

CHAPTER III

DEVELOPMENT OF INDUSTRIES IN RURAL AREAS OF UTTAR PRADESH

The economic policies adopted by India in the early 1950s provided for exclusive government regulation of the private industrial sector, the establishment of a large public industrial sector, and import controls that virtually insulated domestic industry from international competition. Policy changes during 1990s provided a new industrial framework shaping policy implementation and resulted in increased competition¹, growth of MNCs and policy shifts in development and management of industries. The new policy regime also provided opportunities as well as threat to Indian industries. These are in terms of business process re-engineering, total quality management, technological development, R & D, outsourcing, financial marketing etc. India's industrial policies, the institutional arrangements for their implementation and the wider institutional setting all have impacted upon the country's industrial development. The early restrictive policies and the bureaucratic hurdles adversely affected both Indian and foreign investments in general. India's industrial performance has improved in certain respects as consequences of the new policies adopted after 1991. Against this backdrop, present chapter purports to review the industrial performance and growth in India and Uttar Pradesh. Against this backdrop, the present paper purports to review the growth and performance of Indian industries, development of industries in Uttar Pradesh in new policy regime and its implications for future industrial development in the state.

U.P. Development Council

Government of Uttar Pradesh has established 'Uttar Pradesh Development Council' by a decision taken by Cabinet on October 7, 2003. The Council is headed by Sri Amar Singh, Member, Parliament and coordinated by Chief

Secretary, Government of Uttar Pradesh. The members of the Council are Sri Adi Godrej, Godrej Group of Industries Ltd., Mumbai, Sri Anil D. Ambani, Reliance Industries Ltd., Mumbai, Sri Amitab Bhachhan. AB Group Ltd., Mumbai, Sri Kumar Manglam Birla, AB Group Ltd., Mumbai, Sri K.V. Kamath, Industrial Credit and Investment Corporation Ltd., Mumbai, Sri M.S. Banga, Hindustan Lever Ltd., Mumbai and Sri Subrat Roy, Sahara India, Lucknow. The Principal Secretary of Dept. of Industries, Energy, Tax and Cooperatives, Revenue, Public Works, Excise, Tourism, Power etc. have nominated members of the council. The functioning of the Council has shown tremendous scope for industrial development since investment in new projects has been started.

To encourage entrepreneurs and to confer recognition on industries of distinction in the state, a star scheme of seven categories has been introduced. The first four top most industries in the star category will be exempted from the hour restriction of the electricity department. Additional power load for star units will be granted on priority basis. Priority will also be accorded to certified star categories in the allotment of plots and sheds by UPSIDIC and the Directorate of Industries. Star industries will also receive loans on priority basis from PICUP and Uttar Pradesh Finance Corporations. Importantly, to promote the growth and development of small scale industries in the state, the Government has been liberal with incentives in the form of exemptions to entrepreneurs under the trade tax scheme, training to industrial craft men.

Growth and Development of Industries

Large and medium scale industries are of special importance in the industrial development of the state. These industries pave the way for the growth of various ancillaries industries and industrial activities in general. The Birla, Tata, Goenka, Sri Ram, Hindustan Lever, Modi, Reliance, and several other business houses and groups are setting up industrial units in the state. By the end of the Sixth Five Year Plan period, there were 690 large and medium scale industrial enterprises in the state with a total capital investment of Rs.6,578 crores. By the year 1994–95, the number of such units had gone up to 1399 and the capital investment of Rs.10,476 crores.

Up to March 1998, there were 1312 large and medium scale industries which provided employment to 4,73,910 persons and involving capital investment of Rs.29,592.56 crores. It is to be noted that most of the industrial units are located in Merrut division followed by Kanpur, Lucknow and Saharanpur divisions. Similarly, out of 3,02,002 small-scale industries in the state, most of the industrial units are located in Agra, Kanpur, Lucknow, Varanasi and Bareilly divisions. The SSIs provide employment to 12,91,555 persons and involve investment of Rs.3,180.12 crores (Table 3.1).

Table 3.1: Division-wise Industries in Uttar Pradesh

Sl	Division	SSIs (Upto March 1998)			Large & Medium Industries		
		No.	Investment	Employ.	No.	Investment	Employ.
1	Agra	32782	325.94	183692	75	2115.01	20503
2	Azamgarh	10186	69.27	39967	8	63.32	5181
3	Allahabad	17472	118.07	65578	45	3985.96	27556
4	Bareilly	22297	146.55	85643	55	1841.07	25141
5	Basti	5616	62.02	21645	14	47.03	4313
6	Chitrakoot	4689	37.24	12232	18	79.97	2616
7	Devipatan	8031	44.76	30652	14	423.72	7609
8	Faizabad	16003	133.87	57203	48	856.12	16017
9	Gorakhpur	10744	199.1	40201	37	264.46	23759
10	Jhansi	11426	91.78	36252	24	187.19	14391
11	Kanpur	26816	291.63	120835	145	1048.57	75930
12	Lucknow	24007	284.88	91040	127	717.48	52989
13	Meerut	48361	842.77	235981	440	14104.28	107219
14	Vindhyachal	6673	73.42	33976	14	384.34	15182
15	Moradabad	17322	104.7	68664	81	1660.6	29637
16	Saharanpur	17789	200.57	71849	108	454.98	27140
17	Varanasi	21788	153.45	96125	59	1358.46	18727
	U.P.	302002	3180.02	1291535	1312	29592.56	473910

Source : Directorate of Industries, Uttar Pradesh Government, Kanpur, 2002.

During 1990–91 to 1999–2000, number of small-scale industries grew by 6.49 per cent while employment in these units declined by 48.53 per cent. It shows that the performance of small business units has declined in post–reform period, perhaps due to adverse impact of MNCs. A number of small industrial units were closed down in Modi Nagar, Kanpur, Noida, Meerut, Saharanpur, Bareilly etc. However, investment in small-scale industries has grown by 141.25 per cent over the period (Table 3.2).

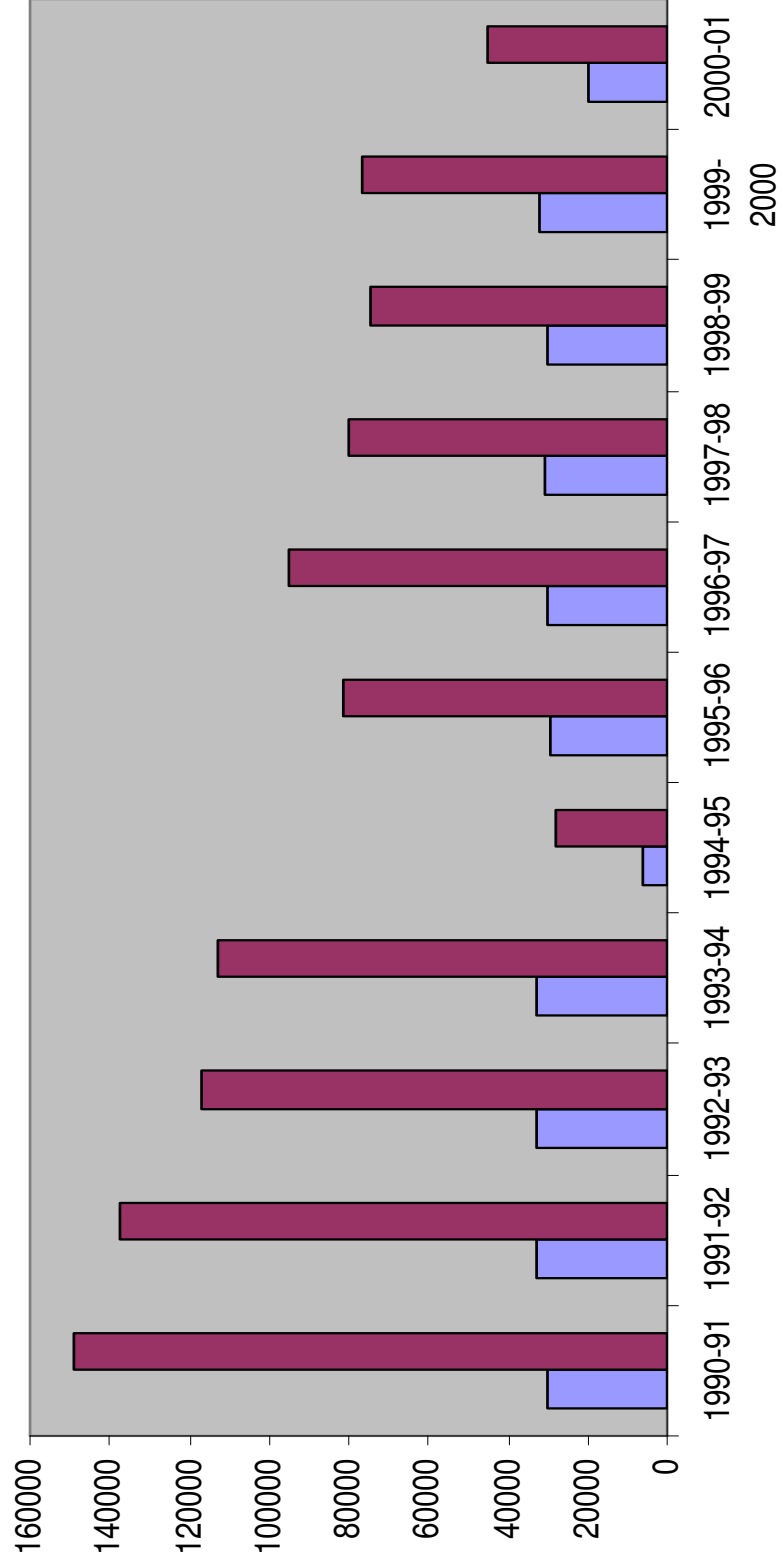
Table 3.2: **Growth of SSIs in Uttar Pradesh**

