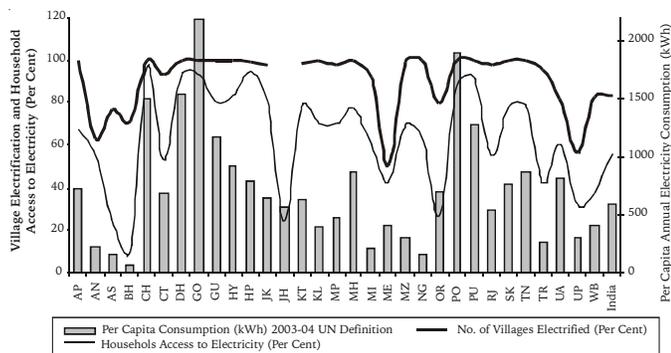
One of the possible reasons for faster growth of Gurgaon compared to NOIDA is the proximity of Gurgaon to Indira Gandhi International airport. However, any plan for an international airport requires adequate traffic. In this context, international airports at NOIDA and Varanasi can be feasible propositions. An international airport at Varanasi, which attracts a large number of international and national tourists, can also service the requirements of Buddhist tourist in nearby areas and a host of travellers to Gorakhpur and Allahabad. Similarly, NOIDA international airport can share the traffic from and to Delhi in addition to providing direct international connectivity to western Uttar Pradesh including Agra.

Power consumption in the state is about 300 kWh per person per year, which is far less than the all-India

average of 592 kWh (Figure 1.29). Among all the major states in India, Uttar Pradesh has the lowest percentage of villages electrified and is second lowest in terms of per capita power consumption. In addition, the household access to power is just about 32 per cent much below national average of 84 per cent. This constraint has wide-ranging implications for industrialisation of Uttar Pradesh.

FIGURE 1.29

Per Capita Power Consumption ((2003-04) UN Definition), Percentage of Villages Electrified and Household Access to Electricity

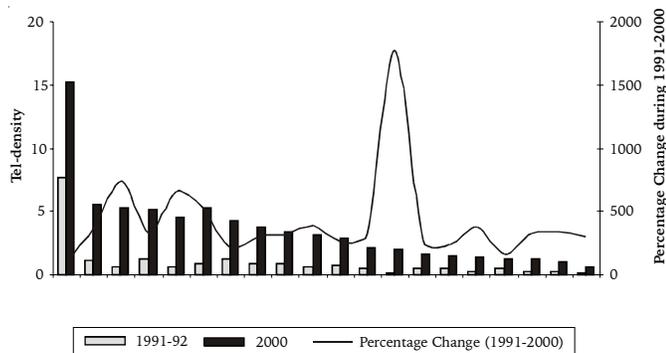


Source (Basic Data): CEA, Census 2001.

Similarly, the tele-density (per 100 persons) of the state during 2000 was one of the lowest at 1.33 as against 2.85 at all-India level. Most of the major states have tele-density in the range of 3.12 to 15.27 (Figure 1.30).

FIGURE 1.30

Tele-density (per 100 Person) in Uttar Pradesh and Other States



Source (Basic Data): Infrastructure in India, 1996, CMIE, DoT 1999-2000 quoted in Tenth Plan document of Planning Commission.

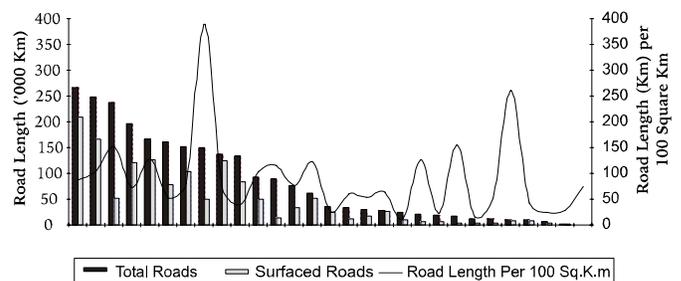
With the current growth of communications and information technology, these parameters will probably

improve. However, several states have already taken a lead in this respect, and Uttar Pradesh will have to do a lot of catching up, if it has to be competitive in attracting investment and improving productivity.

Uttar Pradesh has about 104 kilometres of road length per 100 square kilometres of area, which is just above the all-India average of 75 kilometres of road length per 100 square kilometres (Figure 1.31). Given the population density of 696 people per square kilometre as against all-India average of 312 during 2001, the road capacity is relatively low. Ideally, this figure should approach the equivalent for Kerala (population density 819, next higher to Uttar Pradesh), which has a road density of 388 per 100 square kilometres.

FIGURE 1.31

Length of Surfaced Roads (Year: 2001)



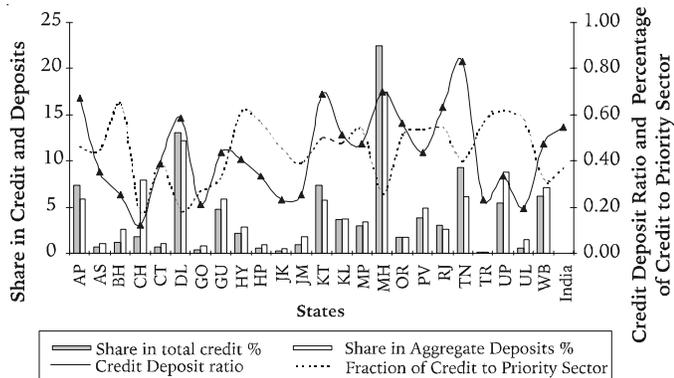
Source (Basic Data): Basic Road Statistics: Ministry of Transport.

The operations of scheduled commercial banks in the state are an indicator of its financial development. Uttar Pradesh had 3.11 public sector commercial banks per 100,000 persons as against a national average of 4.51 public sector commercial banks during 2004 (Economic Survey, 2004-05). The credit to deposit ratio for the state is 0.33 as against a national average of 0.54. Total deposits formed about 8.7 per cent of all-India commercial bank deposits, while credit was 5.37 per cent (Figure 1.32). Importantly, almost 62 per cent of the credit in Uttar Pradesh goes to priority sector, while in progressive states such as a Maharashtra, Gujarat, the priority sector constitutes about 26 and 34 per cent share. This is not surprising given the low level characteristics of industrialisation in Uttar Pradesh. With changing definition of priority sector such as increases in housing loan limit, aggregate credit off-take in Uttar Pradesh may further get marginalised. The problem can be presented in a different way as follows: At present banks use Uttar Pradesh as a ground to fulfil their priority sector

obligations. The moment such restrictions are lifted or relaxed, there is fair possibility of diverting their business to other states.

FIGURE 1.32

Pattern of Deposit and Credit Across Selected States (as on June 2004)



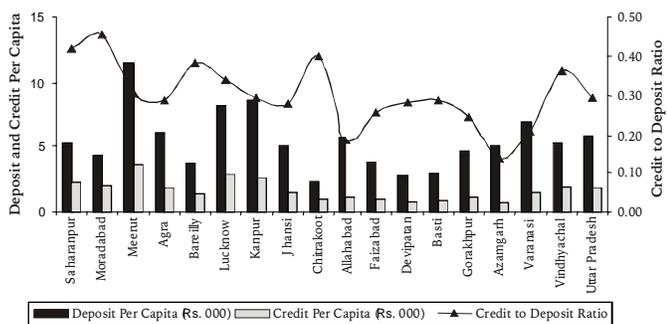
Source (Basic Data): Economic Survey, 2004-05.

Note: Data pertains to public sector banks including State Bank of India and its 7 subsidiaries, and 19 nationalised banks.

In regional terms, the credit off-take is lowest in the eastern parts of the state (Figure 1.33), even in those areas that have deposit shares comparable to other regions. This is a reflection of low regional industrial activity.

FIGURE 1.33

Pattern of Deposit and Credit Across Regional Uttar Pradesh (2002-03)



Source (Basic Data): Uttar Pradesh Statistical Diary, 2002.

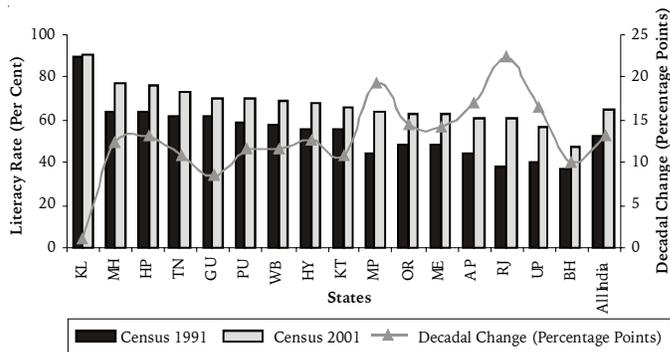
1.8.4 Below-average Literacy Rate and Below-average Institutional Development

The literacy rate in Uttar Pradesh continues to be below the national average. It has improved from 40.71 per cent in 1991 to 57.4 per cent in 2001 Census (Figure 1.34). This is impressive even when compared to

the growth in literacy levels in other states. However, the gap between male literacy rates (70.2) and female literacy rates (42.9) is very high in Uttar Pradesh.

