

Uttar Pradesh: Industry



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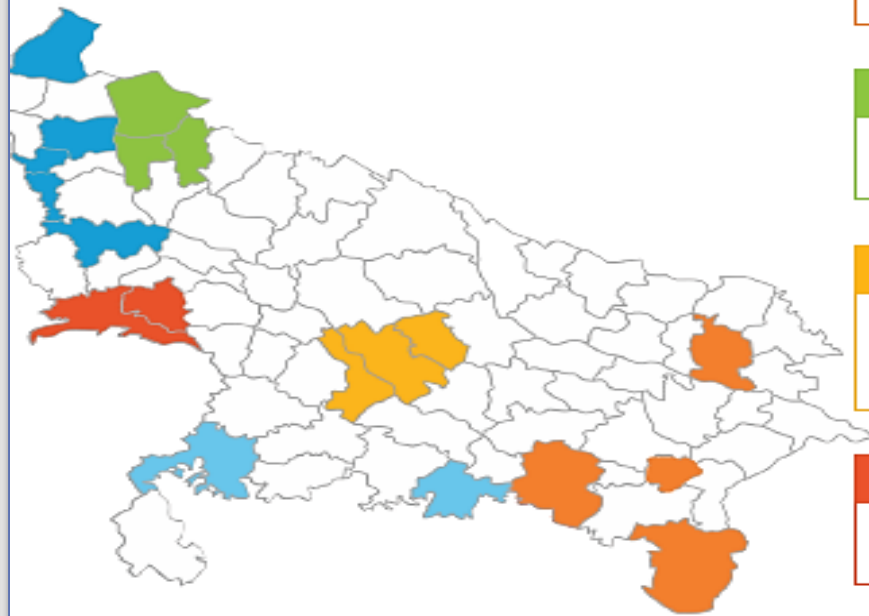
- Uttar Pradesh being the most populous state in India has a large pool of skilled, semi-skilled and unskilled labour.
- Alternately, the population is also looked upon as the largest consumer base in the country with around 200 million people.
- According to the gross state value added (GSVA) estimates at constant prices for financial year 2020 the primary, secondary and tertiary sectors of the UP's economy show a growth of 2.2 per cent, 1.1 per cent and 7.5 per cent respectively.
- The sectoral distribution of Gross State Value added (GSVA) at current price is primary sector 25.2 per cent, secondary sector 25.8 per cent and tertiary sector 49.0 per cent.

- The share of manufacturing in the gross state domestic product (GSDP) of Uttar Pradesh has declined from 12.9% in 2011/12 to 10.3% in 2017/18
- Overall, labor productivity in Uttar Pradesh (measured as output per worker) is around 50% of labor productivity in the rest of India.
- Wages tend to be 14.0% lower than the all-India level (2015/16)

- The secondary sector expanded at a CAGR of 10.0% between 2011-12 and 2017-18. This was driven by manufacturing, construction, and electricity, gas & water supply.
- The state has a robust industrial infrastructure, including 15 industrial areas, 12 specialized parks, four growth centres and industrial infrastructure development centers (IIDC).
- As of November 2019, Uttar Pradesh had 20 notified, 13 operational SEZs and 23 formally, approved SEZs.
- Merchandise exports from Uttar Pradesh reached US\$ 16.29 billion in 2018-19 and US\$ 8.43 billion in April-September 2019.
- The state has the highest number of Micro, Medium and Small enterprises (MSMEs) in India. State of Uttar Pradesh had the largest number of estimated MSMEs with a share of 14.20% of MSMEs in the country

- Uttar Pradesh is also amongst the top manufacturing destinations in India contributing more than 8% of national manufacturing output.
- The state is a leading electronic hardware exporter in the country and has also emerged as a key hub for IT/ ITeS and service sector including software, captive business process outsourcing (BPO) and R&D services.
- Uttar Pradesh with a score of 92.87% ranked 12th in the 'ease of doing business' ranking 2017-18 among 36 states and UTs prepared by the World Bank and the Department of Industrial Policy and Promotion (DIPP).