Year	No. of Units	Employment	Fixed Investment (Rs.Million)	Production (Rs.Million)
1987–88	53282	348908	9810	37270
1988–89	76432	461086	11268	41750
1989–90	102471	593509	12909	46790
1990–91	132719	742476	14443	49642
1991–92	165767	880363	16528	53113
1992–93	198574	997363	18593	57603
1993–94	231382	1110015	20644	62445
1994–95	237415	1138244	21689	65664
1995–96	267042	1219697	24184	70786
1996–97	297197	1314698	26847	76602
1997–98	327827	1394830	30886	88726
1998–99	357961	1469177	34880	103095
1999–00	390173	1543893	38583	NA
2002-03				

Source : State Directorate Industries.

GROWTH OF SMALL SCALE INDUSTRIES IN U.P.

■ NO OF INDUSTRIES ■ EMPLOYMENT



The number of handicrafts industries in state has grown by 7.32 per cent during 1990s while employment grew by 2.83 per cent, which shows negative impact of MNCs. The investment in these industries has grown by 120.54 per cent while production registered the growth of 189.23 per cent over the period. The SSIs are mainly concentrated in Meerut, Agra, Kanpur, Varanasi and Bareilly. Khadi and Village Industries (KVIs) are also concentrated in Agra, Kanpur, Meerut and Moradabad (Table 3.3).

Table 3.3: Khadi and Village Industries (March 1999)

Region/ Division	Organiz-ation	Societies	Private	Production (Rs.Lakh)	Sales (Rs.Lakh)	Employ- ment
Agra	497	271	12912	1065.62	1134.14	13716
Azamgarh	90	66	4104	300.88	301.38	7880
Allahabad	209	163	9247	1084.95	1273.85	16311
Bareilly	350	181	10243	306.4	656.54	7530
Basti	52	76	3943	78.45	91.93	3323
Chitrakoot	175	96	5994	49.12	58.35	3525
Devi Patan	171	105	7276	173.29	200.26	7639
Faizabad	342	171	15002	355.4	412.62	16220
Gorakhpur	189	130	9796	182.93	204.75	11090
Jhansi	169	70	7000	462.12	501.97	15462
Kanpur	449	251	10574	570.32	588.09	9697
Lucknow	346	255	18060	767.04	751.45	23862
Meerut	459	171	8724	591.05	855.62	7470
Vindhychal	56	45	3089	680.07	769.62	6875
Moradabad	406	199	8574	759.75	818.77	15970
Saharanpur	163	183	6280	1217.65	1435.05	11206
Varanasi	241	142	8632	365.56	441.12	7007
U.P.	4364	2575	149450	8950.6	10495.51	184783

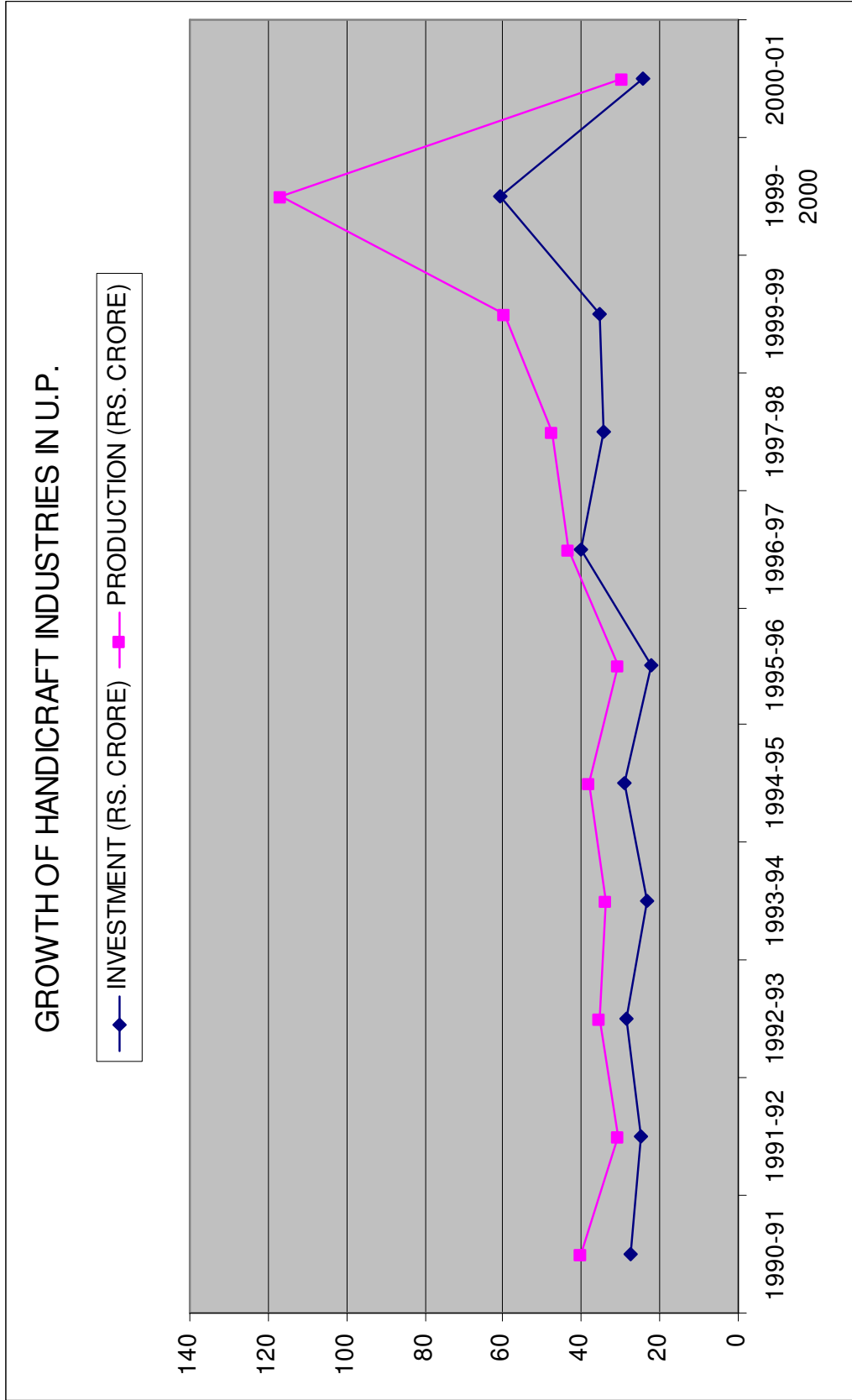
Source : Dainik Jagaran's Uttaranchal & Uttar Pradesh, 2004.

