

## Uttar Pradesh Economy and Society: A Profile

### I. Physical Profile

1. Uttar Pradesh is often described as the “Hindi-speaking heartland” of India. The State has a population of 16.61 crore as per 2001 census and a geo graphical area of 2.41 lakh sq. km. Its share in total area of the Country is 7.3 per cent, while its share in country’s population is 16.2 per cent. Nearly 80 per cent population of U.P. resides in rural area spread over 97942 inhabited villages. The State is now organized into 71 districts, 311 tehsils and 820 development blocks. It is divided into four economic regions viz. Western region, Central region, Eastern region and Bundelkhand. The first three regions fall in the Gangetic plains, while Bundelkhand forms part of the southern plateau.

2. Land is the single most important resource of the State, which is deficient in mineral wealth. However, per capita availability of land has been declining. The average size of land holdings in the State is less than one hectare. The predominance of small land holdings constitutes a major obstacle in the development of capital formation and growth in agriculture and is one of the prime reasons for widespread poverty in the State.

3. After the creation of Uttaranchal (now renamed as Uttrakhand), Uttar Pradesh’s forest area declined from 52 lakh hectares to 16.9 lakh hectares, creating a serious environmental imbalance. Today, even the 5 per cent of the total area which is under forest has suffered extensive environmental degradation. The State is, however, rich in surface and ground water resources. Over three-fourth of the sown area is irrigated mostly through tube-wells. Uttar Pradesh also has a fairly large canal network.

### II. Social Profile

4. Uttar Pradesh has been the cradle of Indian civilization. Since time immemorial people belonging to diverse ethnic, religious and social groups have been coming to this region and settling here. According to the 2001 Census, 80.6 per cent of the State population was Hindu. Muslims formed 18.5 percent of the population. The remaining 0.9 per cent of population consisted of other religious minorities like Sikhs, Boudhs, Jains and Christians. Scheduled castes formed 21.15 per cent of the State’s population. The proportion of Scheduled tribes residing in the State is negligible at 0.06 per cent.

5. Sharp differences in the level of human development prevail among the different social and religious groups in the State. The socio-economic status of Muslims, other backward classes and scheduled castes

is much lower as compared to that of the higher castes. The high proportion of the population belonging to the socially and economically depressed sections has profound implications for the policy and the status of human development in the State. Chapter 7 of the report highlights these dimensions.

### III. Human Development Status

6. The status of human development in U.P. continues to be far from satisfactory even after more than five decades of development planning aimed at social and economic upliftment of the people. It ranked at 13<sup>th</sup> position in terms of Human Development Index (HDI) prepared by the Planning Commission (Table 1.1) in 2001. This shows a marginal improvement from the 14<sup>th</sup> position that U.P. occupied in 1991. Kerala, Punjab and Tamilnadu are the three top ranking States in terms of HDI both in 1991 and 2001. Though Uttar Pradesh improved its rank from 14<sup>th</sup> position in 1991 to 13<sup>th</sup> position in 2001, it continues to languish at a low level of human development and is in the lowest cluster of States, along with Bihar, Madhya Pradesh, Rajasthan and Orissa.

**Table 1.1: Human Development Index for States, 1991 and 2001**

States	1991	Rank	2001	Rank
Andhra Pradesh	0.377	9	0.416	10
Assam	0.348	10	0.386	14
Bihar	0.308	15	0.367	15
Gujarat	0.431	6	0.479	6
Haryana	0.443	5	0.509	5
Karnataka	0.412	7	0.478	7
Kerala	0.591	1	0.638	1
Madhya Pradesh	0.328	13	0.394	12
Maharashtra	0.452	4	0.523	4
Orissa	0.345	12	0.404	11
Punjab	0.475	2	0.537	2
Rajasthan	0.347	11	0.424	9
Tamil Nadu	0.466	3	0.531	3
Uttar Pradesh	0.314	14	0.388	13
West Bengal	0.404	8	0.472	8
All India	0.381		0.472	

Source: *National Human Development Report*, Planning Commission, 2001

7. Uttar Pradesh is lagging behind most of the States of the country in terms of the major indicators of social development. Literacy rate in U.P. (56.3 percent) is very low when compared with States like Kerala (90.9 percent), Goa (82.0 percent), Himachal Pradesh (76.5 percent) and Tamil Nadu (73.5 percent). The ranking of Uttar Pradesh in terms of literacy is 31 in 2001 among a total of 35 States and UTs.

8. Uttar Pradesh is similarly lagging behind in health indicators like life expectancy, infant mortality rate, etc. (see Table 1. 2). Nearly 71 per thousand of children in U.P. die before reaching the age of one. Only Madhya Pradesh and Orissa have higher infant mortality rate (Figure 1.1). Life expectancy in U.P. during the period 2001-05 was 60.1

years for males and 59.3 years for females, while the corresponding figures were 71.3 and 76.3 years respectively in Kerala, the best performing State in this respect.

9. The sex ratio, an important demographic and social indicator, was 898 in 2001, significantly below the national level of 933. In terms of sex ratio, U.P.'s rank among all States and UTs was 27<sup>th</sup> in 2001.

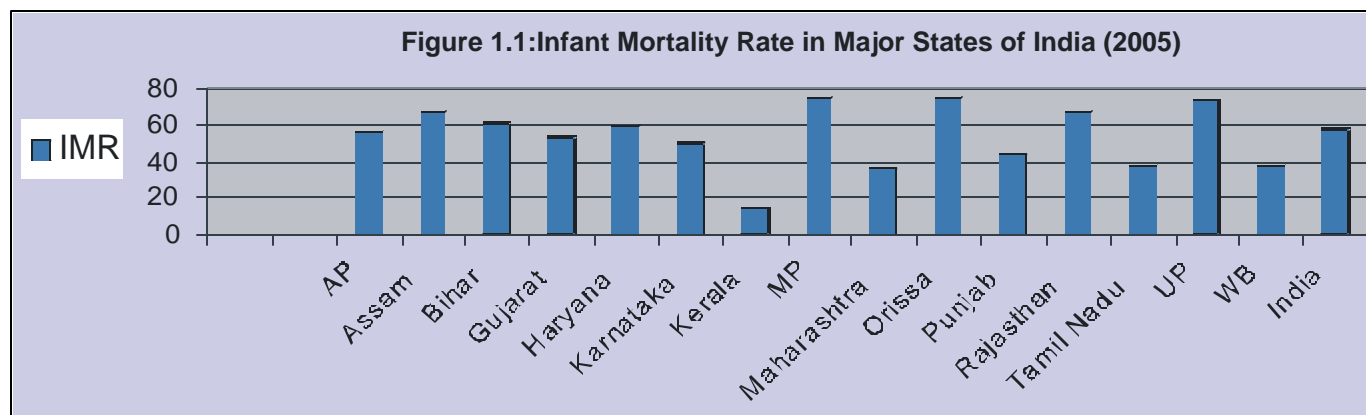
10. The various dimensions of human development in Uttar Pradesh have been discussed in detail in the following chapters with focus on lagging regions, social groups and women. In this chapter an overview of the economy and society of the State is provided, in the light of which the status and problems of human development may be analyzed.

