

How Uttar Pradesh is key to forging India's economic and political path

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TV Mohandas Pai & Nisha Holla

LUCKNOW: Uttar Pradesh is the third largest state economy in India. In 2020-21, Gross State Domestic Product (GSDP) of UP was Rs 17 lakh crore. The GSDP growth was strong in 2016-17 to 2018-19, recording 10% growth.

While 2019-20 showed a slowdown, 2020-21 growth was obviously hampered by the pandemic. Regardless, UP has consistently contributed 8.3-8.4% to national GDP, increasing to 8.6% in the pandemic-struck year. The state has recently come out at the top in the Commerce and Industry category of the Good Governance Index (GGI) 2021 prepared by the Department of Administration Reforms and Public Grievances (DARPG). UP has further shown an incremental growth of 8.9%.

UP has a unique place among the Top 5 state economies - after Maharashtra, Tamil Nadu, Karnataka and Gujarat. Agricultural contribution to Gross State Value Added (GSVA) has been steadily growing and is 26% in 2020-21. Industry sector is lagging, and has further been hampered by the pandemic. It contributed 25% to GSVA in 2020-21, with the balance 49% coming from services sectors.

India, in general, and UP in particular, faces an asymmetric dependence of the workforce on the agriculture sector. Uttar Pradesh has demonstrated a propensity for high growth. This combined with its large young population and strong leadership can be converted into an accelerated growth engine. At conversion of 1 USD to Rs, UP's GSDP in 2020-21 stands at USD 227 billion. A target of USD 1 trillion maybe achievable by 2030 which translates to an aggressive YoY target of 18% nominal growth with the dollar at INR 75. However, UP has not grown at such a rate before, and requires a transformational agenda to do so. At a robust nominal growth rate of 13%, the state will reach the USD 1 trillion mark in 2034, which will still be a remarkable achievement. For this, budget allocation must be balanced across all three sectors to ensure optimum growth while providing quality employment and wage opportunities to the large population.

Asymmetrically low income in the agriculture sector with a high workforce dependence remains a challenge. There is an urgent need to shift excess workforce from agriculture to industry and services which have the potential for higher value-add and can drive per-capita income growth closer to the national average.

The large disparity between the Eastern and Western districts of UP is another challenge. But now with an expressway connecting Purvanchal districts with Delhi, two airports, including an international one at Kushinagar and promotion of local produce and handicraft have opened up the region to investments and job opportunities which will boost the economy. Further, an urbanization agenda that focuses on developing clusters will help balance the state. UP can launch a programme like NITI Aayog's Aspirational District Model to improve the lagging states and help them grow faster than the rest of the state.

Even though UP ranks second in the Human Resource Development GGI-2021 Index, it still needs to improve. UP has built a robust education pipeline and must channel that into industry-ready skills development.

UP's large young demographic is ideal for skilling and running a massive labour-intensive industry (LII) programme. With the Covid-19 fallout, many countries are looking to diversify manufacturing and supply chains from China, and the UP government is taking steps to invite them to the state.

UP's central location in the country and the Dedicated Freight Corridors makes it an even more attractive location to locate end-to-end LII ecosystems. The new Production Linked Incentive schemes and electronics industry ecosystems coming up in Noida, as well as Chief Minister Yogi Adityanath's aggressive industrial policies offer hope. Beyond LIIs, UP needs specialized industries like electronics component design, defence parts manufacturing and pharmaceuticals with a significant R&D and IP production component for higher value add.

Growth in Uttar Pradesh, with its large population and low per-capita income, is vitally important to India reaching its USD 10 trillion goal and transforming itself. With the new delimitation underway, the state will be more politically important than today. Transforming UP to play this larger role in India's economic path requires a new trajectory of growth focusing on multiple layers within its society and dynamic political leadership. India can succeed as a major political power if Uttar Pradesh leads the way.

(TV Mohandas Pai is Padma Shri awardee and former CFO and Board Member at Infosys; Nisha Holla is technology fellow at C-CAMP)