There has been growth of 7.32 per cent in handicraft industries in Uttar Pradesh during reform period (Table 3.4).

Table 3.4: Growth of Handicraft Industries in Uttar Pradesh

Year	Target	No. of Industries	Investment (Rs.Crore)	Employment	Production (Rs.Crore)
1990-91	40,000	40798	27.60	46033	40.41
1991-92	44,000	43965	24.78	49068	30.77
1992-93	44,000	39718	28.60	44976	35.35
1993-94	44,000	43012	23.12	48811	33.79
1994-95	44,000	42247	28.84	46068	38.29
1995-96	44,000	35017	22.04	37528	30.56
1996-97	44,000	43601	40.41	4785	43.54
1997-98	44,000	43659	34.58	46004	47.50
1998-99	44,000	44303	35.62	48077	59.57
1999-2000	44,000	43788	60.84	47345	116.88
2000-01(Dec.)	44,000	28671	24.04	30218	29.71
Growth 1990-91 to 1999-2000	10.00	7.32	120.54	2.83	189.23

Source : Directorate of Industries, Uttar Pradesh Government, Kanpur, 2001.



The identified industrial corridors of the state are shown in Table 3.5.

Table 3.5: **Industrial Corridors of Uttar Pradesh**

Corridor	District
Western	Saharanpur, Muzaffarnagar, Bareilly, Badaun, Bijnore, Meerut, Moradabad, Ghaziabad, Agra, Aliganj, Mathura, Firozabad and Bulandshahar.
Central	Lucknow, Unnao, Kanpur Nagar, Kanpur Dehat.
Bundelkhand	Jhansi & Jalaun
Eastern	Allahabad, Mirzapur, Varanasi, Sonebhadra, Maharajganj, Siddharthnagar, Basti, Gorakhpur, Azamgarh, Mau and Ghazipur

Source: U.P. Development Report, Planning Commission, Govt. of India, 2007.

Woodwork of Saharanpur, Chikan work of Lucknow, Lock industry of Aligarh, Silk sarees of Varanasi, brassware of Moradabad, Glasswork of Firozabad, Pottery and Ceramic works of Khurja, sports goods of Meerut, Leather and stone work of Kanpur and Agra etc. are some of the internationally known industrial clusters of Uttar Pradesh (Table 3.6).

Table 3.6: **Small Industry Clusters in Uttar Pradesh**

Cluster	District/ Area
Electronics	Noida
Sports Good	Meerut
Brassware	Moradabad
Carpets	Bhadoi
Glass Work	Shikohabad–Firozabad
Hosiery	Kanpur
Leather	Kanpur
Leather Footwear	Agra
Ceremic Industry	Khurja
Essential Oils	Kannauj
Foundry	Agra
Petha Sweets	Agra
Locks	Aligarh

Source: SIDBI Report, 2001.

Small Scale Industry and Handicraft sector has an important role in the economy of the State. This is fully reflected by the industrial production,

employment generation and contribution to exports by the SSI and Handicrafts Sectors. There is immense scope of employment opportunities in the sector which is next only to agriculture. The modern sectors of Information technology /Bio-technology and Food technology, has given a new shape to the SSI.²

Exports have emerged as a crucial component of the economy of a country: generating a balance of trade, foreign exchange reserves, and employment opportunities within the state. The Foreign Trade Policy is within the jurisdiction of Government of India, yet it is at the State level that implementation, production of export takes place. As such the policies of the State Government and the enabling environment for exports at the local level are key to promote exports from the State.

Exports affect the industrial environment, by enabling industrial units to be able to compete internationally, as well as meet foreign competition in the national markets. This requires industrial units to improve quality, upgrade technology and skill, diversify and develop designs to meet the market demand. The share of Uttar Pradesh in the country's exports has been around 6% over the last few years. Uttar Pradesh, with an area of 243286 square kilometers and a population of about 17 crore, offers a huge market opportunity. In addition, it has been the seat of traditional handicraft work and trade.

Handicraft items such as hand knotted carpets, brassware, woodware, gift items, chikan, zari-zardozi, marble inlay work, handlooms and other products constitute around 60 % of the exports of the State. In addition, there is tremendous potential for exporting non-traditional, high technology products such as electronics and computer software items. While there has been a steady growth in handicrafts exports, yet there is additional latent potential, which could be exploited.

Balanced industrial development, employment generation, maximum investment and export promotion by setting up large number of SSI units were some of the major goals in the Tenth Five Year Plan. Major achievements during the Tenth Plan are reviewed in the following paragraphs.

UP State Infrastructure Development Corporation is promoting three agro-parks with requisite infrastructure like cold stores, quality testing labs, post harvest infrastructure for fruits and vegetables for promoting export oriented horticulture in the state. The agro parks and their common infrastructure are shown in Table 3.7.

Table 3.7: **Agro Parks in Uttar Pradesh**

Agro-Park	Location	Area (Acre)	Common Infrastructure
Lucknow	Lucknow-Kursi Road	180	CA Store, Sorting, Grading and Cleaning facilities, QC Lab.
Varanasi	Jaunpur-Varanasi Road	260	- do
Ghaziabad	Masuri-Gulawati Road	400	- do-

Source: State Focus Paper (U.P.), NABARD, 2008.

Four Agro Economic Zones have been established for promotion of mango, potato and Basmati rice export. U.P. Horticulture Produce Marketing Federation is organizing horticulture producers for facilitating marketing of perishable produce. Agro Economic Zones and the potential district for horticulture produce are shown in Table 3.8.

Table 3.8: **Agro Economic Zone in Uttar Pradesh**

Agro Economic Zone	Districts
Mango	Lucknow, Unnao, Hardoi, Sitapur, Barabanki
Mango	Saharanpur, Muzaffarnagar, Bijnore, Meerut, Baghpat, Bulandshahr
Potato	Agra, Hathras, Farrukhabad, Kannauj, Meerut, Aligarh, Baghpat.
Basmati Rice	Bareilly, Shahjahanpur, Pilibhit, Rampur, Budaun, Bijnore, Moradabad, J.P. Nagar, Saharanpur, Muzaffarnagar, Meerut, Bulandshahr, Ghaziabad.

Source: State Focus Paper (U.P.), NABARD, 2008.

Though, the state has vast potential for production and processing of horticultural produce, however, most of the horticultural produce are utilized locally and only a small segment is being processed for marketing. State has also

vast potential for sericulture development. The status of sericulture development in the state is shown in Table 3.9.

Table 3.9: **Status of Sericulture Sector in U.P.**

Parameter	Present Status	Xth Plan Target
Annual Cocoon Production (Lakh Kg.)	3.5	4.6
DFL Production (Lakh)	10.4	13.5
Average Productivity Per DFL (Kg.)	25	30
Annual Production of Raw Silk (MT)	23.21	28

Source: State Focus Paper (U.P.), NABARD, 2008.

The potential areas for sericulture development are situated in mainly plain areas of the state (Table 3.10).

Table 3.10: **Potential Areas for Sericulture Development**

Region	Sericulture Districts
Plains	Meerut, Saharanpur, Etawah, Agra, Hardoi, Moradabad, Mathura, Unnao, Muzaffarnagar, Bareilly, Mainpuri, Rampur, Sitapur, Fatehpur, Varanasi, Ghazipur, Jaunpur, Mirzapur, Bahraich, Sant Ravi Das Nagar.
Tarai Region	Gorakhpur, Maharajganj, Deoria, Gonda, Basti, Pilibhit, Lakhimpur-Kheri, Kushi Nagar.