**Table 1.2: Important Demographic Indicators for the Major States**

States	Decadal rate of population growth (%)		Population density Per sq. km. 2001	Birth rate 2006	Death Rate 2006	Natural Growth Rate 2006	Infant mortality rate 2006	Life expectancy at birth (2001-05)	
	1981-91	1991-01						Male	Female
	AP	24.20						14.59	277
Assam	24.24	18.92	340	24.6	8.7	15.9	67	58.3	59.0
Bihar	23.38	28.62	881	29.9	7.7	22.3	60	62.0	60.1
Gujarat	21.19	22.66	258	23.5	7.3	16.2	53	62.8	65.0
Haryana	27.41	28.43	478	23.9	6.5	17.4	57	65.6	66.0
Karnataka	21.12	17.50	276	20.1	7.1	13.0	48	63.4	66.9
Kerala	14.32	9.43	819	14.9	6.7	8.2	15	71.3	76.3
MP	27.24	24.26	196	29.1	8.9	20.2	74	57.8	57.5
Maharashtra	25.73	22.73	315	18.5	6.7	11.8	35	65.8	68.1
Orissa	20.06	16.25	236	21.9	9.3	12.6	73	59.2	59.2
Punjab	20.81	20.10	484	17.8	6.8	11.0	44	68.1	70.1
Rajasthan	28.44	28.41	165	28.3	6.9	21.3	67	61.2	62.2
Tamil Nadu	15.39	11.72	480	16.2	7.5	8.8	37	64.8	67.1
UP	25.61	25.85	690	20.1	8.6	21.4	71	60.1	59.3
WB	24.73	17.77	903	18.4	6.2	12.2	38	63.9	65.5
India	23.86	21.53	325	23.5	7.5	16.0	57	62.3	63.9

Source: Census of India, 2001 and Sample Registration System, Registrar General, India, Oct. 2007.

**Figure 1.1: Infant Mortality Rate in Major States of India (2005)**



#### IV. Population Trends and Demographic Indicators

11. Uttar Pradesh is the most populous State in India. One sixth of the world's population lives in India and one-sixth of India's population lives in Uttar Pradesh. Only four other countries of the world namely China, USA, Indonesia and Brazil have a population higher than

that of Uttar Pradesh. The population pressure in Uttar Pradesh is considered as one of the important aspects which has hindered the proper exploitation and utilization of its resources. It is not possible to achieve sustainable development in the State without achieving desirable demographic goals and population stabilization.

**Table 1.3: Important Demographic Indicators for Uttar Pradesh and India**

	Indicators	U.P	India
1.	Total Population (in million) 2001*	166.2	1029.4
2.	Decadal rate of population growth ( Percentage) *		
	1981-1991	25.61	23.86
	1991-2001	25.85	21.53
3.	Average Annual Exponential growth rate (Percentage) *		
	1981-1991	2.27	2.14
	1991-2001	2.33	1.94
4.	Population density (per sq. km.) *		
	1991	548	267
	2001	690	325
5.	Sex Ratio (Female per 1000 males) *		
	1991	876	927
	2001	898	933
6.	Percentage of scheduled castes and scheduled tribes population in total population (2001)*		
	Scheduled Castes	21.15	16.2
	Scheduled Tribes	0.06	8.2
7.	Crude Birth Rate, 2006 **	30.1	23.5
8.	Crude Death Rate 2006**	8.6	7.5
9.	Natural Growth Rate,2006**	21.4	16.0
10.	Infant mortality rate 2006**	71	57
11.	Life expectancy at birth 2001-2005**		
	Total	59.8	63.2
	Male	60.1	62.3
	Female	59.3	63.9
12.	Total Fertility Rate 2005-06***	3.82	2.68
13.	Median age at first birth for women age 25-49***	19.4	19.8
14.	Total Unmet Need For Family Planning***	21.9	13.2
15.	Mean age at marriage for boys\$	21.5	24.5
16.	Mean age at marriage for girls \$	18.1	19.5
17.	Percentage of Girls Married Below 18 Years #	41.4	28.0
18.	Current use of family planning methods ***	46.6	56.3
	Any method		

Sources:

\* Registrar General, India, Census of India.

\*\* Registrar General, India, Sample Registration System.Oct.07

\*\*\* National Family Health Survey -III 2005-06, (India and Uttar Pradesh).

# DLHS -RCH 2002-04 .

\$ SRS, Analytical studies Report -III 07

12. The State has witnessed high population growth in recent decades without any perceptible sign of decline. The decadal increase in population during the *past two* decades was almost identical at 26 per cent. As against this, the national population shows a declining trend from 25 per cent in 1971-81 to 23.8 per cent in 1981-91 and further to 21.5 per cent in 1991-2001. The annual growth rate of population in Uttar Pradesh stood at 2.33 during 1991-2001 well above the national average of 1.94 per cent (Table 1.3). Uttar Pradesh's dismal performance on population front stands in sharp contrast with the performance of States like Kerala and Tamil Nadu where population growth rate has come down to around one percent. (Figure 1.2).

13. Among major States, birth rate is highest in the State of Uttar Pradesh (Figure 1.3). The decline in birth rate has also been slow in the State. Birth rate stood at 38.6 in 1951, at 35.7 in 1991 and at 30.1 in 2005-06. Total fertility rate in the year 2005-06 was 3.82 in Uttar Pradesh as against 2.68 in India. ( NFHS-III)

14. The demographic indicators presented above reflect an explosive situation in years to come for the State of Uttar Pradesh. According to the projections of the Expert Group appointed by the Government of India, U.P.'s population will grow from 16.62 crore in 2001 to 21.7 crore in 2011 and to 27.5 crore in 2021. The present

indicators regarding the fertility behaviour reveal that Uttar Pradesh may hopefully achieve the desired level of Net Reproductive Rate of 1 during 2041-2051.

## V. Economic Profile

15. Economically Uttar Pradesh is among the most backward States of India, characterized by the pre-dominance of the agricultural sector with heavy dependence on Monsoon, high percentage of marginal and small land holdings, high population pressure, small manufacturing sector, structural deficiencies in infrastructure, glaring regional imbalances and sluggish economic growth. These aspects are briefly highlighted below.

### Income Levels and Growth

16. Income levels are an important determinant of the economic well being and social development. In terms of per capita income, U.P. is among the 'low income category' States along with Bihar, Madhya Pradesh and Orissa. Moreover, due to sluggish economic growth in U.P., the gap in per capita income of the State and that of the country has been increasing. Per capita income in U.P., which was almost equal to the national average in the beginning of the planning period, is now half of the national average (Table 1.4).

