FINANCING OF AGRO-INDUSTRIES IN
UTTAR PRADESH SINCE 1951

ABSTRACT

The present study entitled "Financing of Agro-Industries in Uttar Pradesh Since 1951" is based on the premise that agro-industries constitute the backbone of a developing economy like that of India. These industries have become an invaluable weapon in bringing about a harmoniously balanced and integrated socio-economic development of the country. In the balanced growth of these industries, therefore, lies the hope of a speedy economic development of our country. In this thesis an attempt has been made to highlight the importance of agro-industries as they apply labour intensive and capital
saving techniques. Much of the discussion, in the thesis, has been related to their financial needs and resources. For a clear understanding of the magnitude of their financial requirements, Uttar Pradesh is selected as a sample of study. Uttar Pradesh has been selected because this state has comparatively better infra-structure essential for the growth of agro-industries than some other states of India do have.

The main purpose of this study is to analyse the importance of finance in agro-industrial development of Uttar Pradesh. In this connection, the study of the role of institutional financing, the role of Government, Central as well as State, in providing finance for agro-industries and the financial contribution of commercial and cooperative banks in the development of agro-industries has been critically examined. In the light of the above, this study also endeavours to analyse the problem as to how far and to what extent the above institutions have justified their role in meeting the credit requirements of this important sector of Uttar Pradesh's economy.
In order to examine the problems of financing of agro-industries in Uttar Pradesh, the thesis is divided into six chapters. In the first chapter a study of industrial structure has been made in relation to economic regions, employment potential of various districts and contribution of agro-industries in the national income. The study reveals that agro-industries are largely concentrated in central, west and hill regions which enjoy the infra-structure facilities while eastern and Bundelkhand regions are devoid of any industrial activity. The study further reveals that Uttar Pradesh ranks fourth, fifth and sixth in respect of employment, capital output and value added by manufacture, but the share of Uttar Pradesh in these variables is sufficiently below the percentage shares recorded in Maharashtra, West Bengal and Karnataka.

The study also reveals that the economic and industrial change brought about by our five year plans in the state are far from satisfactory. The industrial structure of the state continues to be backward as compared with the economic levels
achieved by other developed states of the country. It is depressing to note that even after more than two and a half decades of planning in the country, Uttar Pradesh's per capita income generated by industrial sector could not rise to any appreciable extent. A study of the sectoral distribution to total income further reveals that the industrial sector of the state accounted for nearly 12 percent of the total state income about half of which is contributed by agro-industrial sector.

The Second Chapter is devoted to highlight the socioeconomic significance of agro-industries. This chapter brings out that agro-industries have played an important role in the economy of developing countries. These industries apart from playing a dominant role in the economy, serve as a means by which there can be equitable distribution of national wealth. The chapter further brings out that economic prosperity of a developing economy like that of India is dependent on integration of its agriculture with industry. Rural people form bulk of our population and their
emancipation from evils arising out of economic imbalances would depend upon how best we are able to diversify the rural economy. Taking away a few millions of people from villages to industrial sites could not remove the fundamental problems of increasing pressure of population on agriculture, lack of employment opportunities in the rural areas, and the resultant limitations on equitable distribution of national income. This can be achieved only by inducing industry in the rural sector in a big way. In this process agro-industries are destined to play a vital role.

The chapter also brings out that rural areas where agro-industries have come up in a big way have almost got the socio-economic transformation. This indicates that the development of agro-industries implies the development of agriculture on the one hand and agro-industries on the other to cater to the needs of the masses in as decentralised a fashion as possible. Thus the development of these industries is vital for the economy of any country because they provide true basis for a pattern of socio-economic development that could contribute to overall growth of the economy in all respects.
In the Third Chapter, the role of agro-industries in the planned economic development of Uttar Pradesh with reference to first four five year plans and three annual plans has been examined. From the chapter it emerges that agro-industries have made steady progress during all four and three annual plans. But the progress of these industries has not been commensurate with the size and population of the state. These industries have failed to break the vicious circle of unemployment, stagnation and poverty of the masses. It further emerges from this chapter that there are regional imbalances and lack of dispersal of industries in the state. This state of affairs was due to insignificant allocation of outlay made to these industries in first four plans. That is why they failed to deliver the goods to the state, as a result of which the share of agro-industries is in the total industrial units has declined by 3.2 percent i.e. from 31.1 percent to 27.9 percent. In employment the share decreased to 30.13 percent from 39.28 percent showing a decline of 9.15 percent and 21.52 percent in production i.e. from 63.24
percent to 41.70 percent in 1973-74 over 1956-57.

The Fourth Chapter deals with the problems and constraints of agro-industrial development of Uttar Pradesh. The chapter indicates that the factors which have slowed down the pace of the growth of agro-industries in the state of Uttar Pradesh are shortage of raw materials, low productivity, lack of modern and sophisticated machinery, lack of skilled workers, paucity of managerial skill and technological know-how, lack of marketing and export facilities, problems of market research and shortage of finance. Again, the regional imbalances have further retarded the growth of these industries.

In the Fifth Chapter, the pattern of financing of Agro-Sector in Uttar Pradesh has been critically examined. The study reveals that finance is a basic requirement of an agro-industry, big or small. One of the major constraints on the agro-industrial development of Uttar Pradesh is that of financial resources. This factor becomes all the more acute when the resources for development have to come from
domestic savings, which are necessarily low in a state like Uttar Pradesh.

The study further reveals that the assistance provided by institutional organisations both at state and central levels in relation to the actual requirements of agro-industries has been quite meagre. To improve the working of these organisations which have shown liberal attitude towards the development of agro-sector, it is suggested that half-hearted policies be replaced by bold and imaginative policies.

The study clearly shows that although institutional measures have been adopted to overcome the shortcomings but there is a wide gap between actual requirements of agro-industries and the facilities provided by these institutions. To overcome their deficiencies, it is recommended that an apex financial institution be set up at the National or State level which could exclusively look after the financial affairs of agro-industries.
The Sixth Chapter of the present thesis is a resume of the findings of the study. The main purpose of the chapter is to sum up the main findings and suggest suitable measures to make agro-industries a healthy means of economic growth of the state of Uttar Pradesh.