Source: State Focus Paper (U.P.), NABARD, 2006.

Horticulture development zones are shown in Table 3.11. There are a number of horticultural crops which may be grown widely and be utilized for the export of the horticultural produce as well as processing of horticultural produce.

Table 3.11: **Horticulture Development Zones (HDZs)**

Fruits	Mango, Guava, Papaya, Bel, Aonla, Banana, Jack Fruits.
Vegetables	Tomato, Potato, Peas, Cucurbits, Parwal, Carrot, Cauliflower, Okra
Spices	Chilli, Garlic, Coriander, Onion, Turmeric, Fennel, Fenugreek
Others	Honey, Mushrooms

Source: State Focus Paper (U.P.), NABARD, 2006.

Area of Horticultural crops under Horticulture development zones in the state is shown in Table 3.12.

Table 3.12: Area of Horticultural Production in HDZs

Fruit Crop	Area (ha)	Vegetable crop	Area (ha)	Spice	Area (ha)
Mango	20,000	Potato	20,000	Garlic	20,000
Guava	7,500	Tomato	8,000	Onion	10,000
Banana	5,000	Carrot	2,000	Chilli	10,000
Papaya	5,000	Green Pea	5,000	Turmeric	3,000
Litchi	2,500	Pumpkin	3,000	Ginger	1,000
Citrus	2,500	Parwal	1,000	Coriander	2,000
Aonla	5,000	Other Cucurbits	2,000	Fennel	2,000
Bel	500	Petha	3,000	Fenugreek	2,000
Jack Fruit	500	Brinjal	2,000		
Karonda	500	Okra	1,000		
Straw Berry	200	Sweet Potato	1,500		
Peach	500	Lobia	1,500		
Plum	300				
Total	50,000	Total	50,000	Total	50,000

Source: State Focus Paper (U.P.), NABARD, 2006.

Potential districts for the development of Dairy and Animal Husbandry Sector are shown in Table 3.13. Most of the potential districts for Dairy Development fall in Western Uttar Pradesh.

Table 3.13: Potential Districts for Dairy Development

Sector	Districts having Potential
Dairy	Allahabad, Varanasi, Moradabad, Saharanpur, Bareilly, Meerut, Ghaziabad, Kanpur, Bulandshahr, Etawah, Aligarh, Rampur, Lucknow, Mathura.
Meat	Agra, Kanpur, Aligarh, Muzaffarnagar, Jalaun, Budaun.
Poultry	Gorakhpur, Lucknow, Jhansi, Kanpur, Mirzapur
Other related activities	Rae Bareli, Unnao, Barabanki, Auraiya, Kushinagar.

Source: State Focus Paper (U.P.), NABARD, 2006.

District-wise potential activities for non-farm sector is shown in Table 3.14. There are 24 major economic activities falling in the broad domain of Non-Farm Sector. The districts like Bhadohi, Mirzapur and Varanasi are world known for the development of carpets and silk sarees. Similarly, districts like Agra, Banda, Varanasi and Allahabad are best known for stone work. Similarly, Kanpur, Agra, Meerut, Allahabad are known for leather work. The chikan work is confined to Lucknow, Barabanki, Raebarelli, Unnao, Hardoi, Sitapur and Lakhimpur Kheri.

Table 3.14: **District-wise NFS Potential in U.P.**

Sr. No.	Activities	District
1.	Cane and Bamboo	Allahabad, Bahraich, Bareilly, Lucknow, Kanpur and Varanasi
2.	Carpets	Agra, Allahabad, Bhadohi, Jaunpur, Mirzapur, Shahjahanpur, Varanasi, Chandauli, Aligarh
3.	Dolls and Toys	Agra, Allahabad, Lucknow, Varanasi, J.P. Nagar
4.	Folk Painting	Varanasi, Allahabad, Mathura
5.	Jewellery	Agra, Firozabad, Jhansi, Mathura, Meerut, Varanasi, Ghaziabad
6.	Metalware	Aligarh, Etawah, Jhansi, Sitapur, Mirzapur, Varanasi
7.	Musical Instruments	Bareilly, Lucknow, Meerut, J.P. Nagar
8.	Pottery	Agra, Azamgarh, Lucknow, Meerut, Mirzapur
9.	Rugs and Durries	Agra, Aligarh, Hathras, Varanasi, Mirzapur, Shahjahanpur
10.	Stone Work	Agra, Banda, Varanasi, Allahabad
11.	Textiles	Agra, Lucknow, Jhansi, Kanpur, Varanasi, Ghaziabad, Sant Kabir Nagar, Azamgarh, Mau
12.	Brass Work	Moradabad, Mirzapur, Hathras
13.	Card Board Manufacturing	Moradabad, Varanasi, Allahabad, Kanpur, Bareilly
14.	Fabrication	Ghaziabad, Kanpur, Mirzapur
15.	Furniture	Gonda, Varanasi, Lucknow, Bareilly, Mirzapur and Saharanpur
16.	Wood Carving	Saharanpur and Bijnore
17.	Handloom / Power loom	Barabanki, Kanpur, Jhansi, Meerut, Varanasi, Gorakhpur, Aligarh, Farrukhabad, Sitapur, Faizabad
18.	Locks / Knife	Aligarh, Rampur
19.	Fruits / Vegetable Processing	Ballia, Bareilly, Gonda, Saharanpur, Shahjahanpur, Lucknow, Etah, Mainpuri, Farrukhabad, Ghazipur, Dehradun, Pratapgarh, Kanpur, Meerut, Varanasi.
20.	Gur and Khandsari	Muzaffarnagar, Meerut, Moradabad, Gorakhpur, Deoria, Varanasi and Bijnore
21.	Bidi Making	Allahabad, Bareilly, Jalaun
22.	Leather	Kanpur, Agra, Meerut, Allahabad
23.	Phytochemicals and Herbal Products	Kannauj, Aligarh, Sitapur, Barabanki, Bahraich, Moradabad, Varanasi, Bulandshahar and Rampur
24.	Statue Making	Mahoba

Source: State Focus Paper (U.P.), NABARD, 2006.

Though, various Central Government projects have also been setup in the state, the production of traditional industries such as sugar, cement, vanaspati, cotton, and cloth has not reached to the maximum level what was expected from the traditional industries in Uttar Pradesh. Sugar Industry ranks first and is treated as a leading industry of Uttar Pradesh. By the year 1994-95, there were 104 sugar industries which produced 25.55 lakh tonnes of sugar.

At the end of 1994-95, 42 sugar factories were under private sector while 19 factories were under corporation and authorized controllership and 18 factories under corporate sector. During 1969-95, there was a great fluctuation in the production of cloth and a number of cotton milts were closed down. Up to March 1998, there were 1312 large and medium scale industries which provided employment to 4, 73,910 persons, involving capital investment of Rs.29,592.56 crores (Table 3.15).

Table 3.15: **Progress of Sugar Industries in Uttar Pradesh**

Year	No. of Factories	Cane Crushed (Lakh Tons)	Sugar Production (Lakh Tons)	Actual No. of days	Cane Area Reserved (Lakh Hect.)
1955-56	67	79.45	7.13	88	6.02
1960-61	69	81.37	7.98	86	8.56
1967-68	71	85.36	8.13	92	8.03
1973-74	73	144.21	12.95	139	12.09
1979-80	88	102.0	9.97	83	12.33
1991-92	94	246.51	23.47	156	15.80
1994-95	104	263.86	25.55	183	16.44

Source: Directorate of Industries, Uttar Pradesh Government, Kanpur.