Figure 1.2: Decadal Rate of Population Growth in Major States of India : 1991-2001

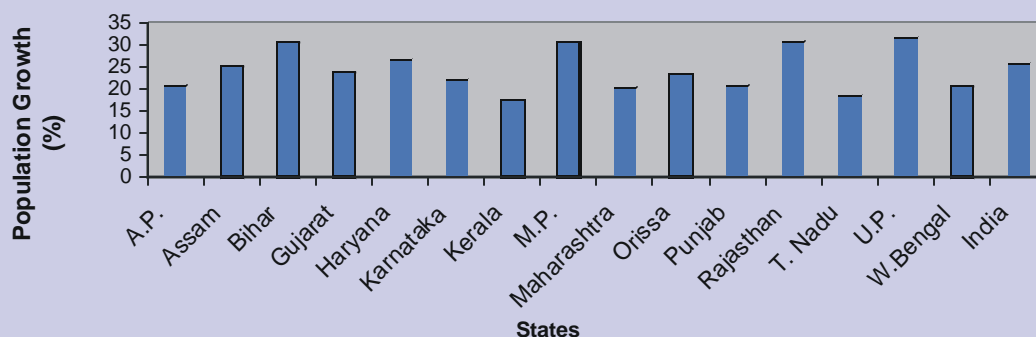
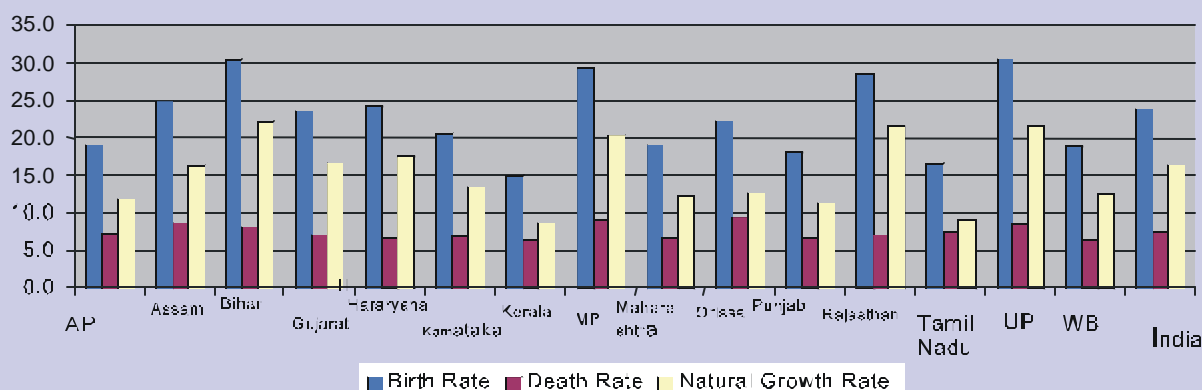


Figure 1.3: Birth Rate, Death Rate & Natural Growth Rate in Major States of India (2005-06)



**Table 1.4: Trends in Total and Per Capita Income of India and Uttar Pradesh at constant 1999-2000 Prices: 1999-2000 to 2005-06**

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

\* Provisional estimates

\$Quick estimates

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

17. The State economy is also characterized by sharp differences in per capita income levels across different regions and districts of the State. This aspect is discussed in detail in Chapter 5.

18. During the first twenty five years of planning, growth rates in U.P. were low and lagged behind the

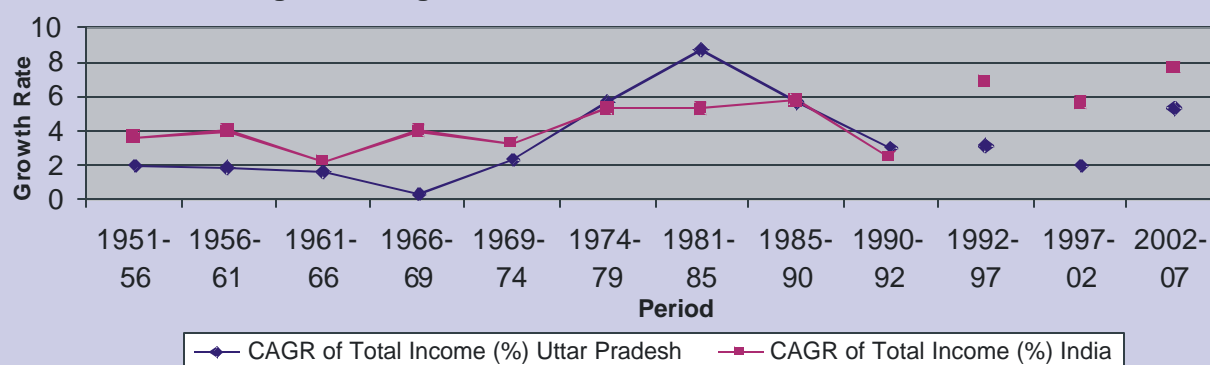
modest growth observed at the national level. However, during the period 1975 to 1990 the growth performance of U.P. compared well with the national level growth. However, after 1990 growth rate in U.P. has decelerated sharply, whereas the national economy has moved to a higher growth path (Table 1.5).

**Table 1.5: Compound Annual Growth Rate (CAGR) of Total and Per Capita Income in U.P. and India under the Plans**

Period	CAGR of Total Income (%)		CAGR of Per Capita Income (%)	
	Uttar Pradesh	India	Uttar Pradesh	India
1951-56	2.0	3.6	0.5	1.7
1956-61	1.9	4.0	0.3	1.9
1961-66	1.6	2.2	-0.2	0.0
1966-69	0.3	4.0	-1.5	1.8
1969-74	2.3	3.3	0.4	1.1
1974-79	5.7	5.3	3.3	2.9
1981-85	8.7	5.3	6.3	3.1
1985-90	5.7	5.8	3.3	3.6
1990-92	3.1	2.5	1.1	0.4
1992-97	3.2	6.8	1.4	4.9
1997-02	2.0	5.6	-0.4	3.6
2002-07	5.3	7.7	3.3	6.0

Source: Annual Plan 2007-08 Annexure -7, U.P. Government

**Fig 1.4 Average Annual Growth Rate of UP and India Since 1951**



19. During the period 1999-2000 and 2005-06 the annual growth of net income of Uttar Pradesh at constant prices was only 4.1 against the national average of 6.3 per cent. The growth rate of per capita income during this period was 2.1 and 4.6 per cent for U.P. and India respectively. It may be observed that Uttar Pradesh's contribution in net national income has declined from 9.5 per cent to 8.4 per cent during this period. The high growth rate of population of Uttar Pradesh along with the deceleration in the SDP growth rate since the Eighth Plan period has led to a fairly low growth rate of State's per capita income. Consequentially, the general standard of living as exhibited in per capita income levels continues to be low.