Key Sectors Mapped



Western Zone Districts	Key Sectors
GB Nagar, Ghaziabad, Meerut, Saharanpur, and Aligarh	Food processing, electronics, and metals

Northern Zone Districts	Key Sectors
Amroha, Bijnor, and Moradabad	Chemicals and basic metals

Eastern Zone Districts	Key Sectors
Sonbhadra, Allahabad, Varanasi, and Gorakhpur	Chemicals and basic metals

Central Zone Districts	Key Sectors
Kanpur, Unnao, and Lucknow	Food processing and leather and its products

South Western Zone Districts	Key Sectors
Agra and Firozabad	Leather and metal products

Bundelkhand Zone Districts	Key Sectors
Jhansi and Chitrakoot	Aerospace and defense

Source: ADB December 2019

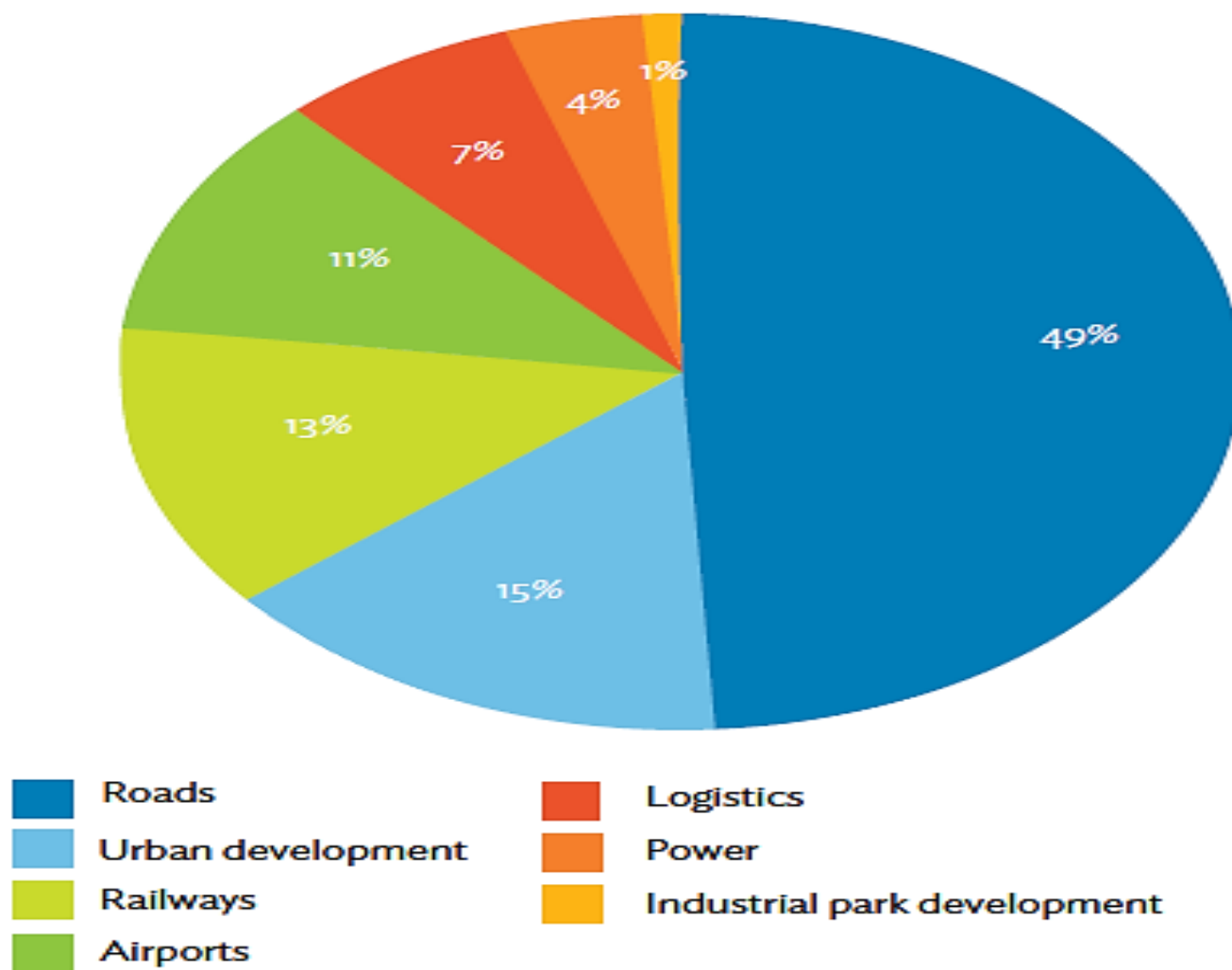
The Government of UP has launched several initiatives to boost the growth of Industrial sector in the state.