New Industrial Policy

Government of Uttar Pradesh launched a new U.P. Industrial Policy, 1998 with the view of:

- Economic development of the state based on harmonious growth of agriculture and industry;
- Creation of employment opportunities;
- Provision of special incentives to facilitate creation of employment opportunities in the private sector for scheduled castes/ scheduled tribes; other weaker sections and the minority communities;
- Ushering in socialism based on equality and prosperity;
- Boosting the pace of industrial development through optimum utilization of the existing potential of production;
- Balanced regional development;
- Harmonizing the interest of heavy, medium, small scale, handicraft, handloom, cottage, and village industry.

The strategy to meet the said objectives of the policy underlined the following steps:

- Ensuring availability of top class physical and social infrastructure facilities;
- Development of model industrial areas;
- Encouragement to private sector participation in the development of infrastructural facilities;
- Encouragement to NRIs and foreign capital investment in partnership with industrialists for setting up of industrial and for developing infrastructural facilities;
- Positive change in the attitudes of administration;
- Time bound sanctions, quick decisions and effective coordination for immediate disposal for setting up of industries and their operations;
- Rationalization of procedures for changing the existing rules and regulations, and abolition of Inspector Raj;
- Easy availability of industrial finance for setting up of an industry and their expansion;
- Rational and competitive trade tax structure;
- Identification of priority sector for industrial development and an incentive policy to promote such industries.

Considering the importance of infrastructural facilities, the state government is undertaking an exercise for the mapping of existing facilities for ascertaining the position regarding their availability in industrial areas. With the help of private sector, the following infrastructural facilities are being provided:

- Development of model industrial area;
- Power generation and distribution;
- Development of telecommunication facilities;
- Development of air transport;
- Express highways, by pass and bridge construction;
- Setting up of Inland container depot/ containers freight stations;
- Development of Technology Park.

The following places are also proposed for providing facilities for industrial development with the help of private sector. Such places include Ghaziabad, Bulandshahar, Meerut, Muzaffarnagar, Saharanpur, Mathura, Aligarh, Moradabad, Bareilly, Shahjahanpur, Akbarpur, Etawah, Gorakhpur, Mirzapur, Sonbhadra, Jaunpur and Jhansi. Importantly, the state government is committed to develop new work culture for the purpose of industrial development in the changing economic scenario. The state government has also taken decision to abolish Inspector Raj for the purpose of removing hindrance to speedy industrialization. To improve decision-making process, an empowered committee has been formed while strengthening of single window system, deregulation and decentralization of powers have been ensured. The entrepreneur also gets incentives in terms of trade, information centre, foreign reimbursement, income tax exemptions, etc. Keeping the view of potentials of agro-based industries in Uttar Pradesh, the government has provided friendly support to boost agro-based industries in the state. Export oriented units in Gorakhpur, Muzaffarnagar, Saharanpur, Meerut, Ghaziabad, Bulandshahar, Farrukhabad, Etawah, Mainpuri, Bareilly, Kanpur Dehat, Pilibhit and Varanasi have been proposed to set up. Due to its proximity to Delhi and large market for

agro–food products, groups like Hindustan Lever, Heinz–Ferro Alloys Corp., Warren Tea, Kissan, Dabur, Flex, Oswal, Tarai Foods, Sahas Agro have already set up agro–food processing industries in the state. The state has direct export of about Rs.1,200 crores and indirect export of Rs.1,800 crore. Uttar Pradesh accounts roughly 10 per cent of India’s export. The state government has formulated an export policy to promote the level of export from the state.

Industrial Development in Post–Reform Period

In the after month of globalization, small scale industry holds the pass key to employment and economic progress, which accounts for the high priority assigned to the growth and development of small scale industry both by the Central and the State Governments³. A number of schemes have been initiated by the various state governments to attract prospective entrepreneurs to their own parlours. After Gujarat and Maharashtra, Uttar Pradesh has had the distinction of having received the largest number of Letters of Intent (LOIs) and Industrial Entrepreneurial Memorandum (IEMs). The Uttar Pradesh Government is resolved to change Uttar Pradesh into ‘Udyog Pradesh’ and its policies in regard to export and minerals deserve a little more than casual notice. To attract capital investment in the state, NRIs have been provided special concessions. Likewise, to ensure private sector participation in major industrial projects, the development of industrial corridors, marketing of products of small scale industries through private agencies, creation of the single table system and technology mission are being employed as instruments of growth of important industrial groups in the state.

Uttar Pradesh has possessed flourishing clusters of industries like foundries in Agra, leather in Kanpur, glass in Firozabad and pottery in Khurja. The Directorate of industries is planning to launch an integrated project to develop these clusters. To ensure this, an export bureau has been constituted and export cell is being strengthened. Exemption from trade tax on industrial raw materials, VIP status for exporting green industries, revival of labour laws and issuance of cards to entrepreneurs are among other important measures taken by government to boost exports.

There has been a consistent growth of industries in the state under the liberalization process. Uttar Pradesh State Industrial Development Corporation, Uttar Pradesh Finance Corporation, SIDBI, PICUP, Uttar Pradesh State Handloom Corporation, Uttar Pradesh State Export Corporation, State Leather Development and Marketing Corporation, Industrial Advisory Service Fund, Institute of Entrepreneurship Development etc. all have assisted in boosting of industries in the state. As a quick disposal of requests i.e. IEMs and LOIs, as many as 2056 industries were set up as against 3966 IEMs. Another 3162 projects were under process. About 123 industries were established as against 360 LOIs.

Development of heavy and medium industries in the state has maintained a progressively upward trend in the state. By the end of the Seventh Five Year Plan, 935 big and medium industrial units had been set up. These units with a total capital investment of Rs.4,48,938 persons. There are 2616 heavy and medium industries are functioning in Uttar Pradesh. The investment has gone up to Rs.41,266.20 crore and opportunities of employment have been created for 7,38,582 persons. Under the new industrial policy regime, altogether, 3966 IEMs had been issued between September 1991 to December 2000 in favour of entrepreneurs, entailing a capital investment of Rs.68,740 crore and possibility of employment for 6,32,586 persons.

The Industrial growth rate during the past Five Year Plans in the State has been shown in Table 3.16.

Table 3.16: Plan-wise Growth of Five Year Plans

Plan	Period	Growth (%)
I Five Year Plan	(1951-56)	2.3%
II Five Year Plan	(1956-61)	1.7%
III Five Year Plan	(1961-66)	5.7%
Three Year Plan	(1966-69)	1.2%
IV Five Year Plan	(1969-74)	3.4%
V Five Year Plan	(1974-79)	9.4%
VI Five Year Plan	(1980-85)	11.8%
VII Five Year Plan	(1985-90)	10.9%
VIII Five Year Plan	(1992-97)	4.2%
IX Five Year Plan	(1997-2002)	- 4.3%
10 th Five Year Plan	2002 - 07	7.3
11 th Five Year Plan	2007 - 12	12.0*

Source: Department of Planning, Govt. of Uttar Pradesh.

The above figures show that whereas the growth rate during 92-97 was estimated to be 12%, it actually recorded only 4.2%, which resulted in negative SDP to the tune of (-) 4.3% in the Ninth Five Year Plan.

An analysis of units registered by March, 2006 (Table 3.17) reveals that development of industries has not been uniform in different areas of the state. Almost 50% of the industries have come up in western U.P. and within this region Ghaziabad and Noida have emerged as focal points of industrial development. Eastern U.P., relatively densely populated area, could attract approximately 28% of SSI units although geographically these two regions (western UP and eastern UP) have 26 and 27 districts respectively. It is essential to accelerate industrial development in backward regions of the state like Bundelkhand and eastern UP.

Table 3.17: **Region-wise Number of Industrial Units, Investment & Employment**

Economic region	Established units	Investment (Rs.in Cr.)	Employment generated
Western Region	277040	3058.18	1161482
Eastern Region	154449	1090.90	552936
Central Region	88311	1023.22	317365
Bundelkhand Region	32317	221.31	94477
Total	552117	5393.61	2126260

Source: Department of Planning, Govt. of Uttar Pradesh.