20. One of the reasons for the relatively slow economic growth in U.P. is the low level of plan expenditure in the State as compared to the national average and that of the more developed States (Table 1.6). Low plan investments in U.P. have been due to the fact that being a poor State it is not able to generate public savings on the required scale. Plan assistance received by U.P. from the centre has also been relatively low especially in the earlier Plans.

## VI. Poverty Levels

21. Poverty levels are relatively high in Uttar Pradesh. However, poverty levels have gone down in the State over time declining from 57.4 per cent in 1973-74 to 32.8 per cent in 2004-05. During the corresponding period poverty at the national level declined from 54.9 percent to 27.5 per cent. Despite the substantial decline in the poverty ratio, the absolute number of poor has remained high in the State. Almost 6 million people in U.P. were living below the poverty line in 2004-05 constituting over one-fifth of the total poor in the country on the basis of uniform recall period

22. The incidence of poverty is comparatively higher in Scheduled castes and OBC categories. The agricultural labourers and artisans are affected by poverty, Muslims in the urban areas are also vastly hit by poverty. Wide variations in poverty levels are also observed across regions and districts of the State.

23. The trends and correlates of poverty have been discussed in greater detail in Chapter 5.

### Box 1.1: Factors Responsible for High Poverty Ratio in U.P.

- Higher population growth
- Sluggish and poor quality of economic growth
- Excessive dependence on agriculture
- High degree of inequality in the distribution of income and asset and widespread landlessness
- Low level of investment in the economic and social infrastructure
- Low literacy level
- Social deprivation.

## Employment Structure

24. As per census 2001, the workforce participation rate for Uttar Pradesh stood at 32.5 per cent. The respective figures were 33.9 per cent in rural areas and 26.9 per cent in urban area. The work force participation rates for females in U.P. are particularly low-16.5 per cent as compared to the figure of 46.8 per cent for males.

25. The total number of workers in the State in 2001 was 539.84 lakh, out of which 393.38 lakh were main workers (i.e. who get employment for more than 183 days in a year) and 146.46 lakh were marginal workers (i.e. those who get employment for less than 183 days in a year). The growth rate of marginal workers has been much faster. Thus, the main workers registered an annual growth rate of only 0.12 per cent during 1991-2001, whereas the marginal workers increased at a rate of 16.78 percent per year. Marginal workers now constitute 27.1 per cent of total workers in the State.

26. Two thirds of the total workers in U.P. are still engaged in the agricultural sector as per 2001 Census.

Table 1.6: Per Capita Plan Expenditure of Uttar Pradesh and India

(in Rs.)

	I FYP	II FYP	III FYP	IV FYP	V FYP	VI FYP	VII FYP	VIII FYP	IX FYP	X FYP
Uttar Pradesh	25	32	72	132	329	588	1077	1559	1704	1484
All India	38	51	92	142	361	718	1270	2205	3421	2998

Source: Plan Documents, U.P. Government



This proportion is higher in case of female workers at 76.2 per cent. Rural areas of U.P. are also less diversified with 77 per cent of work force in agriculture. Nearly one-fourth of total workers are landless agricultural labourers. According to 61<sup>st</sup> Round of NSS (2004-05), 61.7 percent of total workers in U.P. were employed in the primary sector, 18.2 percent in secondary sector and remaining 20.1 percent in tertiary sector. The lack of diversification of the economy and heavy dependence of people on land is one of the major causes of low incomes and poverty in rural U.P. The pace of diversification has also been slow in U.P. as compared to the all India level.

27. The variations in work force participation rates and growth rate of workers in different regions and districts has been discussed in Chapter 5, which also looks at the structural changes in the work force in recent years.

28. We may here look at the salient features of the different sectors of the economy of the State.

## VII Agriculture

29. U.P. economy is dominated by agriculture, which employs about two thirds of the work force and contributes about one third of the State income. The average size of holdings is only 0.86 hectare, while 75.4 per cent of holdings are below one hectare. Uttar Pradesh is a major food grain producing State in rice, wheat, chickpea and pigeon pea. Sugarcane is the principal commercial crop of the State, largely concentrated in the western and central belts of State. U.P. is also a major producer of vegetables, fruits and potato.

30. The average yield of major crops in the State are considerably lower than those in the agriculturally developed States like Punjab and Haryana. A number of factors are responsible for low productivity and slow growth of agriculture in the State the most important factor being the very small size of holdings in the State (see box 1.2).

### Box 1.2: Major Constraints Inhibiting Agricultural Growth

- Small and fragmented size of land holdings
- Lack of proper management and maintenance of surface irrigation system for reaping the benefit of maximum potential.
- Decline in public investment in agriculture
- Inadequate research and development
- Underdeveloped credit flow and institutional finance
- Inadequate participation of private sector in the commercialization of agricultural sector.

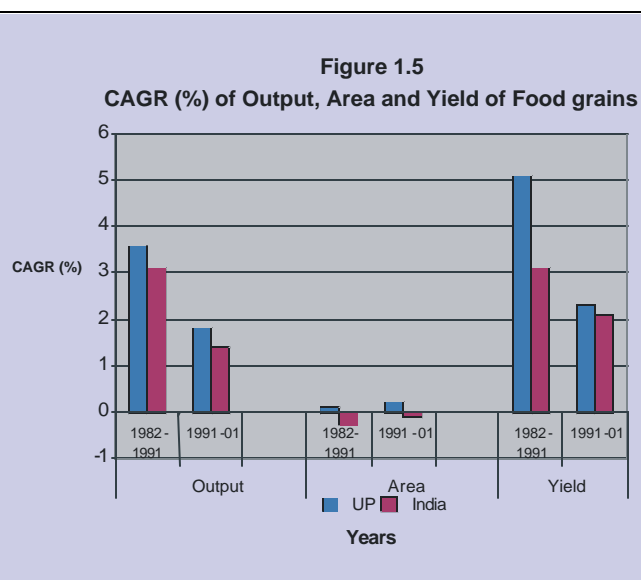
31. Around three fourth of cropped area in the State is irrigated. Private tube wells are the major source of irrigation followed by canals. However, the cropping intensity in the State is only 154 per cent, much lower as compared to States like Punjab and Haryana, which have a cropping intensity of 192 and 173 respectively.

32. Agriculture in the State showed dynamism during the seventies and the eighties in the wake of the green revolution. However, since early nineties the performance of the agricultural sector in the State has been rather poor as reflected by the declining growth rates of the production and productivity for all crops. Sharp year to year fluctuation in food grain output and total agricultural produce have also been observed in the State indicating the dependence of agriculture on monsoons despite the fact that a high proportion of cultivated area in U.P. is irrigated (Table 1.7).