FIGURE 1.34

Decadal Change in Literacy Rate



Source (Basic Data): Census of India, 1991 and 2001.

There are several other concerns about education in Uttar Pradesh, which need to be addressed. These include regional differences in literacy rates and inadequacies in institutional development. Figure 1.35 shows the variation in literacy rates across Uttar Pradesh. Clearly, areas bordering Nepal and Uttaranchal have in general low literacy, while most of the areas falling inside industrial corridors have relatively high literacy rates. Special literacy drives can help backward regions meet their targets.

Uttar Pradesh seriously lags behind other major states in institutional development, which is the backbone of development in all the three sectors of the economy. Figures 1.36 to 1.38 provide a comparative perspective of institutional development across states in terms of institutes per 100,000 persons.

Polytechnic and craft are important for harnessing the self-employment potential of the basic workforce. The penetration of these institutes in Uttar Pradesh is extremely low, at 0.25 and 0.46 institutes per 100,000 persons as against the all-India figures of 0.75 and 0.76 per 100,000 persons respectively (Figure 1.36).

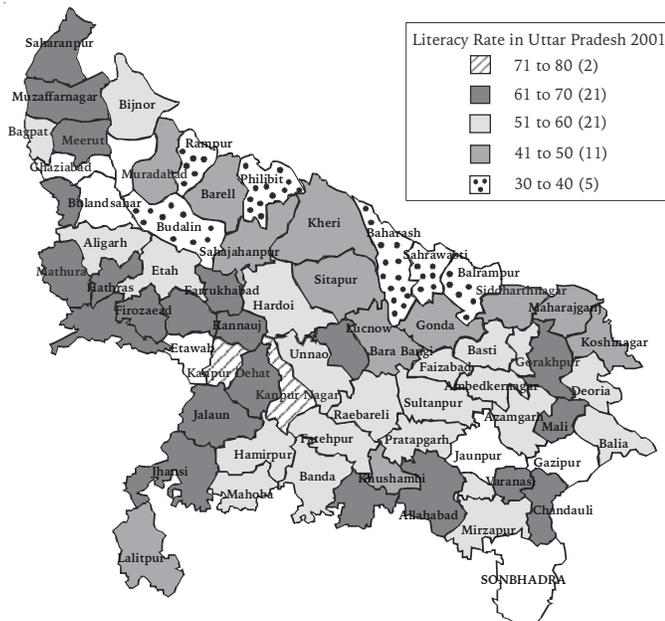
Middle and secondary level institutes are providers of basic education. The foundation for a solid educational infrastructure is based on the widespread availability of this category of institutes. Here again, Uttar Pradesh has 20 middle and senior secondary schools and 59.54 primary schools per 100,000 persons as against national figures of 32 and 65 respectively. Figure 1.37 clearly

shows that Uttar Pradesh is one of the worst developed states in middle and secondary education.

FIGURE 1.35

Literacy Rate Across Regional Uttar Pradesh

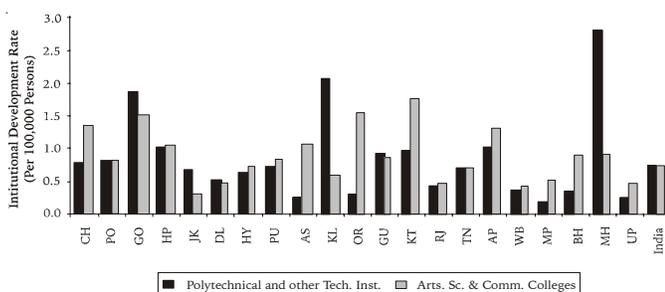
Literacy Rate in Uttar Pradesh-2001



Source: Sankhyikiya (Statistical) Diary, Uttar Pradesh.

FIGURE 1.36

Educational Institutes (Technical Institutes) (2000-01)

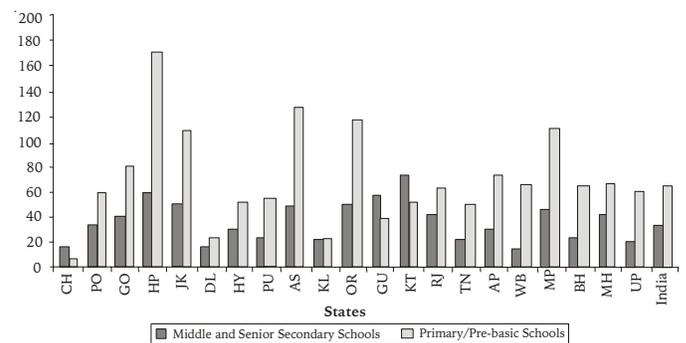


Source (Basic Data): Selected Educational Statistics, 2000-01.

Is institutional development in Uttar Pradesh in higher education any better? Figure 1.38 indicates that it is not. Uttar Pradesh lags in every institutional category—whether in the penetration of medical colleges, engineering colleges, universities, or research institutes. States such as Andhra Pradesh, Karnataka, Maharashtra, Tamil Nadu, Gujarat, Punjab, are all far ahead of Uttar Pradesh in one or more categories.

FIGURE 1.37

Educational Institutes (Basic Education) (2000-01)

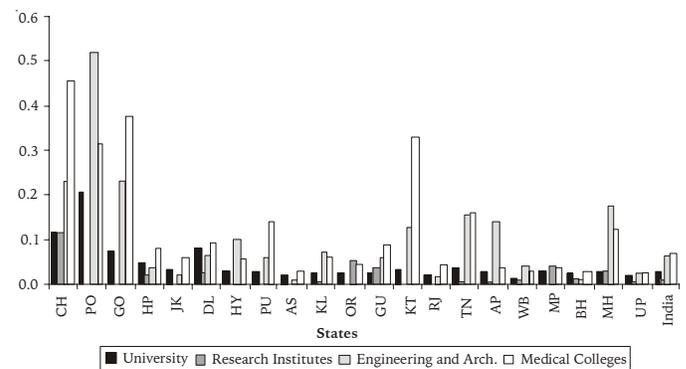


Source (Basic Data): Selected Educational Statistics, 2000-01.

It is no secret that knowledge-based industries flourish at places where knowledge workers are easily available. Uttar Pradesh has already suffered because of the states' lack of educational infrastructure. While it may not be possible, in the short- or even medium-term, to compete with other states, every individual 'must' have access to basic, professional, and higher education. In order for entrepreneurship to flourish, Uttar Pradesh must produce trained personnel and academic performers.

FIGURE 1.38

Educational Institutes (Higher Education) (2000-01)



Source (Basic Data): Selected Educational Statistics, 2000-01.

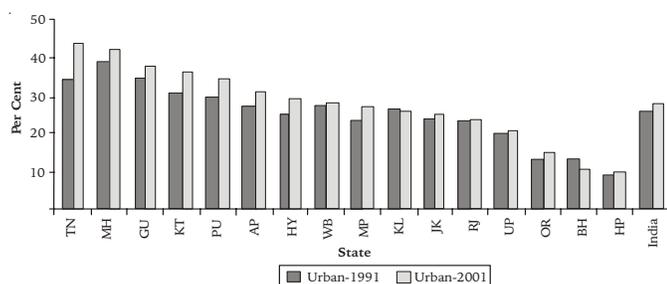
1.8.5 Low Level of Urbanisation

Almost 80 per cent of the population of Uttar Pradesh continue to live in rural areas (Figure 1.39). There has been a shift of only one percentage point in the population from rural to urban areas in the state over the last decade (1991-2001). The pace of

urbanisation has been very slow in the state and the level has been lower than most of the states. It is an important concern and reflects weakness of the state in visualising links between literacy, industrialisation and purchasing power of the rural population.

Figure 1.39 clearly shows that fast growing states have moved faster in urbanising their population than the slow movers. This may be a reflection of poor economic performance as well as over-dependence on agriculture. Nevertheless, the econometric analysis that is part of this report indicates that urbanisation and proximity to metropolitan cities is very important for attracting investment, enhancing growth in services and growth in general.

FIGURE
Urbanisation Across Selected States in India



Source (Basic Data): Census of India, 1991 and 2001.