- One District One Product (ODOP) Scheme launched in 2018 to promote artisans at the district-level.
- Uttar Pradesh Khanan Neeti-2017 for the mining sector. The policy seeks to control illegal mining and bring transparency.
- Udyogik Nivesh Avam Rozgar Protsahan Niti 2017 introduced to encourage industry and employment.
- Vishwakarma Shram Sammaan Yojana for supporting traditionally self-employed people.
- Mukhya Mantri Khadya Prasansakaran Mission Yojana”to provide interest free loan to small scale food processing units for their establishment, expansion, modernization, development of cold chain, value addition and processing infrastructure

Critical Issues

- Labour force participation rate (LFPR) is poor especially for women. Over all LFPR for female in U.P is 14.2% as compared to national average of 25.3% as per Labour force report NSSO-2017.
- Distance from the ports of India resulting in comparative cost disadvantage to other exporters based in states close to the ports.
- Internal logistics lines are not properly developed.
- Unavailability of land for Industrial purposes
- High cost of power
- Poor Infrastructure and low investment

Investment Required across Infrastructure Subsectors (%)



Source: ADB December 2019

Business Opportunities

The factors driving industries to manufacture in Uttar Pradesh are:

- Industrial Infrastructure, which includes growth centres and industrial parks;
- An extensive railway and road network,
- Availability of a vast work force and incentives offered by the state government.
- Several manufacturing units have been set up in the industrial areas of Sahibabad and Noida, which enjoy proximity to Delhi and an excellent transportation network with the rest of the country

- The key institutions driving the reforms in the state include the Directorate of Infrastructure and Industrial Development (DIID) which formulates and implements relevant policies and strategies to facilitate the Ease of Doing Business in the state.
- The Udyog Bandhu (a three-tiered organization operating at the district, divisional and state level). It is the nodal agency for effective implementation of the ‘Single Table System’ in UP.
- The Uttar Pradesh State Industrial Development Corporation (UPSIDC). The major functions of the UPSIDC include developing industrial areas, identifying and promoting infrastructure-related and industry-specific projects, land acquisition for large projects, developing integrated infrastructure for industrial townships, etc.

Electronics System Design and Manufacturing (ESDM) Policy

To accelerate the development of the ESDM ecosystem, the UP Electronics Manufacturing Policy has declared Noida, Greater Noida and the Yamuna Expressway region as an Electronics Manufacturing Zone (EMZ).

Objectives of the policy:-

- Establishment of electronics manufacturing clusters/ESDM parks in the state
- Attract investment in the electronics manufacturing sector in the state
- Focus on establishing a fab (semiconductor) unit in the state
- Establish ESDM parks for domestic/foreign investors in the state
- Promote and develop employment opportunities within the state
- Augment the Gross State Domestic product (GSDP) of Uttar Pradesh

Industrial Policy 2017

- Developing new industrial parks and upgrading existing ones.
- Promoting Private Industrial Parks/ Estates.
- Interest subsidy on purchase of land: Reimbursement of interest of up to 50% of annual interest on the loan taken to buy land, calculated on the basis of prevalent circle rate, for 7 years subject to a maximum ceiling of Rs. 50 lacs per annum per industrial estate/agro parks.
- Interest subsidy on loan taken for development of infrastructure in industrial parks: Reimbursement of interest of up to 60% of annual interest for 7 years on the loan taken for building infrastructure in the industrial parks/ estates subject to Rs. 10 crores per year with an overall ceiling of Rs. 50 crores per industrial estate/agro park.
- To generate employment in state, Government of Uttar Pradesh has ensured speedy implementation of two National Investment & Manufacturing Zones (NIMZ) in Jhansi and Auraiya under the provision of National Manufacturing Policy.

- Construction of road corridors: Construction of roads connecting Mathura, Kashi, Jhansi and Gorakhpur thereby connecting the entire UP.
- Government has given facility of dry cargo, aircraft maintenance hubs on Public Private Partnership Model. In December 2019, Zurich Airport International got the approval from state cabinet to develop and construct the Jewar Aiport.
- Development of broadband highways and other infrastructure ensuring universal access to mobile connectivity.
- Availability of quality uninterrupted power.
- Reimbursement upto to the extent of 50% of employer's contribution to all such new Industrial units providing direct employment to 100 or more unskilled workers.

Other Major Policy Initiatives to promote industries

- Uttar Pradesh Civil Aviation Promotion Policy 2017
- Uttar Pradesh Information Technology & Start-up Policy, 2016
- Uttar Pradesh Mini Grid Policy, 2016
- Uttar Pradesh Electronic Manufacturing Policy 2014
- Uttar Pradesh Rooftop Solar Photovoltaic Power Plant Policy, 2014
- Uttar Pradesh Textile Policy 2014