**Table 1.7: Annual Percentage Change in Output of Food Production and Value of Agriculture Produce at 1999-2000 Prices during Ninth and Tenth Plan**

Year	Food grain Production	Value of Agriculture Produce
1999-00	14.0	-
2000-01	(-) 3.4	(-) 1.6
2001-02	3.3	0.2
2002-03	(-) 13.3	(-)1.3
2003-04	16.2	3.3
2004-05	(-) 10.0	(-)2.7
2005-06	2.7	(-)1.2
2006-07	1.3	5.6

Source: Economics & Statistics Division, State Planning Institute, *State Income Estimates*:



## VIII. Industry

33. The work force in the manufacturing sector in 1971 was 19.92 lakh, which rose to 32.05 lakh in 1991. The number of workers in house-hold industries in the total work force of the sector stood at 9.97 lakh (31%), while the number of workers in non-household industries was 22.08 lakh (69%). Only 7.7% of the work force in the State is engaged in the manufacturing sector in 1991 as against 15.8% in Gujarat, 14.0% in Tamil Nadu, 13.2% in Maharashtra, 12.3% in Punjab, 10.6% in Haryana, 10.7% in Karnataka and 8.8% in Andhra Pradesh. The industrial sector contributes 20 per cent of State income. Sugar, *vanaspoti* and cement are the three most important industries of the State.

34. In recent years, UP has witnessed significant growth and structural changes in the factory sector of industries. The modern sector of industries, such as chemicals and engineering, have experienced relatively faster growth than the traditional industries such as sugar and textiles. The industrial and service sector investment policy of Uttar Pradesh announced in 2004 emphasized the expansion of agro-based, chemical-based and information technology based industries.

35. U.P. has a large base of small scale industries. According to Third Census of SSI, there existed a total number of 17.08 lakh small scale enterprises in the State, out of which 9.5 per cent were reported to be registered. Around two third of these units are located in the rural areas. The gross fixed investment in SSI was Rs.17,289 crore and their gross output is estimated at Rs.27,423 crore.

36. Despite the significant increase in industrial production during the Plan period, the State still lacks the requisite level of industrialization. Industrial growth rate which was recorded at 8.6 per cent during the late eighties declined to 3 per cent during the early nineties. Growth rate of industries was 6.5 per cent per annum during the Tenth Plan.

37. Uttar Pradesh is attracting investment in the industrial sector by domestic and foreign entrepreneurs on a large scale indicating the potential of industrial growth in the State. Total investment under IEMs in the State till 2005-06 exceeded Rs.92,000 crore (Table 1.8). However, the rate of implementation has been rather sluggish and needs to be pushed up.

## IX. Regional Disparities

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

Year	Total Outstanding Investment (Rs. Crore)	Under Implementation (Rs. Crore)	Rate Of Implementation (Per Cent)
1997-98	50680	19808	39.08
1998-99	48473	15257	31.48
1999-00	54614	23525	43.08
2000-01	53314	23691	44.44
2001-02	59589	27900	46.82
2002-03	69115	24125	34.91
2003-04	72541	26584	36.65
2004-05	82524	28579	34.63
2005-06	92211	26529	28.77

Source: Udyog Bandhu, U.P.

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

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

41. Similarly wide disparities are found to exist in various indicators of social development especially at the district level. It may however, be added that even



the economically more prosperous western districts are lagging behind in indicators of social development. Some of these aspects are explored in detail in later chapters.

## X. Infrastructure Development

42. The development of service sector is sine-qua-non for high and sustained growth. It may be classified in terms of physical and social infrastructure. While the physical infrastructure mainly consists of road and transport, irrigation, power, telecommunication etc, social infrastructure comprises education, health and housing and financial infrastructure consists of banking and insurance. Physical infrastructure contributes to economic growth through generation of income and employment, lowering transaction cost; social infrastructure contributes to the process of growth through generation of human capabilities and capacity building by enriching the quality of human life made possible through better education, better health, improved housing and recreation facility.

### Transport

43. An efficient transport system has an important role to play in promoting and strengthening national integration, accelerating productivity, enhancing the competitive efficiency of the economy in the world market and integrating the backward parts of the State with the mainstream of the economy. The policy package of the State Government under the Eleventh Five Year Plan is reflected in the delineation of priorities like development of rural roads, up gradation of existing road networks and bridges, construction of additional flyovers and sub-ways, modernization of urban roads, greater private sector participation, structural change in road safety measures etc.

44. Although marked improvement in infrastructure has taken place during the planning era, U.P. is lagging behind other States in infrastructure development. In 2001-02, roads length per one lakh population in the State is 99.00 km as against the national level of 136.9 km. In terms of road length the State occupies 15<sup>th</sup> position among the major 19 States. However, in terms of road length per 100 sq. km., Uttar Pradesh's coverage (69.1 km) is better than the national level (43.2 km) and but much poorer than best performing State Punjab (105.5 km).

### Irrigation

45. Irrigation is being considered as a powerful catalyst for providing food security in addition to its role as a stabilizer against the uncertainty of monsoon. Thus, it contributes significantly to productivity, cropping intensity and diversification of agriculture. The gross cropped area in U.P. in 2004-05 was around 255.2 lakh hectares. Ground water resources accounted for about 78 per cent of irrigated area and surface water resources for about 22 per cent. It may be noted that less than three fourth of the irrigation

potential is actually utilized due to various deficiencies prevalent in the irrigation management system. The problem of over-exploitation of ground water has also emerged in many districts particularly in western U.P.

### Power Sector

46. Power occupies a critical place in economic infrastructure. Per capita consumption of power in U.P. in 2004-05 was only 202 KWH as against the all India average of 411 KWH. The State occupies 15<sup>th</sup> position among the 18 major States in the country in terms of per capita power consumption. Moreover, 69.43 per cent of villages in the State are electrified as compared to the national average of 75.93 per cent. Only 20 per cent of rural households in the State are electrified as against 44 per cent at the national level. The coverage of electrification in the urban households of the State is 80 per cent as against 88 per cent for the country as a whole.

47. The power sector in the State, as in the country as a whole, has been facing a serious crisis due to poor financial health of the State power corporation. After the bifurcation of the State, the major hydel plants have gone to Utrakhand. The power sector of Uttar Pradesh has been incurring burgeoning power deficit on account of supply bottlenecks and rigidities. The creation of installed capacity has lagged behind the rapidly growing demand for power. Presently the State is importing more than half of its power requirement. The transmission losses are also extremely high.