1.8.6 Low Worker Participation

Another major weakness of Uttar Pradesh is low worker participation. Only 33 per cent of the population of Uttar Pradesh is willing to work, compared to an all-India figure of 40 per cent. However, this also depends upon the opportunities available in the state. Cultural taboos also play a role. For example, women in Uttar Pradesh appear to be reluctant to go out of the house to work. In villages generally, upper-class people do not favour working with their own hands.

1.9 Threats

1.9.1 Dependence on Rainfall

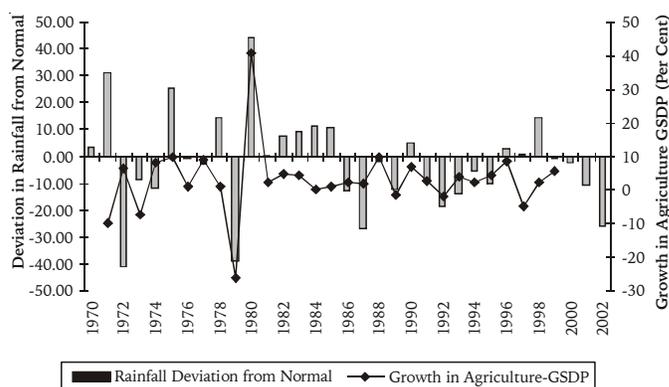
Despite 76 per cent of the cultivated area in the state being irrigated, the agricultural sector continues to depend heavily on rainfall. The main reason appears to lie in management of water resources and technology

choices for irrigation. Irrigation in Uttar Pradesh is dominated by privately owned tube wells as against canal based irrigation in several other states. With predominant use of tube wells, replenishment of ground water is critically dependent upon rain, which is not the case with canal based irrigation. Canals also help in replenishing groundwater utilised by the tube wells. Thus, a strategy of optimal combination of tube wells and canals may reduce dependence on regional rain.

In absence of adequate canals, there are two major consequences of poor rainfall. First, marginal farmers with no private access to irrigation are directly affected. Second, there is excess withdrawal of groundwater in absence of scientific irrigation practices such as drip irrigation. With a falling water table, the fertility of land as well as irrigation potential goes down, and agricultural output gets adversely affected. Figures 1.40 and 1.41 demonstrate the negative relationship between rainfall and agricultural output over time. It can be seen from Figure 1.41 that at lower level of variations in rainfall, the relationship is little blurred but when rainfall deviations are high, the effects can be immediately seen. However, it must be appreciated that at lower level of rainfall shortages, the effects can occur with a lag, through changes in water table. Nevertheless, there are periods of exception and other factors such as industrial growth, price mechanism and product choice may have become important. This problem is more acute for Uttar Pradesh due to its overdependence on agriculture in real GSDP.

FIGURE 1.40

Rainfall Deviation from Normal and Growth in Real Agriculture GSDP



Source (Basic Data): Weekly Weather Report, Indian Meteorological Department, Pune.

FIGURE 1.41

Scatter Plot between Rainfall and Growth in Agricultural Value Addition

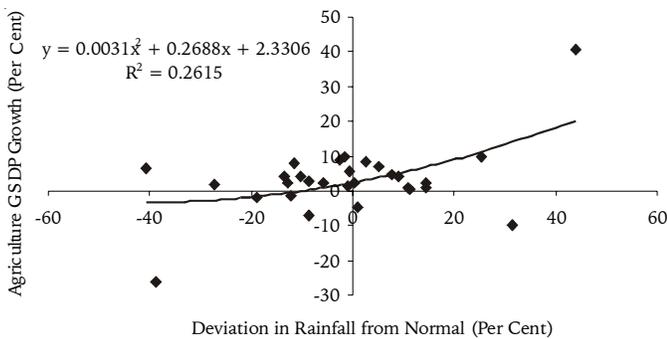
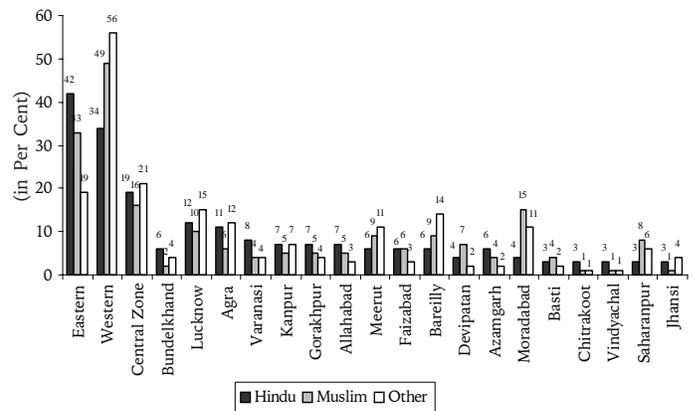


FIGURE 1.42

Distribution of Population of Different Religious Groups Across Zones and Circles (2001)



Source (Basic Data): Census 2001.

1.9.2 Religious Issues

Some regions in Uttar Pradesh, particularly in western zone, are communally sensitive. This may be due to religious intolerance or other reasons. It may be useful to note the population composition in sensitive areas to develop appropriate confidence building measures.

In the 2001 Census, 80.6 per cent of total population of Uttar Pradesh was Hindu, and 18.5 per cent of the population was Muslim. The remaining population comprised Christians, Sikhs, Buddhist, Jain and other minorities. The western zone contains 34 per cent of the total Hindu population and 49 per cent of the total Muslim population. This works out a majority to minority community ratio of 3.01. The eastern zone contains 42 per cent of the Hindu and 33 per cent of the Muslims, implying majority to minority community ratio of 5.5 to one. The central zone has 19 per cent of the Hindu population and 16 per cent of the Muslim population, which works out to a ratio of 5.2 to one; for Bundelkhand this ratio is 12.9 (Figure 1.42). In the western zone, the relatively most sensitive areas of Meerut and Muradabad, have this ratio as 2.0 and 1.2 respectively. The only Muslim majority parliamentary constituency outside Jammu and Kashmir, Rampur district, is in the Muradabad circle. Therefore, some social engineering may be necessary to create exemplary cohabitation practices in the western region. One approach could be to expedite win-win solutions for thorny problems such as issues of Ayodhya, Kashi and Mathura. This will give more confidence in solving problems through community participation.

1.9.3 Poor Forest Cover

4.5 per cent of the land area in Uttar Pradesh is under forest cover, as against an average of 19.2 per cent at the national level. This is a serious matter from the viewpoint of ecological balance. The state needs to develop a plan to cultivate green belts and for afforestation. The solution has to be formulated keeping a perspective that includes sustainable development. 49 per cent of the forest area in Uttar Pradesh lies in the eastern zone. Of this proportion, 58 per cent falls in the Vindhyachal circle. Twenty-two per cent of the total forest cover falls in the district of Sonbhadra, and 10 per cent in Kheri. The central zone has the lowest share of 14 per cent forest area of the state and the eastern zone and the Bundelkhand zone share 21 per cent and 16 per cent of the forest cover.

1.9.4 Poor Financial Condition

The financial condition of Uttar Pradesh has been a matter of serious concern. This problem is at the heart of all obstacles faced by developmental programmes in the state. Figure 1.43 shows the pattern of deficits from 1980-81 to 2002-03. Data up to 1999-00 is with respect to undivided Uttar Pradesh and beyond that year, the data pertains to divided Uttar Pradesh. The fiscal deficit until 1998-99 deteriorated at a greater rate, reaching a high of 6.81 per cent. However, in the years after 1998-99, there appears to have been a significant reduction in deficit to a level of 4.68 per cent in 2002-03. It appears that positive steps taken under Medium-Term Fiscal Restructuring Policy (MTFRP) adopted to fulfil the commitments of a

Memorandum of Understanding (MoU) signed between Uttar Pradesh government and the Government of India in 2000, are yielding results. Even so, fiscal concerns remain as acute due to rising debt.

