Industrial Development in Uttar Pradesh

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Abstract

The economic policies adopted by India in the early 1950s provided for exclusive government regulation of the private industrial sector, the establishment of a large public industrial sector, and import controls that virtually insulated domestic industry from international competition. Policy changes during 1990s provided a new industrial framework shaping policy implementation and resulted in increased competition, growth of MNCs and policy shifts in development and management of industries. The new policy regime also provided opportunities as well as threat to Indian industries. These are in terms of business process re–engineering, total quality management, technological development, R & D, outsourcing, financial marketing etc. India's industrial policies, the institutional arrangements for their implementation and the wider institutional setting all have impacted upon the country's industrial development. The early restrictive policies and the bureaucratic hurdles adversely affected both Indian and foreign investments in general. India's industrial performance has improved in certain respects as consequences of the new policies adopted after 1991.

Against this backdrop, present chapter purports to review the industrial performance and growth in India and Uttar Pradesh. Against this backdrop, the present paper purports to review the growth and performance of Indian industries, development of industries in Uttar Pradesh in new policy regime and its implications for future industrial development in the state.

Keywords: Economic Policies, Growth & Development , Industrial Sector Reforms , Foreign Direct Investment , Sidbi Report.

Introduction

Government of Uttar Pradesh has established 'Uttar Pradesh Development Council" by a decision taken by Cabinet on October 7, 2003. The Council is headed by Sri. Amar Singh, Member, Parliament and coordinated by Chief Secretary, Government of Uttar Pradesh. The members of the Council are Sri. Adi Godrej, Godrej Group of Industries Ltd., Mumbai, Sri. Anil D. Ambani, Reliance Industries Ltd., Mumbai, Sri. Amitab Bhachhan. AB Group Ltd., Mumbai, Sri. Kumar Manglam Birla, AB Group Ltd., Mumbai, Sri. K.V. Kamath, Industrial Credit and Investment Corporation Ltd., Mumbai, Sri. M.S. Banga, Hindustan Lever Ltd., Mumbai and Sri. Subrat Roy, Sahara India, Lucknow. The Principal Secretary of Dept. of Industries, Energy, Tax and Cooperatives, Revenue, Public Works, Excise, Tourism, Power etc. have nominated members of the council. The functioning of the Council has shown tremendous scope for industrial development since investment in new projects has been started.

To encourage entrepreneurs and to confer recognition on industries of distinction in the state, a star scheme of seven categories has been introduced. The first four top most industries in the star category will be exempted from the hour restriction of the electricity department. Additional power load for star units will be granted on priority basis. Priority will also be accorded to certified star categories in the allotment of plots and sheds by UPSIDC and the Directorate of Industries. Star industries will also receive loans on priority basis from PICUP and Uttar Pradesh Finance Corporations. Importantly, to promote the growth and development of small scale industries in the state, the Government has been liberal with incentives in the form of exemptions to entrepreneurs under the trade tax scheme, training to industrial craft men.

Growth & Development of Industries

Large and medium scale industries are of special importance in the industrial development of the state. These industries pave the way for the growth of various ancillaries industries and industrial activities in general. The Birla, Tata, Goenka, Sri Ram, Hindustan Lever, Modi, Reliance, and several other business houses and groups are setting up industrial units in the state. By the end of the Sixth Five Year Plan period, there were 690 large and medium scale industrial enterprises in thestate

with a total capital investment of Rs. 6,578 crores. By the year 1994–95, the number of such units had gone upto 1399 and the capital investment of Rs. 10,476 crores

Up to March 1998, there were 1312 large and medium scale industries which provided employment to 4,73,910 persons and involving capital investment of Rs. 29,592.56 crores. It is to be noted that most of the industrial units are located in Merrut division followed by Kanpur, Lucknow and Saharanpur divisions. Similarly, out of 3,02,002 small-scale industries in the state, most of the industrial units are located in Agra, Kanpur, Lucknow, Varanasi and Bareilly divisions. The SSIs provide employment to 12,91,555 persons and involve investment of Rs. 3,180.12 crores .

During 1990–91 to 1999–2000, number of small-scale industries grew by 6.49 per cent while employment in these units declined by 48.53 per cent. It shows that the performance of small business units has declined in post–reform period, perhaps due to adverse impact of MNCs. A number of small industrial units were closed down in Modi Nagar, Kanpur, Noida, Meerut, Saharanpur, Bareilly etc. However, investment in small-scale industries has grown by 141.25 per cent over the period.

The number of handicrafts industries in state has grown by 7.32 per cent during 1990s while employment grew by 2.83 per cent, which shows negative impact of MNCs. The investment in these industries has grown by 120.54 per cent while production registered the growth of 189.23 per cent over the period. The SSIs are mainly concentrated in Meerut, Agra, Kanpur, Varanasi and Bareilly. Khadi and Village Industries (Kvis) are also concentrated in Agra, Kanpur, Meerut and Moradabad .There has been growth of 7.32 per cent in handicraft industries in Uttar Pradesh during reform period. There has been fluctuating trend in the development of handicraft industries over the period .