### Social Infrastructure

48. Provision of social infrastructure strives to achieve the twin objectives of economic equality and social development, to create supportive environment for a higher rate of growth for development contributing not only to human development but also to holistic and harmonious socio-economic development. The concern with availability of social infrastructure has evolved over the years from a general emphasis on basic needs of the people to special needs of specific regions and special groups of people. A norm based approach for social infrastructure being difficult, efforts have been made to fulfill a certain level of minimum needs so that the poor and the weak do not suffer exclusion from the overall process of development due to market imperfections and conscious attempts are being made to provide these minimum needs through infrastructure facilities and services in respect to the people's health and nutritional status, educational status and housing. Social development, as it should flow from the adequate social infrastructure, would therefore mean literacy, education, good health and all that goes to make good health possible like food and nutrition security, safe drinking water, easy availability of health and medical facilities, both preventive and curative, and a hygienic environment and shelter.

## Health Infrastructure

49. The public health system in the State provides three tier medical services in the State. First level health services are provided in urban areas through District male and female or combined hospitals and are located at district level. At the second level, health services are provided through Community Health Centres established at the Tehsil and Block level. For every one lakh population, a CHC is set up. CHC acts as a 'referral unit' in rural areas. At the third level, health services are provided in remote rural areas through Primary Health Centres (PHCs).

50. Though the public medical health care system in U.P. is massive and well spread, the delivery system leaves much to be desired. The main reasons, which are attributable to poor management at various levels of service delivery, are: imbalanced mix of inputs; low quality of service provisioning in terms of inconvenient timing and poor sensitivity to patient needs; non-alignment among functions, capacity and resources; abdication of responsibility to establish appropriate administrative systems regarding procedures and rules related to service matters of recruitment, placement, deployment, transfer, leave sanction, promotion, poor payment systems and inability to check increasing trend of dual practice at the cost of patient care in Government facilities; inconsistent procedures and rules such as in the case of MTP Act hindering compliance; and poor facilities at the work place.

## Safe Drinking Water

51. As per latest survey carried out in the year 2004, out of the 2,60,110 habitations in the State, 7993 were found to be 'not covered' habitations, 18,776 'partially covered' and remaining 'fully covered' habitations as per Government of India norms. There are 6390 quality problem habitations in the State. The generic quality problems are in the form of excess arsenic, fluoride, iron, salinity or biological contamination. It may be noted that success in removal of *guinea worm* in the country was largely achieved by improving access to safe drinking water. While Uttar Pradesh is well placed as far as installation of India Mark II & III hand pumps is concerned, in several areas, people continue to use water from shallow hand pumps installed in their premises for drinking purposes and these often lead to outbreak of gastroenteritis. Often, lack of awareness regarding safe storage and handling of drinking water also causes contamination leading to deaths on account of water borne diseases.

## Sanitation

52. As per census 2001, there are about 2.58 crore households in the State and only 28 per cent households have individual house hold toilets. Open defecation

continuous to be the norm in large parts of the State especially in the rural areas. Faecal matter constitutes a major source for bacteriological contamination of water. Studies have shown that about 70 per cent reduction in deaths due to diarrhoea can be achieved by focusing on improved hygiene and through safe disposal of human excreta.

53. Problem of sanitation is not confined to rural areas alone. Even in urban areas of the State, there is frequent out break of diarrhoea and reports of diarrhoeal deaths keep pouring in. This can be checked if source of contamination of drinking water supply is checked and provision for safe disposal of excreta is made apart from improved hygiene practices such as washing of hands with soap after defecation.

## Education Infrastructure

54. Free and compulsory education to all children up to the age of fourteen years is our constitutional commitment. The Government of India has initiated a number of programmes to achieve the goal of Universalization of Elementary Education (UEE) among which 'Sarva Shiksha Abhiyan' (SSA) is the most recent one. The SSA is the Government of India's flagship programme to universalize elementary education in the country, and is being implemented in partnership with State Governments. The programme seeks to open new schools in those habitations which do not have schooling facilities and strengthen existing school infrastructure through the provision of additional classrooms, toilets, drinking water, maintenance grants and school improvement grants. Existing schools with inadequate teacher strength are provided additional teachers, while the capacity of existing teachers is being strengthened by extensive training, grants for developing teaching-learning materials and strengthening of academic support structure at the cluster, block and district levels. The SSA has a special focus on girl's education and children with special needs and seeks to bridge social, regional and gender gaps in educational achievements.

55. With the implementation of Uttar Pradesh Basic Education Project - I, Uttar Pradesh Basic Education Project - II and District Primary Education Programme - III, primary schooling facilities have been provided in almost all eligible habitations as per State norm. In 2005-06, there were 134455 primary / junior basic schools and 40021 middle / senior basic schools in the State. According to the Ministry of Statistics and Programme Implementation, the number of schools per village in U.P. was 0.97 in 2004 against 314 children per village. These ratios are very low when compared with States like Kerala (2.96 schools / village, 416 children / village), Tripura (2.88 schools / village, 229 children / village) and Andhra Pradesh (1.93 schools/ village, 186 children / village).

56. In order to enhance the access of students to schools, the norms of opening new primary and upper primary schools have been revised in the year 2006-07. According to revised norm, the villages having population 300 and within a radius of 1 Km. will be eligible for the opening of new primary school. Similarly, villages having population 800 will be eligible for opening of new upper primary school, within a radius of 2 Km.

## Housing

57. Housing is a basic human requirement in any civilized society. For a normal citizen, owning a house means significant economic security and dignity. There is an increasing recognition of close relationship between housing and health and well-being of the people. As per 2001 Census, there were 3,43,01,455 houses in U.P., of which 79.2 per cent were in the rural areas. Only 76.9 per cent of total houses were under residential use.

58. Out of a total number of houses in the State, 45 per cent were classified as “good”, 49 per cent households as “livable” and the remaining 6 per cent as “dilapidated”. Significantly, 1.3 million households in the rural areas of Uttar Pradesh were living in dilapidated houses.

## XI. Social Sector Expenditure

59. Public policy plays an important role in human development through increased provision of education, health and other social services. The level and pattern of expenditure on social sector is indicative of the priority assigned by the government to human development. We may, therefore, briefly look at the social sector investment in the State. The average per capita real expenditure on social services in U.P. during 1990-91 and 2000-01 was Rs.3664 against the all State average of Rs.6071. Significantly social sector expenditure in U.P. is low even as compared to other poor States (Table 1.9).