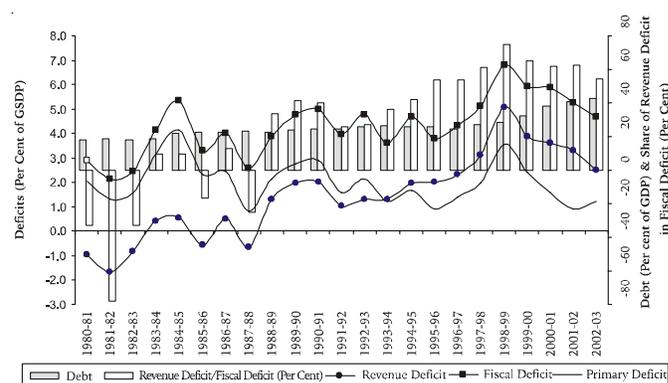
As on March 31, 2003 Uttar Pradesh had a liability including reserves and deposits of the order of Rs. 103117.5 crore, which increased to Rs. 119870.09 crore on March 31, 2004 (an increase of 16.3 per cent). In terms of percentages of GSDP these numbers mean about 50.82 and 54.65 per cent of GSDP. Net of reserves and deposits the corresponding figures are Rs. 79508.16 crore (39.17 per cent of GSDP) and Rs. 94432.37 crore (43.1 per cent of GSDP) respectively. It is estimated that the debt (net of reserves and deposits) would have gone up to 44.5 per cent of GSDP by March 31 2005 (Figure 1.43). As against this, the average debt in 15 major states⁸ was 36.44 per cent of GSDP as on March 31, 2003 (Table 1.13), with states such as Andhra Pradesh, Karnataka, Tamil Nadu, Maharashtra and Gujarat having debts of the order of 28.85, 25.12, 26.80, 2 1.58 and 33.93 per cent of GSDP respectively (Twelfth Finance Commission (TFC) Report). In addition, Uttar Pradesh also carries a positive primary deficit of over 1 per cent of GSDP, which keeps increasing the debt perpetually. The revenue deficit in 2002-03 was about 54 per cent of total fiscal deficit, which is better than the average performance of 15 major states. In 2003-04, due to one-time adjustments for power sector reforms, the share of revenue deficit in total fiscal deficit increased to 97.67 per cent. However, the same is expected to come down to 53.1 per cent in 2004-05 provided budget projections hold.

How does Uttar Pradesh overall compare with other states over a longer span of time? During the 1990-2003, the average fiscal performance of Uttar Pradesh has been below average compared to 15 major states. The average fiscal deficit, revenue deficit, and primary deficit in Uttar Pradesh as percentage of GSDP has been 4.9 per cent, 2.57 per cent and 1.80 per cent respectively as against corresponding values of 4.2, 2.09 and 1.66 per cent in the case of 15 major states (Table 1.13). These are hallmarks of a below average fiscal record. As a result, state expenditures are vulnerable to criticism, as well as cuts in central grants. More importantly, this places constraints on the fiscal stimulus needed for the development and

growth. The biggest victims of a poor fiscal record have been the social and physical infrastructure sector.

FIGURE 1.43

Pattern of Fiscal Deficit and Debt in Uttar Pradesh



Source (Basic Data): RBI-*Study of State Finances*. Data before 2000-01 includes Uttaranchal.

Note: Debt does not include reserves and deposits. The Uttar Pradesh debt data beyond 2000-01 is taken from the Finance Accounts of Uttar Pradesh. GSDP for 2003-04 and 2004-05 are projected using average growth during last five years.

Uttar Pradesh pays almost 29 per cent (average of 2000-03) of its revenue receipt as interest on debt and at the same time maintaining a persistent primary deficit of more than 1.0 per cent of GSDP. This makes debt situation in Uttar Pradesh unsustainable. The effective average interest rate for Uttar Pradesh debt was about 13.6 per cent as against combined 12.2 per cent in 15 major states including Uttar Pradesh during 2001-02 (Figure 1.44). The subsequent years of 2002-03 to 2004-05 BE are marked by fluctuations arising out of one time adjustment mentioned earlier, and implementation of debt swap scheme. Thus, average effective interest rate for Uttar Pradesh during 2001-05 is 12.2 as against 11.6 per cent in 15 major states. With about 5.5 per cent expected inflation, the average real interest rate for 2001-05 is 6.7 per cent, which is more than the average growth rate of real GSDP of Uttar Pradesh during the 1990s. Thus, unless a major restructuring of debt is undertaken to reduce the interest burden, or reforms implemented to increase growth in real GSDP, financial disaster cannot be avoided.

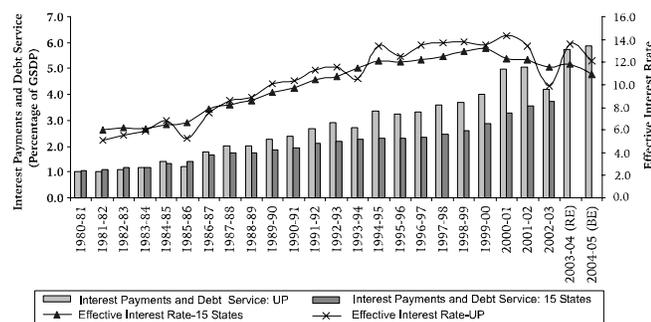
Debt servicing including debt and interest payment, as a percentage of GSDP, is higher than the average of 15 major states (Figure 1.44). Almost 5 per cent of the GSDP is consumed by debt servicing. The situation in rapidly growing states is better because of high real

8. AP, BH, HP, HY, GU, KL, KT, MH, MP, OR, PU, RJ, TN, UP, and WB.

growth compared to the real interest rate, which can offset some of the primary deficit.

FIGURE 1.44

Interest and Debt Payment as Percentage of GDP and Effective Interest Rates: Uttar Pradesh and Fast-seven States



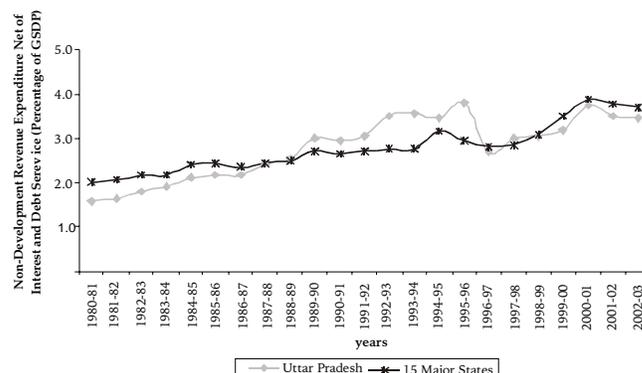
Source (Basic Data): RBI, CSO. Data before 2000-01 includes Uttaranchal.

How has debt accumulated? Figure 1.45 indicates that non-interest, non-developmental expenditure in Uttar Pradesh was far higher than the all-states average during the first half of 1990s. Only in 1996-97 was there an effort to bring it down. Nevertheless non-interest, non-

developmental expenditure continues to increase unabated. The situation is deteriorating in other states as well, but the problem of Uttar Pradesh has is uniquely urgent.

FIGURE 1.45

Non-developmental Expenditure Net of Interest and Debt Servicing: Uttar Pradesh and Other States



Source (Basic Data): RBI. Data before 2000-01 includes Uttaranchal.

The overall mismanagement of fiscal affairs in Uttar Pradesh is so serious that it has already started affecting much-needed capital outlays (Figure 1.46). Capital outlay went down to about one per cent of GSDP during most

TABLE 1.13

Fiscal Status of Uttar Pradesh in Comparison to the Centre and 15 Other Major States

	Centre (Percentage of GDPMP-India)				15 States (Percentage of GSDP)				Uttar Pradesh (as Percentage of GSDP)			
	Fiscal Deficit	Revenue Deficit	Primary Deficit	Debt Deficit	Fiscal Deficit	Revenue Deficit	Primary Deficit	Debt Deficit	Fiscal Deficit	Revenue Deficit	Primary Deficit	Debt Deficit
1990-91	6.61	3.26	2.83	61.43	3.89	1.24	2.09	21.98	5.00	2.00	2.91	24.75
1991-92	4.72	2.49	0.65	65.44	3.45	1.25	1.46	22.00	3.98	1.02	1.58	24.76
1992-93	4.80	2.48	0.65	64.22	3.43	1.02	1.35	21.95	4.78	1.31	2.15	25.88
1993-94	6.43	3.81	2.15	64.99	3.06	0.80	0.79	22.70	3.62	1.31	1.20	26.28
1994-95	4.74	3.06	0.39	62.23	3.39	0.98	1.06	22.22	4.67	1.96	1.64	26.01
1995-96	4.23	2.50	0.02	59.21	3.33	1.11	1.02	22.09	3.78	2.02	0.91	25.90
1996-97	4.11	2.39	-0.24	56.35	3.49	1.82	1.16	21.86	4.31	2.30	1.37	24.83
1997-98	4.81	3.05	0.50	58.09	3.69	1.68	1.22	22.91	5.11	3.12	1.95	27.00
1998-99	5.14	3.90	0.67	58.16	5.52	3.44	2.93	24.55	6.81	5.09	3.58	28.47
1999-00	5.41	3.49	0.75	59.34	6.02	3.73	3.06	27.48	5.91	3.87	2.42	31.96
2000-01	5.69	4.08	0.93	61.86	5.49	3.57	2.29	30.87	5.86	3.62	1.57	35.73
2001-02	6.18	4.39	1.47	56.74	4.93	3.26	1.47	33.55	5.25	3.28	0.89	37.70
2002-03	5.89	4.38	1.11	61.06	5.24	3.24	1.63	36.44	4.68	2.52	1.20	39.17
2003-04 (QE)	4.79	3.62	0.27	62.29								
2004-05 (BE)	4.39	2.89	0.22									

