

# Growing economy, ease of doing business make Uttar Pradesh rebound-ready

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Representative image

LUCKNOW: Like the rest of the world, the first and second waves of Covid-19 have hit the state's [economy](#) hard. Successive lockdowns, necessary as they were for saving lives, however, have compromised economic circumstances.

Challenges across the world have been similar. Growth rates are compromised, industries—big and small—are all struggling for survival and state finances around the world are stressed largely because of increased expenditure along with compromised tax collection. Of late, we have seen unlocking and reopening of economies. After a great dip in GDP in 2020-21, national as well as state economies are looking forward to a revival. The government of UP too is attempting to do everything right for a robust economic revival. This seems to be an opportune time for an assessment of the state of UP's economy and its capacity and preparedness for scripting the way forward in these very difficult times.

An analysis of the state's growth potential clearly reveals that since independence, it has been investment which has driven growth in the state. Also ease of doing business has been the major barrier in inviting investment to the state. Interestingly, on these two aspects, [Uttar Pradesh](#) seems to have done some serious work in past few years. On ease of doing business (EODB), government policies seem to be making a difference. Consequently, the state stands out and has emerged as the second best in terms of EODB. Also, over the years, the state has emerged as the second largest economy among the states of the country in terms of the size of GSDP. A large fast-growing economy along with improved business environment as depicted by EODB only redefines the potential as an attractive investment destination.

In the past few years, the state government has taken many policy decisions to attract investment to the state to create job opportunities for the youth and boost GDP.

This facilitated the unveiling of 250 projects worth Rs 65,000 crore in July 2019. Many of these have already become operational. The total investment during the last four years of Yogi government is estimated at more than Rs 88,000 crore, which means that on an average, there has been an investment of Rs 205 crore on a daily basis. Manufacturing has been a major challenge for India. Interestingly, UP was able to attract investment of around Rs 32,000 crore.

The outcomes of the developments taking place in the electronic, manufacturing and renewable energy sectors in the state will become visible in the coming years. In the renewable energy sector, 18 companies have invested Rs 16,000 crore. Reliance JIO and BSNL have together invested Rs 15,000 crore and have started operations. Three companies in the IT sector have invested around Rs 11 crore. Infosys Limited and Tata Consultancy Services have proposed investment of Rs 5,000 crore and Rs 2,300 crore respectively and are in a position to start operations. The state obviously has done something right and the effort in these difficult circumstances is only making us rebound-ready. The proposed defence corridor only adds to the opportunity.

The data of the MSME department suggests that 8.67 lakh new units were started in the state in the past eight months, which were given loans to the tune of Rs 30,840 crore by banks. Over 1.5 crore employment opportunities were created by banks by providing loans totalling more than Rs 2,12,000 crore. In a recent development, the state's bankers committee has decided that a credit line of around Rs 3 lakh crore will be made available to the MSME sector in this financial year. This can significantly transform both growth and employment generation capacity.

Unlike most parts of the world, Uttar Pradesh 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 government effort that goes to make this possible cannot go unnoticed. Given the global scenario of negative growth and compromised circumstances, Uttar Pradesh is scripting an extraordinary story. This year's state budget, despite challenges, puts its money 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. Rise in capital expenditure to over Rs 1,13,000 crore from the previous level of around Rs 68,000 crore is likely to enhance the state's capacity to anchor growth. Fiscal consolidation enhances its capacity to facilitate economic transformation. In the first decade of the 20th century, fiscal transformation scripted UP's economic transition.

Improved business environment as indicated by EODB, enhanced fiscal consolidation, enhanced state expenditure in infrastructure, eased credit availability for MSMEs, the state as an attractive market are all very positive indicators. Over a period, Uttar Pradesh seems to have worked on the evidence from the past and the interventions which have worked in the past have been rightly focused. Consequently, the state has brought itself in a position to anchor development. Many of the interventions seem to be falling in place and are likely to work for the state. Circumstances over the past months have been difficult. However, the state seems to have put its effort in the right direction and these are likely to bring results in the coming days.