**Table 1.9 : Per Capita Aggregate Real Expenditures by State Governments between 1990-91 to 2000-01 (in Rs.)**

States	Revenue Expenditure				Total expenditure			
	Education	Health	Other Social Services	All Social services	Education	Health	Other Social Services	All Social Services
Assam	3690	704	1208	5602	3711	747	1267	5725
Bihar	2678	594	895	4167	2698	601	1019	4318
Goa	9682	3338	4456	17476	10187	3886	6189	20262
Gujarat	4137	988	2299	7423	4163	1009	2796	7968
Haryana	3503	769	2494	6765	3567	822	2862	7251
H.P.	6471	2102	3504	12077	6674	2318	4888	13880
J&K	4610	1874	3048	9532	4943	2115	4652	11710
Karnataka	3370	887	2038	6295	3398	943	2191	6532
Kerala	4137	1003	1581	6721	4204	1047	1630	6881
MP	2810	772	2397	5979	2883	799	2544	6226
Maharashtra	4224	897	2047	7167	4247	922	2127	7297
Manipur	7334	1546	2358	11239	7845	1599	3715	13159
Meghalaya	5512	1653	2864	10029	5644	1974	4233	11851
Mizoram	11449	3621	8954	24024	11573	3875	11735	27184
Nagaland	6037	2274	5819	14130	6488	2933	8460	17881
Orissa	2595	599	1724	4918	2619	630	1843	5092
Punjab	4256	1246	1415	6917	4323	1284	1569	7176
Rajasthan	3348	887	1753	5988	3382	938	2390	6711
Tamil Nadu	3926	1049	2577	7552	3966	1091	2787	7844
Tripura	5796	1162	3388	10347	5868	1257	4763	11888
<b>UP</b>	<b>2174</b>	<b>555</b>	<b>799</b>	<b>3527</b>	<b>2201</b>	<b>593</b>	<b>870</b>	<b>3664</b>
West Bengal	2836	789	1247	4872	2853	825	1289	4967
<i>All States</i>	3228	824	1735	5786	3268	863	1940	6071

Source: Ravindra H. Dholakia, “Trends in Regional Disparity in Human and Social Development in India,” paper presented at the IEA Seminar on Accelerated Economic Growth and Regional Balance, held at ISID, New Delhi during September 16-18, 2005.

60. An analysis of expenditure on social sector as per cent of GSDP in different States reveals that U.P. falls in the 'middle category' States in this respect along with Tamil Nadu, Andhra Pradesh and Karnataka, which spend 6 to 7 per cent of GSDP on social sector (Table 1.10). It may be noted that even some of the poorer States like Bihar, Jharkhand, Orissa, Rajasthan and Chattisgarh are spending over 8 per cent of their GSDP on social sector.

Table 1.10: Distribution of States according to the Ratio of Social Sector Expenditure to GSDP	
Range (per cent)	2002-05 (Average)
Below 5	Haryana, Punjab, West Bengal
5-6	Maharashtra, Gujarat
6-7	Karnataka, Tamil Nadu, Uttar Pradesh, Andhra Pradesh
7-8	Goa, Kerala, Madhya Pradesh
Above 8	Bihar, Jharkhand, Orissa, Rajasthan, Chattisgarh

Source: RBI, *State Finances, 2006-07*

61. Another important indicator of the fiscal priority accorded to social sectors by the States is the ratio of social sector expenditure to total expenditure. In this respect U.P. belongs to the 'low expenditure category' States, which spend less than 30 per cent of their budget on social sectors (Table 1.11). This ratio exceeds 35 per cent in Rajasthan, Jharkhand and Chattisgarh.

Table 1.11: Distribution of States According to the Ratio of Social Sector Expenditure to Total expenditure	
Range (Per Cent)	2002-05 (Average)
Below 30	Goa, Haryana, Punjab, Uttar Pradesh, West Bengal, Gujarat, Karnataka, Orissa
30-35	Andhra Pradesh, Madhya Pradesh, NCT Delhi, Tamil Nadu, Kerala, Bihar, Maharashtra
35-40	Rajasthan, Chattisgarh
Above 40	Jharkhand

62. These figures are reflective of the low priority to social sector given by the policy makers in the State. Most of the expenditure on social services is on revenue account mainly on salary payment, while capital expenditure is very nominal. The increase in public expenditure on social sector would lead to opening the vistas, opportunities access to various basic minimum needs by the under privilege section of the population. Thus, if economic growth is to have a positive impact on

human development suitable policies need to be adopted for reducing income inequalities and increasing social sector expenditure for generating better and qualitative human capital.

## XII. Fiscal Situation

63. The ability of the State to invest more on social infrastructure and human development is affected by the financial position of the State government. Severe fiscal strains emerged in the State's finances since the early nineties as the government was not able to restraint the growth of revenue expenditure, while it failed to mobilize more resources from tax and non-tax resources. There was a sharp jump in the public borrowings adding to the burden of debt and interest payment. Revenue deficit and fiscal deficit as a ratio to SDP hovered around 3 per cent and 5 per cent respectively during the nineties (Table 1.12).

64. A disconcerting part of the fiscal scenario was that a large part of the borrowing was used to meet the current revenue expenditure rather than for building productive assets. The uncontrolled growth of revenue expenditure resulted in low capital expenditure of the State government, which was as low as 6-7 per cent of total expenditure in the late nineties (Table 1.13). Declining public investment, in its turn, adversely affected the growth rate of the State's economy.

65. By the mid-nineties it became clear to policy makers that the present trends are no longer sustainable. The State government initiated a number of steps to control the alarming situation. The government came out with a *White Paper on the Fiscal Situation in the State* along with the budget of 1998-99. The *White Paper* identified the following as the main features of the fiscal crisis: (a) higher growth of revenue expenditure in relation to the growth in revenue receipts; (b) declining expenditure on capital formation and low returns on the past investments; and, (c) continuous increase in the indebtedness of the State.

66. This was followed up with a blue print of wide ranging economic reforms covering fiscal sector, fiscal administration, re-structuring of public enterprises, power sector reforms as well as governance and the civil service reforms. U.P. became the first recipient at the sub-national level of fiscal restructuring loan from the World Bank in June 1999. The State Government signed a *Memorandum of Understanding* with the Ministry of Finance, Government of India, under which the State government was to receive programme assistance based on a fiscal restructuring plan. Following this, the State government announced a *Medium Term Fiscal Reform Policy (MTFRP)* along with its budget for 2000-2001.