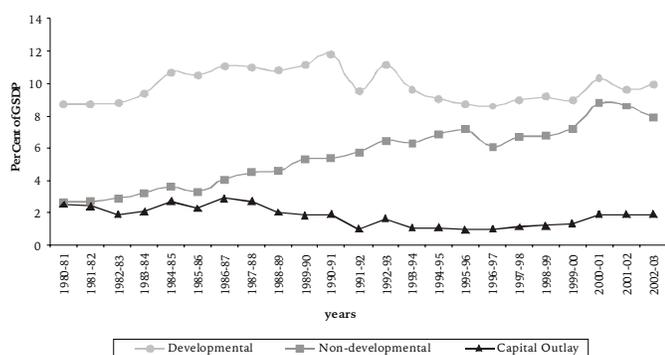
Source (Basic Data): RBI-Study of State Finances. Data before 2000-01 includes Uttaranchal.

Note: Debt does not include reserves and deposits. The Uttar Pradesh debt data beyond 2000-01 is taken from the Finance Accounts of Uttar Pradesh.

parts of 1990s. More importantly, the developmental expenditure is concentrated in revenue accounts rather than capital account and non-developmental expenditure keeps increasing unabated. Therefore, it is more important to assess the efficiency of such expenditures in terms of actual outcomes.

FIGURE 1.46

Developmental, Non-developmental Expenditures and Capital Outlay



Source (Basic Data): RBI. Data before 2000-01 includes Uttaranchal.

Uttar Pradesh was well-known for its jumbo-size governments and the consequent fiscal exuberance until a limit on the size of government was imposed through a Parliamentary Act in 2003. The question needs to be asked, where is the money going and whether it is efficiently utilised? The statistics on expenditure per government employee indicates one of the lowest in the state compared to other states. But the ratio of state government employees to the total population in Uttar Pradesh appears to be high. Undivided Uttar Pradesh employed 86079 employees, including teachers, in 2001-02 (*Statistical Diary of Uttar Pradesh 2002*). This works out to one government employee for every 200 persons in the state. The productivity of this many employees need to be critically evaluated by the state government in order to improve fiscal condition as well as developmental programmes.

The Uttar Pradesh government has enacted Fiscal Responsibility and Budget Management (FRBM) Act, 2004. The FRBM Act of Uttar Pradesh aims at reducing the revenue deficit to zero and fiscal deficit to three per cent of GSDP by the end of 2008-09. These are difficult goals given the current situation. Chapter 16, Volume II spells out a medium programmes term which may be helpful to the Uttar Pradesh government in charting feasible path for fiscal reforms.

1.9.5 Regional Disparity inside Uttar Pradesh

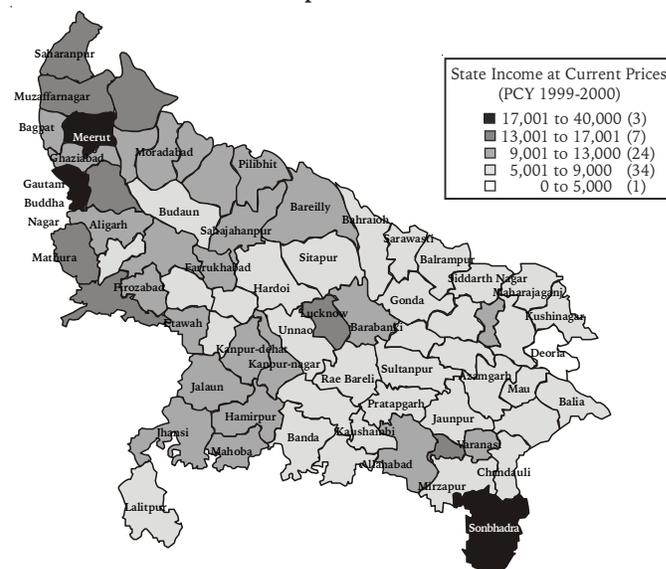
Most of the people below the poverty line in Uttar Pradesh are concentrated in eastern part where per capita income is far below the state-wide average. The most prosperous area is the western region, followed by the central and Buldelkhand regions (Figure 1.47). However, even the best of the areas of Uttar Pradesh just approach the national average. Comparing the income in various circles (see index of circles and regions) of Uttar Pradesh (Figure 1.48) with that of the national average (Figure 1.1), the only regions which come close to the national average are the Meerut and Saharanpur circles, constituting about 11 per cent population. All other circles are far below the national per capita income. This fact clearly demonstrates the economic condition of the people in the state.

Some regions in eastern Uttar Pradesh such as Azamgarh, Devipatan, and Vindhyachal had decreasing growth rates of the order of 5.4 per cent, 2.4 per cent and 0.1 per cent respectively. However, among these circles, Azamgarh is the worst hit as it already has one of the lowest per capita real incomes (Figure 1.48).

Figure 1.48 also plots the percentage share of population in respective circles. Almost 40 per cent of the population live in the eastern part and 33 per cent people live in west Uttar Pradesh, while 18.5 per cent population

FIGURE 1.47

Income Map of Uttar Pradesh



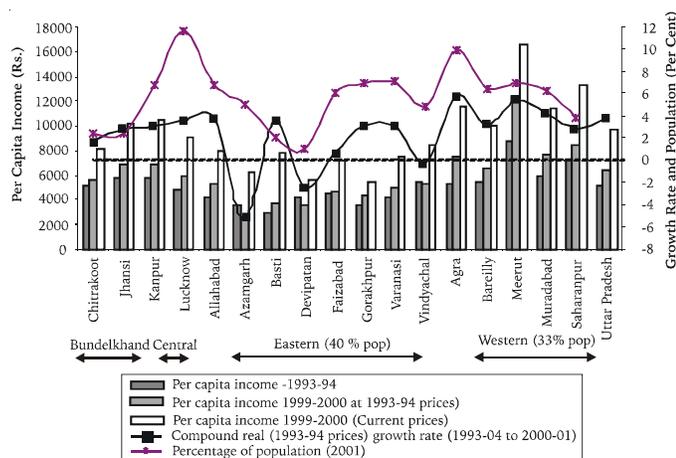
Sources (Basic Data): *Statistical Diary Uttar Pradesh (2002)*.

lives in central regions, and the rest in the Bundelkhand circle. The part of the population with incomes below the state average is about half and are concentrated in areas

around and east of Lucknow (Figure 1.47). This, however, does not mean that rest of Uttar Pradesh is well off. The western region, which is considered to have benefited from the Green Revolution of 1960s and 1970s, also could not catch up with the fast growing areas of India. Thus, development is needed in almost every circle as all the circles are below national level.

FIGURE 1.48

Circle-wise Distribution of Nominal Income, Growth in Real Income and Population Intensity in Uttar Pradesh



Source (Basic Data): *Statistical Diary Uttar Pradesh 2002*, Economic and Statistics Division of the State Planning Commission.

The regional disparity is also reflected in pattern of urbanisation. In terms of availability of large marketing centres, eastern Uttar Pradesh with 40 per cent of the total population contains only two cities of Varanasi and Allahabad with population above 10 lakh. On the other hand western and central Uttar Pradesh, with 33 and 19 per cents of the total population, respectively, also have two mega cities each. More importantly, western and central Uttar Pradesh contain several towns with populations between 1 and 9.9 lakh. Western Uttar Pradesh has 23 such towns, compared with 13 in eastern Uttar Pradesh. The central region has 8 and Bundelkhand has 3 mid-size towns (Table 1.14). Urbanisation represents development and at the same time it is important for the growth of tertiary sector.

In terms of investment, again the western zone has the highest share of 66.8 per cent in total investment in the state, while Bundelkhand has the lowest share of 1.57 per cent (Figure 1.49). The Meerut circle has a share of 39.68 per cent. Quite a few circles such as Chitrakoot, Azamgarh, Basti, Varanasi, Gorakhpur, Jhansi, etc. have a very small share in total investment.

