

Uttar Pradesh is scripting a new saga of economic transformation

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Covid-19 has been mostly about stories of gloom. Economies all across the world have been on shambles and growth rates compromised. Even the mightiest of them are all struggling to remain afloat. The state finances around the world are under three-pronged pressure. First, there is increased expenditure on health to meet the new challenge. Secondly, there are booster or bailout packages to keep the private sector afloat.

And thirdly, with compromised economies, the tax collection has gone for a hit. In other words, while expenditure is rising, receipts are falling to the floor.

Given the global scenario of negative growth where India itself suffered a negative growth of nearly 25% for a while, a fall in tax collection in the state was only expected. However, Uttar Pradesh is scripting an extraordinary story. Unlike most parts of the world, the state shows exceptional tax buoyancy in these difficult times. Almost all taxes show high buoyancy which may be reflective of the extraordinary resilience that the state demonstrates.

Consumer State Advantage is UP's USP and this may have played to UP's advantage. However, the taxes where the state had complete control show phenomenal buoyancy. Hence the effort that goes to make this possible cannot go unnoticed. In this year's budget, despite challenges, UP has put its money/ investment on infrastructure like roads, expressways, Airports, metros and much more.

Past evidence bears testimony to the fact that the budget does have the potential to spur growth. The transition in growth from around 4% growth in 1990s to over 6% growth in the early years of this century was facilitated in great measure by increased capital expenditure.

The rise in capital expenditure to over Rs 1,13,000 crore from the current level of around Rs 68,000 crore is likely to enhance

the state's capacity to anchor growth.

Fiscal consolidation along with other interventions seem to be making a difference. It is no surprise that the state emerges as the second largest economy among the states in terms of the size of the GSDP. The state's per capita income has increased, exports have gone up and major multinational electronic firms have agreed to invest in the state.

Government policies are making a difference aimed at enhancing ease of doing business. Consequently, the state also emerges as the second best in terms of ease of doing business (EODB).

Many electronic textile and manufacturing units are likely to come up in the state in the near future. On many of the fronts UP is catching up with the developed states like Gujarat and Tamil Nadu and others.

The state government took many policy decisions to bring diverse industries to the state in order to create job opportunities for the youth and boost the GDP. This facilitated unveiling of 250 units projects worth 65,000 crore in July, 2019.

Of these, seven units have already become operational at the cost of more than Rs 8,500 crore. The total investment during the past four years of the Yogi government is estimated at more than Rs 88,000 crore.

The outcomes of the developments taking place in the electronic, manufacturing and renewable energy sectors in the state will become visible in coming years. In the manufacturing sector alone, ten companies have invested Rs 32,000 crore in the state. The World Trade Centre has invested Rs 10,000 crore, Vivo Mobiles Rs 750,000 crore, Oppo Mobiles 2,000 crore, Holitech India 7,500 crore, Sunwoda Electronic India Pvt Ltd Rs 1500 crore, KHY Electronics India 350 crore and Lianchuang (LCE) about 300 crore and the companies have already started operations in Gautam Buddha Nagar. In the renewable energy sector, 18 companies have invested Rs 16,000 crore.

Furthermore, in Mirzapur district, M Plus Energy Solutions has invested Rs 250 crore and has started operations. Two telecom companies, Reliance JIO Infocomm Limited and the BSNL have also invested Rs 10,000 crore and Rs 5,000 crore respectively and have started operations. Sparsh Industries Private Limited has invested Rs 600 crore whereas Rimjhim Ispat has invested 550 crore in Kanpur (rural). Kent RO Systems Ltd has invested Rs 300 crore in Gautam Buddha Nagar and PTC Industries Ltd. has invested Rs 200 crore in Lucknow. MM Forgings Private Limited has invested 150 crore in Barabanki.

The proposed defence corridor is another opportunity which the state government seems to have seized with both hands. State invited big global producers to the Lucknow Defense Expo to facilitate investments, an interesting start in terms of investment of Rs 4,500 crore is already materialising. It's not just about investment, instead it's about a government's intent and capacity to convince the investors about the states facilitating capacity.

The Yogi Government's 'One District One Product Scheme' (ODOP) has proved to be a great facilitator particularly during Covid times in terms of providing employment to workers in the state. The government is taking active interest in people engaged in ODOP. As a result, there is increased interest in ODOP among E-commerce companies as well. Today, millions of people have got employment through ODOP.

According to the data of the MSME department, 8.67 lakh new units were started in the state in the last eight months, which were given loans to the tune of Rs 30,840 crores by banks. Over 1.5 crore employment opportunities were created by banks by providing loans totalling more than Rs 2,12,000 crore. It seems that the state has brought itself in a position to anchor development in the state.

Many of the interventions seem to be falling in place and are certainly working for the state. With the level of fiscal consolidation and improved economic environment, the state needs to take a lead in initiating second generation reforms anchored around rural development (including MSME) and Human development (primarily health and education). This has the potential for taking the state to the next level of development.

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