67. U.P. Government adopted a Fiscal Responsibility and Budget Management Act in 2004, becoming the fifth State in the country to do so. The main objectives of the Fiscal Responsibility and Budget

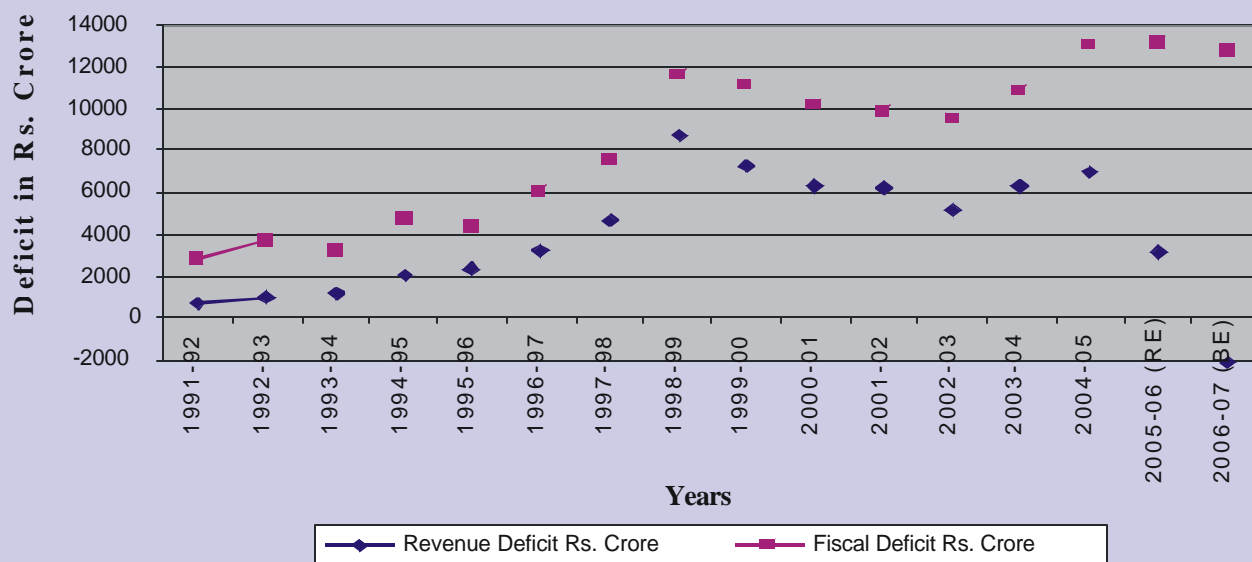
**Table 1.12: Trends in Revenue and Fiscal Deficit in Uttar Pradesh: 1991-2006**

Year	Revenue Deficit			Fiscal Deficit	
	Rs. Crore	As % of GDP	As % of FD	Rs. Crore	As % of GDP
1991-92	724.59	1.1	26	2836.50	4.4
1992-93	1014.56	1.4	27	3710.93	5.2
1993-94	1148.72	1.4	36	3165.77	4.0
1994-95	2000.74	2.2	42	4766.50	5.07
1995-96	2340.65	2.3	53	4380.61	4.12
1996-97	3179.13	2.2	53	5956.20	4.66
1997-98	4623.91	3.6	61	7575.96	5.51
1998-99	8696.16	5.1	75	11632.53	7.56
1999-00	7252.61	3.9	65	11098.73	6.71
2000-01	6289.31	3.3	62	10179.52	5.88
2001-02	6181.80	3.4	62	9898.13	5.46
2002-03	5117.32	2.6	54	9496.91	4.81
2003-04	6305.75	2.8	38	10776.25	7.74
2004-05	6992.91	-	54	12997.61	5.5
2005-06 (RE)	3132.00	-	24	13167.53	-
2006-07 (BE)	-1123.17	-	9	12711.51	-

Source: Uttar Pradesh Government, *White Paper on Budget 1998-99*, Part-II and *Budget Papers, 2005-06*.

Note: Revenue deficit figures for 2003-04 exclude the underwriting of loans of Rs. 12277.40 crore to UPSEB and Fiscal deficit figures for 2003-04 exclude the power bonds amounting to Rs.5871.86 cr.

**Figure 1.6: Trends in Revenue and Fiscal Deficit in Uttar Pradesh**





**Table 1.13: Trends in Capital Expenditure in U.P.**

Year	Capital Expenditure (Rs. in crore)	Capital Expenditure as % of Total Expenditure	Capital Expenditure as % of GSDP
1995-96	1129.35	6	1.06
1996-97	1435.41	7	1.12
1997-98	1667.64	7	1.21
1998-99	2096.96	7	1.36
1999-00	2533.34	8	1.53
2000-01	3267.55	10	1.88
2001-02	3555.56	10	1.88
2002-03	3794.39	10	1.87
2003-04	4985.22	11	2.29
2004-05	6320.15	10	2.74
2005-06 (RE)	9717.96	13	3.82
2006-07 (BE)	13437.21	16	4.99

Source: Computed from Budget Documents, UP Government

Management Act of U.P. were to ensure fiscal stability and sustainability; to enhance the scope for improving social and physical infrastructure and human development by achieving sufficient revenue surplus, reducing fiscal deficit and removing impediments to the effective conduct of fiscal policy; prudent debt management through limits on State Government borrowings, government guarantees, debt and deficits; and greater transparency in fiscal operations of the State Government and use of a medium term fiscal framework. The Fiscal Responsibility Act of U.P., among other things, envisaged elimination of revenue deficit and containing the fiscal deficit to 3 percent of GSDP by 31<sup>st</sup> March, 2009.

68. These efforts resulted in a significant improvement in the fiscal situation. The revenue deficit, which was Rs.6993 crore in 2004-05 came down to Rs.1268 crore in 2005-06. According to the revised estimates for 2006-07, the State is likely to have a revenue surplus of Rs.3359 crore. The gross fiscal deficit which stood at the alarming level of Rs.16,648 crore in 2003-04 came down to Rs.10,078 crore in 2005-06. The improvement has come about due to a remarkable surge in the tax revenues of the State as well as larger flow from the centre. The own tax revenue which was Rs.13,601 crore in 2003-04 went up to Rs.15,693 crore in 2004-05 and further to Rs.18,858 crore in 2005-06 and is projected at Rs.24,381 crore in 2006-07. That amounts to a creditable increase of about 80% in State revenues during the last three years.

69. The improved fiscal situation is reflected in the higher plan and capital expenditure. Annual plan expenditure in UP has remained around Rs.7000 crore during the period 2001-02 to 2003-04. It went up to Rs.9662 crore in 2004-05 and further to Rs.13,639 crore in 2005-06. The size of the annual plan for 2006-07 was Rs.19,000 crore, which is nearly three times the plan size, five years back. Similarly, capital

expenditure out of the State budget has shown a sizeable increase from Rs.3794 crore in 2002-03 to Rs.9,718 crore in 2005-06. It is projected at Rs.13,437 crore in the budget for 2006-07.

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

71. To conclude, the low level of economic development and the financial crunch faced by the State government restricted its capacity to invest in human and physical infrastructure in the past. Consequently, the performance of the State in terms of various indicators of human development remained low. The low status of human development also constrained the growth performance in U.P. *Thus, Uttar Pradesh seems to be caught in a kind of vicious circle between low levels of human development and low levels of economic development.* It is, therefore, imperative to break this vicious circle and to turn it into a virtuous circle by giving due priority to improvement in human development along with a big push to the State economy. It needs to be mentioned that the attainment of the Millennium Development Goals in the country depends critically on a fast improvement in the social indicators in Uttar Pradesh. The following chapters of the report critically examine the status and trends in various dimensions of human development in the State, identify the critical areas and suggest suitable policies for human development for the State.