The nature of industrialisation across regions is such that a wide gap exists in annual per capita emoluments of employees (including workers and all other staff) (Figure 1.50). The western zone has the

TABLE 1.14

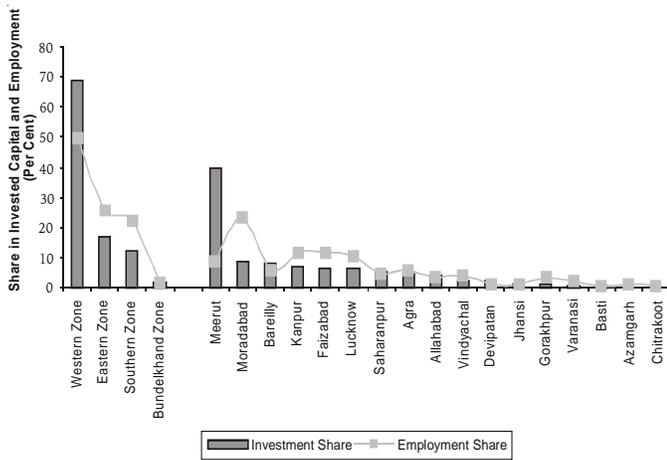
Regional Disparity in Urbanisation Centres

Sl. No.	Region	Circles	Share in Total Population of Uttar Pradesh	Number of Towns with Population above 10 Lakh	Number of Towns with Population above 1 Lakh
1	Bundelkhand	Chitrakoot	2.4		1
		Jhansi	2.5		2
2	Central	Kanpur	6.8	1	3+1
		Lucknow	11.7	1	5+1
3	Eastern	Allahabad	6.8	1	1+1
		Azamgarh	5.1		2
		Basti	2.1		1
		Devipatan	1		2
		Faizabad	6		1
		Gorakhpur	7		2
4	Western	Varanasi	7.1	1	3+1
		Vindhyachal	4.9		1
4	Western	Agra	9.9	1	6+1
		Bareilly	6.5		4
		Meerut	7	1	6
		Muradabad	6.2		5
		Saharanpur	3.8		2

Source (Basic Data): *Uttar Pradesh Statistical Diary*.

FIGURE 1.49

Circle-wise Distribution of Investment and Employment in Manufacturing Sector of Uttar Pradesh



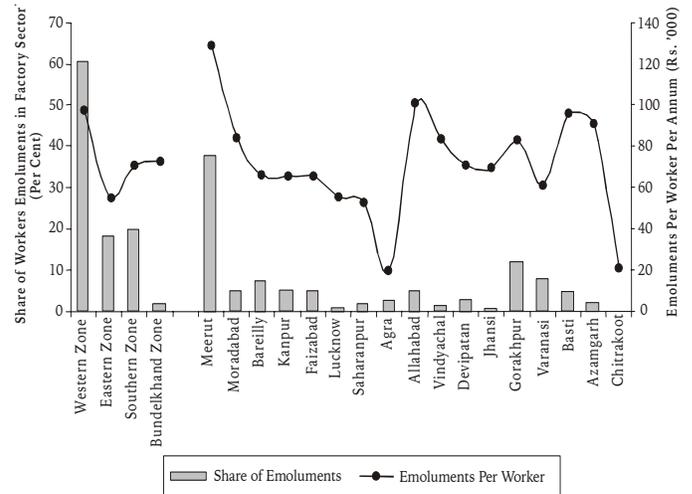
Source (Basic Data): ASI-Uttar Pradesh, 1998-99.

highest annual emolument per employee at Rs. 97400, followed by the Bundelkhand zone with Rs. 72900, central zone with Rs. 70600, and finally the eastern zone where the annual emolument per employee is just Rs. 55500. In the western zone also, the Meerut circle has the highest per employee emolument at Rs. 128400, while Faizabad in the eastern zone has the lowest emolument of Rs. 19500. Comparing these numbers with the emoluments per worker presented in Figure 1.26, it would appear that supervisory and support staff members are relatively low paid in rest of the Uttar Pradesh compared to western region. This also demonstrates that

the activities in most of the regional Uttar Pradesh are low skilled and low level in technology.

FIGURE 1.50

Worker, their Emoluments and Capital Intensity Per Worker Across Main Regions of Uttar Pradesh



Source (Basic Data): ASI-Uttar Pradesh, 1998-99.

It is also important to note that the western zone alone comprises the highest share of emoluments given to workers at 60.6 per cent, while Bundelkhand zone has the lowest share at 1.7 per cent. Among circles, again the Meerut circle has the highest share in emoluments of 37.9 per cent and Chitrakoot circle in Bundelkhand has the lowest share of 0.1 per cent. Thus, there is a concentration of wealth in very small parts of the state, while the rest of the state has low income.

APPENDIX A-1.1

Sector GSDP (1993-94 prices) of Divided Uttar Pradesh since 1993-94

(Rs. Crore)

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
Total GSDP	80451	85106	88244	97719	97634	100321	105833	107038	111673	111830
Primary	32017	33000	33640	36804	35030	36198	39419	39152	40069	37595
Agriculture	30527	31573	32167	35077	33074	33281	36272	35930	36810	33860
Forestry & Logging	508	357	262	408	593	1429	1476	1532	1588	1647
Fishing	367	388	403	414	435	507	534	584	632	701
Agriculture, Forestry & Fishing	31401	32318	32832	35899	34102	35217	38282	38046	39030	36207
Mining & Quarrying	615	683	808	905	928	980	1137	1106	1039	1388
Secondary	17259	19711	20831	23902	23970	24452	24479	24759	26449	27282
Manufacturing	10990	13171	13632	16509	15814	15416	15512	15211	16204	16530
Registered	6429	8305	8220	11091	9578	9280	9207	8947	9574	9539
Unregistered	4561	4866	5413	5417	6236	6135	6305	6264	6630	6992
Construction	3382	3391	3921	4093	4777	5420	5715	6143	6752	7272
Electricity Gas and Water Supply	2887	3149	3278	3301	3379	3617	3252	3405	3493	3479
Tertiary	31175	32395	33772	37014	38634	39671	41936	43126	45155	46953
Transport, Storage & Communication	4298	4527	4792	5260	5505	5807	6393	6890	7366	8032
Railways	1481	1392	1500	1559	1636	1794	1864	1865	1977	2096
Transport by other Means and Storage	2369	2510	2594	2873	3106	3167	3470	3655	3707	3849
Storage	0	0	0	0	0	0	0	0	0	0
Communication	449	625	698	828	764	846	1059	1369	1682	2088
Trade, Hotels and Restaurants	10868	11408	11670	13002	12486	12922	13708	13564	14014	14479
Banking & Insurance	2037	2223	2301	3263	4067	3587	3771	4040	4175	4315
Real Estate, Ownership of Dwellings and Business Services	5511	5630	5728	5836	5979	6117	6253	6400	6552	6761
Public Administration	3568	3448	3786	3940	4627	4623	5079	5127	5401	5444
Other Services	4892	5159	5495	5712	5971	6615	6733	7105	7648	7923
<i>Growth</i>										
Total GSDP		5.79	3.69	10.74	-0.09	2.75	5.49	1.14	4.33	0.14
Primary		3.07	1.94	9.40	-4.82	3.33	8.90	-0.67	2.34	-6.17
Agriculture		3.43	1.88	9.05	-5.71	0.63	8.99	-0.94	2.45	-8.01
Forestry & Logging		-29.73	-26.54	55.56	45.31	141.18	3.29	3.77	3.66	3.69
Fishing		5.69	3.93	2.76	5.06	16.59	5.23	9.47	8.20	10.86
Agriculture, Forestry & Fishing		2.92	1.59	9.34	-5.01	3.27	8.70	-0.61	2.58	-7.23
Mining & Quarrying		10.98	18.36	11.92	2.62	5.62	15.95	-2.71	-6.02	33.54
Secondary		14.20	5.68	14.74	0.28	2.01	0.11	1.15	6.83	3.15
Manufacturing		19.84	3.50	21.10	-4.21	-2.52	0.62	-1.94	6.53	2.01

Contd. ...