By the end of Ninth Plan, 430,618 SSI units had been established in the State with an investment of Rs.6298.22 crore giving employment opportunities to 16,49,181 persons. During the Tenth Five Year Plan, 147,934 SSI units have been established in the State with an investment of Rs.1470.98 crore giving employment opportunities to 584,357 persons.

During Tenth Five Year Plan period (2002-07), a target for generating employment opportunities for 6 lakh persons had been fixed by setting up 150,000 SSI units. An additional employment of 400,000 was proposed under PMRY during the said period. PMRY scheme is a purely centrally sponsored scheme and targets are fixed by Government of India every year. Thus @ of 2,00,000 each year a total number of 10,00,000 people were proposed to be

provided employment in SSI sector during the Tenth Five Year Plan. Scheme wise / year wise achievement against the target so fixed during the Tenth Plan are shown in Table 3.18.

Table 3.18: **Scheme-wise Target & Achievement of SSI Sector**

Scheme	2002-03		2003-04		2004-05		2005-06		2006-07	
	Target	Ach.	Target	Ach.	Target	Ach.	Target	Ach.	Target	Ant. Ach.
Establishment of SSI Units	120000	112802	120000	117564	120000	125611	120000	121102	120000	107278
PMRY Scheme	80000	113993	80000	119024	80000	129374	80000	111673	80000	136040
Total	200000	226795	200000	236588	200000	254985	200000	232775	200000	243318

Source: Department of Planning, Govt. of Uttar Pradesh.

For the Tenth Plan the target was fixed to establish 150000 new SSI units. Against the above target year wise target /progress is given Table 3.19.

Table 3.19: **Year-wise Investment & Employment in SSI Sector**

Year	Target	Established SSI Units	Investment (Rs.in Cr)	Employment
2002-03	30,000	30361	272.20	112802
2003-04	30,000	30454	276.06	117564
2004-05	30,000	30402	284.34	121102
2005-06	30,000	30282	262.76	125611
2006-07	30,000	26435	375.62	107278
Total	1,50,000	147934	1470.98	584357

Source: Department of Planning, Govt. of Uttar Pradesh.

Under the Pradhan Mantri Rozgar Yojana, between 1993-94 and March 2007, 6,13,701 beneficiaries have been sanctioned loan amounting to Rs.451872.87 lakh and Rs.345932.78 lakh have been disbursed in favour of 5,16,492 beneficiaries. Employment for 11,50,593 persons have been generated upto March, 2007 in this scheme. A target of covering 53,900 beneficiaries had been fixed for the year 2006-07 under PMRY Scheme. Loan in favour of 57,951 beneficiaries amounting to Rs.47961.87 lakh have been sanctioned and

Rs.40576.60 lakh has been disbursed in favour of 52,508 beneficiaries upto March, 2007 generating employment for 11,50,593 persons.

Non-Farm Enterprises Development

The role of rural non-farm sector is crucial in generating productive employment and alleviating poverty in rural areas as the absorption capacity of workforce in agriculture and industrial sector is shrinking⁴. We may also look at the pattern of rural diversification as revealed by Economic Census data. According to the latest Economic Census, there were 22.05 lakh rural enterprises in Uttar Pradesh in 2005, employing 40.82 lakh workers (Table 3.20). Thus, only 8.6 per cent of the rural enterprises and 8.5 per cent of the workers employed in them in India are found in Uttar Pradesh. Between 1998 and 2005, the rural enterprises and workers employed in them recorded annual growth rate of 62.1 per cent and 36.7 per cent in Uttar Pradesh respectively. However, the growth rates registered during the period 1990-98 in Uttar Pradesh were higher than those registered during 1980-90, i.e. 1.15 per cent and 1.19 per cent in the case of rural enterprises and workers respectively. These trends are in line with the acceleration reported by the NSS rounds referred to above.

Table 3.20: **Number and Growth of Rural Enterprises: 1998-2005**

Types of Enterprises	Number of enterprises (in lakhs)			Number of workers (in lakhs)		
	2005	1998	% Increase	2005	1998	% Increase
Total	22.05 (100.0)	14.79 (100.0)	62.1	40.82 (100.0)	32.32 (100.0)	36.7
Agricultural	2.32 (10.52)	1.16 (7.8)	118.9	4.68 (11.6)	1.95 (6.0)	167.4
Non-agricultural	19.73 (89.48)	13.63 (92.2)	57.3	36.14 (88.53)	30.37 (94.0)	28.5
Self-employed	17.4 (77.28)	12.17 (82.3)	51.1	–	17.56 (54.34)	–
Establishments	5.01 (22.72)	2.62 (17.7)	115.9	–	14.76 (45.66)	–

Source : Fourth Economic Census, U.P., 2005.

The self-employed enterprises constitute 77.28 per cent of the total rural enterprises in Uttar Pradesh and employ 54.34 per cent of the workers. The

corresponding figures for establishments are 22.73 per cent and 45.66 per cent respectively. The size of enterprises is rather small - only 1.44 persons in case of self-employed units and 5.63 persons in case of establishments. The corresponding figures for India as a whole, viz. 1.52 and 4.55, are more or less of the same order. Over 90 per cent of the rural enterprises are non-agricultural. These are dominated by three sectors only, namely manufacturing and repairs, retail trade, and community and personal services, which respectively employ 40.97 per cent, 26.91 per cent and 24.95 per cent of the total workers in these enterprises. These are mostly low income generating activities.

Area-wise distribution of enterprise is shown in (Table 3.21). In 1990, 12.91-lakh enterprises were reported in rural areas while in 1998, the number of such enterprises increased to 14.79 lakh registering an increase of 14.6 per cent. Similarly, in 1990, there were 12.24 lakh enterprises in rural areas while in 1998; these enterprises showed an increase of 11.4 per cent. There have been higher growth rates in owned enterprises as compared to institutes. In urban areas, growth rates of enterprises have been reported higher as compared to growth rates of enterprise in rural areas, except the farm sector thus, farm sector has showed sharp decline in urban areas over the period. During 1998-2005, rural enterprises grew by 62.1 per cent while urban enterprises grew by only 23.1 per cent. The highest growth was recorded in the farm sector.

Table 3.21: Area-wise Distribution Of Enterprises

Type of Enterprise	Rural (lakh)			Urban (lakh)		
	2005	1998	Change	2005	1998	Change
Total	22.05 (100.00)	14.79 (100.00)	62.1	18.16 (100.00)	15.64 (100.00)	23.7
Farm	2.32 (10.52)	1.16 (7.8)	118.9	0.26 (1.4)	0.17 (1.1)	52.9
Non-farm	19.73 (89.48)	13.63 (92.2)	57.3	17.90 (98.6)	15.47 (98.9)	23.4
Owned	17.04 (77.28)	12.17 (82.3)	51.1	11.40 (62.8)	10.82 (69.2)	11.9
Institutes	5.01 (22.72)	2.62 (17.7)	115.9	6.75 (37.2)	4.82 (30.8)	50.3

Source : Economic Census, 2005, U.P.

Area-wise employment in non-farm enterprises is shown in Table 3.22. In 2005, 40.82 lakh persons were employed in enterprises in rural areas. Out of total employment, one-third employment was reported to be of hired persons while non-farm sector contributed a lion's share. Importantly, the share of non-farm sector in employment in enterprises has declined by 2 percentage points over the period of 1990 to 1998. Against it, there has been one percentage point increase in the share of non-farm sector in the total employment of enterprises in urban areas. Again, in the urban areas contribution of urban farm sector has sharply declined while in rural areas it has showed on rapid growth (64.6 per cent). During 1998-2005, the employment in non-farm sector grew by 28.5 per cent only while employment in farm sector grew by 167.9 per cent.