<i>Contd. ..</i>										
Registered	29.18	-1.03	34.94	-13.64	-3.11	-0.79	-2.82	7.00	-0.37	
Unregistered	6.68	11.23	0.09	15.12	-1.61	2.77	-0.66	5.84	5.46	
Construction	0.26	15.64	4.37	16.71	13.46	5.45	7.49	9.92	7.70	
Electricity, Gas and Water Supply	9.06	4.11	0.70	2.36	7.05	-10.10	4.73	2.59	-0.40	
Tertiary	3.91	4.25	9.60	4.38	2.68	5.71	2.84	4.70	3.98	
Transport, Storage & Communication	5.33	5.85	9.76	4.67	5.49	10.08	7.78	6.91	9.05	
Railways	-5.98	7.73	3.93	4.94	9.71	3.90	0.04	6.01	6.01	
Transport by other Means and Storage	5.94	3.36	10.76	8.09	1.97	9.56	5.35	1.41	3.84	
Storage	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Communication	39.41	11.66	18.57	-7.71	10.74	25.10	29.35	22.81	24.13	
Trade, Hotels and Restaurants	4.97	2.30	11.42	-3.97	3.49	6.09	-1.05	3.32	3.32	
Banking & Insurance	9.12	3.52	41.79	24.62	-11.80	5.13	7.15	3.34	3.34	
Real Estate, Ownership of Dwellings and Business Services	2.16	1.74	1.90	2.44	2.31	2.23	2.36	2.37	3.19	
Public Administration	-3.36	9.81	4.05	17.45	-0.09	9.85	0.94	5.34	0.79	
Other Services	5.45	6.52	3.95	4.53	10.79	1.77	5.53	7.63	3.60	
<i>Share</i>	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i>	<i>1996-97</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01</i>	<i>2001-02</i>	<i>2002-03</i>
Total GSDP	100	100	100	100	100	100	100	100	100	100
Primary	39.80	38.78	38.12	37.66	35.88	36.08	37.25	36.58	35.88	33.62
Agriculture	37.94	37.10	36.45	35.90	33.88	33.17	34.27	33.57	32.96	30.28
Forestry & Logging	0.63	0.42	0.30	0.42	0.61	1.42	1.39	1.43	1.42	1.47
Fishing	0.46	0.46	0.46	0.42	0.45	0.51	0.50	0.55	0.57	0.63
Agriculture, Forestry & Fishing	39.03	37.97	37.21	36.74	34.93	35.10	36.17	35.54	34.95	32.38
Mining & Quarrying	0.76	0.80	0.92	0.93	0.95	0.98	1.07	1.03	0.93	1.24
Secondary	21.45	23.16	23.61	24.46	24.55	24.37	23.13	23.13	23.68	24.40
Manufacturing	13.66	15.48	15.45	16.89	16.20	15.37	14.66	14.21	14.51	14.78
Registered	7.99	9.76	9.31	11.35	9.81	9.25	8.70	8.36	8.57	8.53
Unregistered	5.67	5.72	6.13	5.54	6.39	6.12	5.96	5.85	5.94	6.25
Construction	4.20	3.98	4.44	4.19	4.89	5.40	5.40	5.74	6.05	6.50
Electricity, Gas and Water Supply	3.59	3.70	3.71	3.38	3.46	3.61	3.07	3.18	3.13	3.11
Tertiary	38.75	38.06	38.27	37.88	39.57	39.54	39.62	40.29	40.43	41.99
Transport, Storage & Communication	5.34	5.32	5.43	5.38	5.64	5.79	6.04	6.44	6.60	7.18
Railways	1.84	1.64	1.70	1.59	1.68	1.79	1.76	1.74	1.77	1.87
Transport by other Means and Storage	2.94	2.95	2.94	2.94	3.18	3.16	3.28	3.42	3.32	3.44
Storage	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Communication	0.56	0.73	0.79	0.85	0.78	0.84	1.00	1.28	1.51	1.87
Trade, Hotels and Restaurants	13.51	13.40	13.22	13.31	12.79	12.88	12.95	12.67	12.55	12.95
Banking & Insurance	2.53	2.61	2.61	3.34	4.17	3.58	3.56	3.77	3.74	3.86
Real Estate, Ownership of Dwellings and Business Services	6.85	6.62	6.49	5.97	6.12	6.10	5.91	5.98	5.87	6.05
Public Administration	4.44	4.05	4.29	4.03	4.74	4.61	4.80	4.79	4.84	4.87
Other Services	6.08	6.06	6.23	5.85	6.12	6.59	6.36	6.64	6.85	7.08
<i>Source (Basic Data): CSO.</i>										
<i>Note: Primary = Agriculture, Forestry & Fishing + Mining and Quarrying; Secondary = Manufacturing + Electricity, Gas and Water Supply and Construction; Tertiary = GSDP-primary-secondary.</i>										

APPENDIX A-1.2

Summary of State Finances

(Rs. in Lakh)

	1993-94	1996-97	2000-01	2001-02	2002-03	2003-04 (RE)	2004-05 (BE)
Nominal GSDP Uttar Pradesh-Divided	8045108	12777800	17366882	18868708	20290395	na	na
Nominal GSDP Uttar Pradesh-Undivided	8755530	13812858	14817516	17078026	18764152	na	na
Revenue Account							
Revenue Receipts (I + II)	1213142	1602857	2474330	2559791	2782119	3286008	3725861
I. Tax Revenue (A + B)	768408	1237835	2002547	2051931	2359868	2630296	3108128
A. States Own Tax Revenue	413201	630597	1098000	1033018	1276690	1370766	1603125
B. Share in Central Taxes	355207	607238	904547	1018913	1083178	1259530	1505003
II. Non-Tax Revenue (C+D)	444734	365022	471783	507860	422251	655712	617733
C. States own Non-Tax Revenue	171750	131849	194465	178707	191349	186644	185257
D. Grants from the Centre	272984	233173	277318	329153	230902	469068	432476
Revenue Expenditure	1328013	1920770	3103261	3177970	3293850	5279612	4278571
A. Developmental	757066	1059033	1478999	1468631	1619124	3069005	1803636
1. Social Services	405308	637420	921796	933658	1030804	1181376	1157473
2. Economic Services	351758	421613	557203	534973	588320	1887629	646163
B. Non-Developmental (General Services)	548310	831939	1515798	1616546	1558269	2073102	2328729
1. Organs of states	15522	27565	36459	40533	37762	48004	50246
2. Fiscal Services	39692	54979	74664	70229	77082	89447	99892
3. Interest Payments and Servicing of Debt	236209	459633	862973	954544	856895	1260114	1377312
Interest Payments	211112	406103	745535	822003	705954	1078284	1147658
Capital Account							
I. Capital Receipts	354174	701661	1407596	1198453	1461018	3416089	1628161
II. Internal Debt	93940	123909	630935	723535	838166	1287100	864927
III. Loans and Advances from Centre	178276	326003	251690	275724	310791	355281	379655
IV. Recovery of Loans	11744	22582	29590	36558	21911	1293747	66049
Total Capital Disbursements	299518	380904	564859	632404	914764	2070500	1029792
Capital Outlay (A+B)	94912	143541	326755	355556	379438	1189204	489133
A. Developmental	88653	133181	316022	342733	346453	1153044	462944
2. Economic Services	74464	103258	289945	321627	317635	1111726	417542
B. Non-Developmental (General Services)	6259	10360	10733	12823	32985	36160	26189
C. Discharge of Internal Debt	30719	5603	18274	80917	91143	39330	52734
D. Repayment of Loans to the Centre	55350	75012	127973	143296	363753	689835	423872
E. Loans by State Governments	118537	156748	91857	52635	80430	152131	64053
Memo Variables							
Revenue Deficit	114871	317913	628931	618179	511731	1993604	552710
Fiscal Deficit	316576	595620	1017953	989812	949688	2041192	1039847
Primary Deficit	105464	189517	272418	167809	243734	962908	-107811
Debt	2300900	3430300	6204888	7113767	7950816	9443237	10485080
Total Developmental Expenditure	845719	1192214	1795021	1811364	1965577	4222049	2266580
Total Non-Developmental Expenditure	554569	842299	1526531	1629369	1591254	2109262	2354918
Growth							
Revenue Account							
Revenue Receipts (I + II)	3.90	5.35	15.11	3.45	8.69	18.11	13.39
I. Tax Revenue (A + B)	5.48	17.86	18.64	2.47	15.01	11.46	18.17
A. States Own Tax Revenue	6.32	15.31	16.80	-5.92	23.59	7.37	16.95
B. Share in Central Taxes	4.52	20.63	20.95	12.64	6.31	16.28	19.49
II. Non-Tax Revenue (C+D)	1.28	-22.54	2.22	7.65	-16.86	55.29	-5.79
C. States Own Non-Tax Revenue	20.87	-45.05	-3.33	-8.10	7.07	-2.46	-0.74
D. Grants from the Centre	-8.10	0.82	6.51	18.69	-29.85	103.15	-7.80

Contd. ...