Table 3.22: Area-wise Employment In Non-Farm Enterprises

Classification of workers	Rural			Urban		
	2005	1998	Change	2005	1998	Change
Total	40.82 (100.00)	32.32 (100.00)	36.7	40.63 (100.00)	42.48 (100.00)	- 0.8
Hired	13.94 (34.15)	12.97 (40.1)	19.1	19.70 (48.49)	21.40 (53.4)	1.4
Farm	4.68 (11.46)	1.95 (6.0)	167.4	0.53 (1.30)	0.42 (1.0)	32.5
Non-farm	36.14 (88.53)	30.37 (94.0)	28.5	40.10 (98.70)	42.06 (99.0)	- 1.0

Source: Economic census, 2005, U.P.

The classification of non-farm enterprises is shown in Table 3.23. Out of total enterprises, retail business accounted 45.9 per cent share while community, social and personal services (22.2 per cent) and processing and repair services (21.0 per cent) accounted larger share. There has significant growth in transport (131.1 per cent), and retail business sector during the period of 1990-1998.

Table 3.23: Classification Of Non-Farm Enterprises

Classification of Enterprises	Enterprises No. (Lakh)	Percent	Place	Change (1998-05)
Total	37.53	100.0	–	39.1
Retail business	20.40	54.2	1	63.2
Community, Social and Personal Services	3.85	10.2	3	-34.6
Processing and repair services	8.19	21.2	2	40.2
Tea, Snakes, Hotel etc.	1.31	3.5	5	47.2
Transport	0.60	1.6	4	-4.6
Others	3.28	8.7	–	152.3

Source : Economic census, 2005, U.P.

The classification of owned enterprises is shown in table 3.24. There are 26.26 lakhs owned enterprises in Uttar Pradesh and half of them are related to retail business. The retail business enterprises have grown by 21.1 per cent during 1990-98. During 2005, rural business accounted first position in non-farm sector.

Table 3.24: Classification o Owned Enterprises

(Lakh)

Enterprises	No. of Enterprises	Percent	Place	Change (1998-05)
Total	26.26	100.00	–	28.9
Retail business	15.68	59.7	1	98.3
Processing and Repair services	5.29	20.1	2	29.0
Community, Social and Personal services	1.84	7.1	3	-50.2
Others	3.45	13.1	–	72.5

Source: Economic census, 2005, U.P.

The classification of non-farm enterprises by institutions is shown in Table 3.25. There are 11.37 lakh such enterprises and out of them most of them are dealing with retail business (41.5 per cent). Processing and repair services

accounted for 25.5 percent, while number of retail business has grown by 143.67 percent during 1998–2005. Rural non–farm enterprises in the state are shown in Table 3.26. There are 19.73 lakh enterprises, and out of them 15.04 lakh enterprises are owned enterprises while 4.69 lakh enterprises are institutions. Most of the enterprises are dealing retail business and services sector. The urban non–farm enterprises in Uttar Pradesh are shown in table 3.27. There are 17.09 lakh enterprises and out of them 11.21 lakh enterprises are owned enterprises while 6.69 lakh enterprises are institutions. These enterprises mainly deal retail business and services sector. Activity–wise enterprises in Uttar Pradesh are shown in Table 3.28. Most of the enterprises deal with retail business, community, social and personal services, transport, hotel and restaurants and processing and repair services etc.

Table 3.25: Classification of Non–Farm Enterprises By Institutions

Classification of Non–farm enterprises	No of Institutions (lakh)	Change (1998–05)
Total	11.37 (100.00)	69.95
Community, Social and Personal services	2.00 (17.6)	- 8.26
Retail business	4.72 (41.4)	143.67
Processing and Repair services	2.90 (25.5)	66.67
Others	1.75 (15.4)	110.84

Source: Economic census, 2005, U.P.

Table 3.26: Rural Non–Farm Enterprises in U.P.

Classification of Enterprises	No of Enterprises/Institutions (Lakh)		
	Enterprises	Owned Enterprises	Institutions
Total	19.73 (100.00)	15.04 (100.00)	4.69 (100.00)
Retail Business	10.65 (54.00)	8.97 (59.6)	1.69 (36.00)
Processing and Repair services	4.67 (23.7)	3.39 (22.5)	1.26 (27.3)
Community, social and Personal services	2.29 (11.1)	1.01 (6.7)	1.17 (25.0)
Others	2.22 (11.3)	1.67 (15.04)	0.56 (11.7)

Source: Economic censuses, 2005, U.P.

Table 3.27: Urban Non-Farm Enterprises in Uttar Pradesh

Classification of Enterprises	No of Enterprises/Institutions (Lakh)		
	Enterprises	Owned Enterprises	Institutions
Total	17.90 (100.0)	11.21 (100.0)	6.69 (100.0)
Retail Business	9.75 (54.4)	6.71 (59.9)	3.04 (45.5)
Community, social and Personal services	1.66 (9.3)	0.83 (7.4)	0.83 (12.4)
Processing and Repair services	3.52 (19.7)	1.90 (16.9)	1.62 (24.2)
Others	2.97 (16.6)	1.77 (15.8)	1.20 (17.9)

Source: Economic censuses, 2005, U.P.

Table 3.28: Activity-wise Enterprises in U.P.

Classification of Enterprise	Rural	Urban	Total
1. Mining and quarrying	708	127	835
2. Processing and Repair services	342571	269367	611938
3. Electricity, Gas and Water supply	938	1150	2088
4. Construction	8541	7622	16163
5. Trade	13568	31714	4582
6. Repair business	587028	748369	1335397
7. Hotel, and Restaurants	46373	59124	105497
8. Storage and warehousing	1083	4599	5682
9. Communication	6239	15064	21303
10. Transport	24547	42705	67252
11. Banking, Insurance, Loan and other Professional services	11703	41233	52936
12. Community Social and Personal Services	319775	325787	645562
13. Others	192	10	202
Total Non-farm	1363266	1346871	2910137

Source : Economic censuses, 1998, U.P.

Industrial Sector Reforms

Industrial sector is the second largest sector of U.P.'s economy. Its contribution to GDP currently stands at 2 per cent with 8 per cent of the labour force employed therein. Sugar, Vanaspati and Cement are three important industries. Despite the fact that UP has witnessed significant increase in

industrial production during the planned process of development, the state still lacks the requisite level of industrialization. U.P. has a vast market for industrial products. Also, there is no dearth of land and water for industrial use. The state is rich in mineral and capital wealth and technical and non-technical human resources are also available in sufficient quantity. The rate of growth of industry in recent past has varied between 2 per cent to 6 per cent per annum. Significantly, industrial growth rate, which was recorded at 8.6 per cent during the late eighties declined to 3 per cent during the early nineties.⁵

The manufacturing sector, which contributed about 10 per cent in SDP in 1950-52, remained at the same level during 1960-61. The average rate of growth of this sector increased to 6.4 percent during the sixties, as against 2.6 per cent during the earlier decade. Rate of growth declined to 5.6 per cent during the seventies and it was recorded to the level of 7.0 per cent during the eighties. The year-to-year fluctuations in the rate of growth declined gradually from CV 120 per cent (1960-61 to 1990-91) to 74 per cent during 1980-81 to 1990-91. The manufacturing sector recorded a dismal growth performance of 3 per cent during the first 3 years of the Eighth Plan (1992-95). Its growth rate for the whole time period of the Eighth Plan calculates at 4.2 per cent. In the first two years (1997-99) of the Ninth Plan, this has further dipped to 3.6 per cent. This sluggishness in industrial sector may aggravate the problems of poverty and unemployment. The services sector could not demonstrate significant growth due to sluggish growth of both agriculture and industry. The rate of growth of services sector hovered around 3.0 per cent during the first three decades and it was only during the fourth decade that it could achieve a figure of 6.3 per cent.⁶

It is, generally, an accepted proposition that industrialization at a rapid rate along with agricultural growth should be treated as the engine of growth of the economy in order to reduce the incidence of poverty and unemployment. Moreover, small industries have a very special and vital place in the economy of the state. Presently, there are 3,43,000 small industries in the state with an investment of Rs.3,231 crore. This sector provides unemployment to 14,20,2000 people. The greatest strength of this sector does not lie only in nurturing first

generation entrepreneurship, but also in increasing immense employment opportunities at a relatively low capital investment.