<i>Contd. .</i>							
Revenue Expenditure	4.64	9.41	7.95	2.41	3.65	60.29	-18.96
A. Developmental	1.50	15.95	2.50	-0.70	10.25	89.55	-41.23
1. Social Services	0.13	15.91	6.23	1.29	10.40	14.61	-2.02
2. Economic Services	3.12	15.99	-3.13	-3.99	9.97	220.85	-65.77
B. Non-Developmental (General Services)	9.90	2.10	12.64	6.65	-3.61	33.04	12.33
1. Organs of states	22.68	-8.78	-2.06	11.17	-6.84	27.12	4.67
2. Fiscal Services	9.36	15.53	1.57	-5.94	9.76	16.04	11.68
3. Interest Payments and Servicing of Debt	4.66	22.92	15.34	10.61	-10.23	47.06	9.30
Interest Payments	3.41	22.14	13.77	10.26	-14.12	52.74	6.43
Capital Account							
I. Capital Receipts	-24.29	9.87	21.62	-14.86	21.91	133.82	-52.34
II. Internal Debt	46.51	-5.89	-6.46	14.68	15.84	53.56	-32.80
III. Loans and Advances from Centre	-8.71	17.89	-25.73	9.55	12.72	14.32	6.86
IV. Recovery of Loans	71.25	48.86	12.61	23.55	-40.07	5804.55	-94.89
Total Capital Disbursements	-13.05	17.88	-3.73	11.96	44.65	126.34	-50.26
Capital Outlay(A+B)	-25.29	27.10	28.98	8.81	6.72	213.41	-58.87
A. Developmental	-27.54	31.24	27.28	8.45	1.09	232.81	-59.85
2. Economic Services	-28.81	24.68	30.25	10.93	-1.24	250.00	-62.44
B. Non-Developmental (General Services)	33.57	-9.57	112.37	19.47	157.23	9.63	-27.57
C. Discharge of Internal Debt	60.63	-85.86	-71.29	342.80	12.64	-56.85	34.08
D. Repayment of Loans to the Centre	13.32	16.61	14.03	11.97	153.85	89.64	-38.55
E. Loans by State Governments	-20.69	47.56	-41.70	-42.70	52.81	89.15	-57.90
Memo Variables							
Revenue Deficit	13.22	35.82	-13.28	-1.71	-17.22	289.58	-72.28
Fiscal Deficit	-14.69	35.97	-8.28	-2.76	-4.05	114.93	-49.06
Primary Deficit	-36.82	79.51	-40.07	-38.40	45.24	295.07	-111.20
Debt	14.43	14.43	1.13	14.65	11.78	18.77	11.03
Total Developmental Expenditure	-2.59	17.47	6.14	0.91	8.51	114.80	-46.32
Total Non-Developmental Expenditure	10.12	1.94	13.01	6.74	-2.34	32.55	11.65
Share in Total							
Revenue Account							
Revenue Receipts (I + II)	100.00	100.00	100.00	100.00	100.00	100.00	100.00
I. Tax Revenue (A + B)	63.34	77.23	80.93	80.16	84.82	80.05	83.42
A. States Own Tax Revenue	34.06	39.34	44.38	40.36	45.89	41.72	43.03
B. Share in Central Taxes	29.28	37.88	36.56	39.80	38.93	38.33	40.39
II. Non-Tax Revenue (C+D)	36.66	22.77	19.07	19.84	15.18	19.95	16.58
C. States Own Non-Tax Revenue	14.16	8.23	7.86	6.98	6.88	5.68	4.97
D. Grants from the Centre	22.50	14.55	11.21	12.86	8.30	14.27	11.61
Revenue Expenditure	100.00	100.00	100.00	100.00	100.00	100.00	100.00
A. Developmental	57.01	55.14	47.66	46.21	49.16	58.13	42.16
1. Social Services	30.52	33.19	29.70	29.38	31.29	22.38	27.05
2. Economic Services	26.49	21.95	17.96	16.83	17.86	35.75	15.10
B. Non-Developmental (General Services)	41.29	43.31	48.85	50.87	47.31	39.27	54.43
1. Organs of states	1.17	1.44	1.17	1.28	1.15	0.91	1.17
2. Fiscal Services	2.99	2.86	2.41	2.21	2.34	1.69	2.33
3. Interest Payments and servicing of Debt	17.79	23.93	27.81	30.04	26.01	23.87	32.19
Interest Payments	15.90	21.14	24.02	25.87	21.43	20.42	26.82
Capital Account							
I. Capital Receipts	100.00	100.00	100.00	100.00	100.00	100.00	100.00
II. Internal Debt	26.52	17.66	44.82	60.37	57.37	37.68	53.12
III. Loans and Advances from Centre	50.34	46.46	17.88	23.01	21.27	10.40	23.32
IV. Recovery of Loans	3.32	3.22	2.10	3.05	1.50	37.87	4.06

Contd. ...

<i>Contd. ...</i>							
Total Capital Disbursements	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Capital Outlay(A+B)	31.69	37.68	57.85	56.22	41.48	57.44	47.50
A. Developmental	29.60	34.96	55.95	54.20	37.87	55.69	44.96
2. Economic Services	24.86	27.11	51.33	50.86	34.72	53.69	40.55
B. Non-Developmental (General Services)	2.09	2.72	1.90	2.03	3.61	1.75	2.54
C. Discharge of Internal Debt	10.26	1.47	3.24	12.80	9.96	1.90	5.12
D. Repayment of Loans to the Centre	18.48	19.69	22.66	22.66	39.76	33.32	41.16
E. Loans by State Governments	39.58	41.15	16.26	8.32	8.79	7.35	6.22
As Per Cent of GSDP							
Revenue Account							
Revenue Receipts (I + II)	13.86	11.60	14.25	13.57	13.71	-	-
I. Tax Revenue (A + B)	8.78	8.96	11.53	10.87	11.63	-	-
A. States Own Tax Revenue	4.72	4.57	6.32	5.47	6.29	-	-
B. Share in Central Taxes	4.06	4.40	5.21	5.40	5.34	-	-
II. Non-Tax Revenue (C+D)	5.08	2.64	2.72	2.69	2.08	-	-
C. States Own Non-Tax Revenue	1.96	0.95	1.12	0.95	0.94	-	-
D. Grants from the Centre	3.12	1.69	1.60	1.74	1.14	-	-
Revenue Expenditure	15.17	13.91	17.87	16.84	16.23	-	-
A. Developmental	8.65	7.67	8.52	7.78	7.98	-	-
1. Social Services	4.63	4.61	5.31	4.95	5.08	-	-
2. Economic Services	4.02	3.05	3.21	2.84	2.90	-	-
B. Non-Developmental (General Services)	6.26	6.02	8.73	8.57	7.68	-	-
1. Organs of States	0.18	0.20	0.21	0.21	0.19	-	-
2. Fiscal Services	0.45	0.40	0.43	0.37	0.38	-	-
3. Interest Payments and Servicing of Debt	2.70	3.33	4.97	5.06	4.22	-	-
Interest Payments	2.41	2.94	4.29	4.36	3.48	-	-
Capital Account							
I. Capital Receipts	4.05	5.08	8.11	6.35	7.20	-	-
II. Internal Debt	1.07	0.90	3.63	3.83	4.13	-	-
III. Loans and Advances from Centre	2.04	2.36	1.45	1.46	1.53	-	-
IV. Recovery of Loans	0.13	0.16	0.17	0.19	0.11	-	-
Total Capital Disbursements	3.42	2.76	3.25	3.35	4.51	-	-
Capital Outlay(A+B)	1.08	1.04	1.88	1.88	1.87	-	-
A. Developmental	1.01	0.96	1.82	1.82	1.71	-	-
2. Economic Services	0.85	0.75	1.67	1.70	1.57	-	-
B. Non-Developmental (General Services)	0.07	0.08	0.06	0.07	0.16	-	-
C. Discharge of Internal Debt	0.35	0.04	0.11	0.43	0.45	-	-
D. Repayment of Loans to the Centre	0.63	0.54	0.74	0.76	1.79	-	-
E. Loans by State Governments	1.35	1.13	0.53	0.28	0.40	-	-
Memo Variables							
Revenue Deficit	1.31	2.30	3.62	3.28	2.52	-	-
Fiscal Deficit	3.62	4.31	5.86	5.25	4.68	-	-
Primary Deficit	1.20	1.37	1.57	0.89	1.20	-	-
Debt	26.28	24.83	35.73	37.70	39.19	-	-
Total Developmental Expenditure	9.66	8.63	10.34	9.60	9.69	-	-
Total Non-Developmental Expenditure	6.33	6.10	8.79	8.64	7.84	-	-

Source: State Finances, Study of Budgets, RBI (various issues).

Note: Debt does not include reserves and deposits. Values up to 2000-01 include Uttranchal. Debt from 2000-01 to 2003-04 is taken from finance accounts.