Recently, UP has witnessed significant growth and structural changes in the factory sector of industries. The modern sector of industries, such as chemicals and engineering has experienced relatively faster growth than the traditional industries such as sugar and textiles. The share of industries based on raw materials from agriculture, animal husbandry and forestry declined marginally from that of consumer goods industries based on non-local raw materials, which declined significantly and the capital and intermediate products industries have gained significantly. The raw material location of specific industries declined in relative importance while footloose industries increased their share substantially. This change has made the state's industrial structure locationally more diversifiable.

The diversification of UP's rural economy becomes imperative from the standpoints of employment, distribution and long-term growth. Arguably, the principal instrument of such diversification is naturally to be found in the development of manufacturing activity in rural areas. The rural development strategy has two facets (i) To uplift the existing village industries, with suitable schemes of assistance and support; and (ii) To diversify locational pattern of industries—large or small, traditional and modern—in favour of rural areas. Thus, the introduction of modern small scale industries may serve as an effective instrument for income and employment generation in these areas and thereby bringing about a better inter-regional balance in the development process.

The government's development focus is on village-oriented small industries, such as handloom, silk and others. The handloom industry meets nearly one-third of the total requirements of cloth in the State. The strength of State's cottage industries can be gauged from the fact that it houses roughly 7,40,000 skilled artisans. So long as there is demand for their products, they are valuable assets to the State's economy.

UP is ideally positioned to take a lead in India's emergence as a software super power. It is already the second largest producer and exporter of electronic goods and software in India. NOIDA area has developed as the hub of IT activity in the country. The presence of IIT Kanpur, the premier technological institute in India has produced successive generations of computer professionals who have spread all over the world and have been in the forefront in the IT revolution. It is imperative to observe that UP is fast emerging on the industrial map of India. UP with improved industrial infrastructure and vast consumer market has good potential for industrial growth. The fact that UP is maintaining number three position in terms of industrial entrepreneurial memorandum in India, next only to Maharashtra and Gujarat, the two most leading States bears ample testimony to the same proposition. UP has declared a comprehensive industrial policy to accelerate economic growth with focus on private investment. A number of initiatives have been taken in this connection, including a quick system of granting approvals and clearances from a single window within sixty days. In a bid to honour industrialists, UP has introduced a scheme of VIP Gold Cards and Green Cards which entitles the bearers to preferential treatment in government offices, priority in appointments and free entry to the State Secretariat. The State has bestowed 'industry status' on films, mineral development, poultry and tourism to give a boost to manufacturing activities. Since April 1999, over 6000 small scale units have been in the process of being set up in 30 industrial areas/estates all over the State, in clusters of 20. The government of UP has identified six corridors for industrial development.

However, poor production efficiency levels in UP continues to drag down industrial performance. The lack of infrastructure, bureaucratic interference and harassment at the hands of state officials, a lopsided taxation system and corruption make industrial progress an uphill task in the State.

Agro Park Projects

The Corporation is setting up Agro Park projects in Varanasi and Khursi Road Barabanki near Lucknow. Government of India has released Rs.338.00

lakh for development of infrastructure facilities at Agro Park Barabanki and Rs.200 lakh for Agro Park, Varanasi. Development work on 40 acre of land at Agro Park Barabanki has been completed. Corporation has incurred expenditure of Rs.1288.02 lakh in the development of Agro Park Barabanki against the revised cost of project of Rs.1543 lakh. Out of 301 plots, 231 plots have been allotted at Agro Park, Barabanki, Lucknow. Production in 2 units has started and 7 units are under construction in Agro Park Barabanki, Lucknow. Development work in Agro Park Varanasi is at an advanced stage. Corporation has spent Rs.1503.02 lakh in Agro Park Varanasi against the revised project cost for Rs.2250.00 lakh. Out of 285 plots, 68 plots have been allotted to entrepreneurs in Agro Park, Varanasi. One unit is under production in this Agro Park. Employment has been provided to 11 persons and estimated employment potential is about 4500 persons.

Special Economic Zone (Kanpur)

UPSIDC has acquired approx. 1100 acres of private land in villages Shankarpur Sarai, Manmauna and Kanhwapur after finalizing the compensation according to "Karar Niyamawali". In addition, resumption of approximately 115.16 acres Gram Sabha land is in progress. Acquisition of approx. 256 acres land in 16 villages for constructing 4 lane road to connect this site with Kanpur-Lucknow Highway is also in progress. UPSIDC has so far spent approx. Rs.10.15 crore for this purpose.

Government of UP vide order dated 27.09.2006 has notified/approved that UPSIDC should develop 3 sector specific SEZs in Kanpur. In compliance to above, proposals for Leather, Engineering and Textile Sector specific SEZs in Kanpur have been submitted by UPSIDC to Govt. of India on 25.09.2006 for approval, which have recently been cleared.

Special Economic Zone (Bhadhoi)

UPSIDC has acquired approx. 515.17 acres private land in 5 village in May 2005 and resumption of 29.71 acres Gram Sabha land is in progress. UPSIDC has so far spent Rs.16.66 crore for this purpose. Govt. of UP vide order dated

27.09.2006 has notified/approved that UPSIDC should develop a sector specific SEZ at Bhadoi. In compliance to above, UPSIDC had submitted proposal for Carpet Sector Specific SEZ to Govt. of India on 25.09.2006 for approval, which is awaited.

Foreign Direct Investment

The overall value of the investment proposals and their approval by the government increased substantially since the adoption of new economic policy in 1991. Official estimates place the total value of the approvals till August 2004 at Rs.2,47,664 crores. During August 1991 to August 2004, Maharashtra, Delhi, Karnataka and Tamil Nadu received largest FDI approvals while Maharashtra, Delhi, Tamil Nadu and Karnataka received largest amount of FDI.⁷

In about one fifth of the cases, location was not indicated at the time of the approval. Such projects amount to about 28 per cent of the total investment. While Delhi stands near the top, it is obvious that most of these projects will not be located in Delhi. Delhi in all probability must be representing the neighbouring states or the foreign investment might have used the services of local agents for communication and for doing the initial spadework. For the practical purposes, Delhi should also be clubbed with the un-indicated category. This meant that for almost two fifths of the investment, the location details are not available. It is relevant to note that the states in the southern and western regions together accounted for about 71 per cent of the total approved investment, excluding Delhi and the unintended category. Incidentally, Maharashtra the top ranking state witnessed equity hikes by a number of ex-FERA companies viz. Hindustan Lever, Colgate, Cadburry, Castrol, Proctor & Gamble and Bayer and takeovers by foreign investors. State-wise distribution of FDI seems to have undergone substantial changes during the period. The total approved amount during 1991-98 was Rs.1,81,296 crores and that during 1999 to March 2004 was Rs.1,11,062 crores out of which location details were available for Rs.1,23,952 crores and Rs.92,398 crores respectively.⁸ During the second period, the relative importance of Maharashtra increased substantially.

While Gujarat, Tamil Nadu and Karnataka were slightly better off, Andhra Pradesh held its position. Delhi, Madhya Pradesh, West Bengal and Orissa lost their shares substantially in the second period. Thus, FDI is getting concentrated in the western and southern states. From August 1991 to March 2006, 6033 IEM/LOI have been received in this State in which capital investment of Rs.133,445 crore is involved and which, upon implementation could provide employment to 1455385 persons. The State stands 4th in the country from the point of view of number of IEM/LOI received.⁹

The liberalization of Indian economy in the 1990s witnessed losing its economy edge which formally it enjoyed over other Indian states¹⁰. There has been slow down to increase policy competition from direct investment from other states. The industrial growth during 1990s was reported just 3.6 per cent as compared to 6.6 per cent at the national average. During 1980s, the growth of industry sector in the state was reported 7.7 per cent which was higher than the national average of 6.9 per cent.

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