The identified industrial corridors of the state are shown in Table 1

Table: 1 Industrial Corridors of Uttar Pradesh

Corridor	District
Western	Saharanpur, Muzaffarnagar, Bareilly, Badaun, Bijnore, Meerut, Moradabad, Ghaziabad, Agra, Aliganj, Mathura, Firozabad and Bulandshahar.
Central	Lucknow, Unnao, Kanpur Nagar, Kanpur Dehat.
Bundelkhand	Jhansi & Jalaun
Eastern	Allahabad, Mirzapur, Varanasi, Sonebhadra, Maharajganj, Siddharthnagar, Basti, Gorakhpur, Azamgarh, Mau and Ghazipur.

Source: U.P. Development Report, Planning Commission, Govt. of India, 2007.

Woodwork of Saharanpur, Chikan work of Lucknow, Lock industry of Aligarh, Silk sarees of Varanasi, brassware of Moradabad, Glasswork of Firozabad, Pottery and Ceremic works of Khurja, sports goods of Meerut, Leather and stone work of Kanpur and Agra etc. are some of the internationally known industrial clusters of Uttar Pradesh (Table 2).

Table: 2 Small Industry Clusters in Uttar Pradesh

Cluster	District/ Area
Electronics	Noida
Sports Good	Meerut
Brassware	Moradabad
Carpets	Bhadoi
Glass Work	Shikohabad–Firozabad
Hosiery	Kanpur
Leather	Kanpur
Leather Footwear	Agra
Ceremic Industry	Khurja
Essential Oils	Kannauj
Foundry	Agra
Petha Sweets	Agra
Locks	Aligarh

Source: Sidbi Report, 2001.

Industrial Development is directly correlated with the development of the country. However, a number of states in India are backward in terms of industrial development. Large and medium scale industries are of special importance in the industrial development of the state. These industries pave the way for the growth of various subsidiary industries and industrial activities in general. By the end of the Sixth Five Year Plan period, there were 690 large and medium scale industrial enterprises in the state with a total capital investment of Rs. 6,578 crores. By the year 1994-95, the number of such units had gone up to 1399 and the capital investment of Rs. 10,476 crores.

Though, various Central Government projects have also been setup in the state, the production of traditional industries such as sugar, cement, vanaspati, cotton, and cloth has not reached to the maximum level what was expected from the traditional industries in Uttar Pradesh. Sugar Industry ranks first and is treated as a leading industry of Uttar Pradesh. By the year 1994-95, there were 104 sugar industries which produced 25.55 lakh tonnes of sugar. At the end of 1994-95, 42 sugar factories were under private sector while 19 factories were under corporation and authorized controllership and 18 factories under corporate sector. During 1969-95, there was a great fluctuation in the production of cloth and a number of cotton milts were closed down Up to March 1998, there were 1312 large and medium scale industries which provided employment to 4, 73,910 persons, involving capital investment of Rs. 29,592.56 crores. It is to be noted that most of the industrial units are located in Meerut division followed by Kanpur, Lucknow and Saharanpur divisions. Similarly, out of 3,02,002 small scale industries in the state, most of the industrial units are located in Agra, Kanpur, Lucknow, Varanasi and Bareilly divisions. The SSIs provide employment to 12,91,555 persons and involve investment of Rs. 3,180.12 crores .

It is clear from Table 3 that in the private sector industries, the highest capital investment is in engineering based industries followed by agro-based industries. The investment in forest based industries, livestock based industries and mineral eased industries is meagre, below than even 4 per cent of the total investment in private sector. From employment point of view, agro-based industries rank

first giving employment to largest number of people among all the industries in private sector.

Table: 3 Industrial Units in Private Sector Uttar Pradesh

Type of Industry	No. of Units	Capital Investment (in Lakh)				Production
		Machinery & Plant	Land & Building	Working Capital	Total	
Agro-Based	1853	17767-77	5463.81	17232.19	40458.77	77286.60
Textile-Based	316	10115.93	3076.46	8651.91	21844.30	30733.93
Forest-Based	156	3489.9	1061.38	2261.88	6812.95	6113.3 1
Livestock-Based	145	740.65	201.26	1551.20	2793.11	8830.62
Mineral-Based	478	1399.74	765.36	2319.01	4481.11	6545.73
Chemical-Based	389	10444.04	12760.95	7523.28	20723.27	29615.01
Engineering-Based	1975	22239.70	6584.34	19519.76	48343.80	70521.21
Other-Industries	410	6757.30	2795.23	5025.05	14578.58	22078.09
Total	**5725**	**72949.82**	**23008.79**	**64085.28**	**160043.89**	**251725.40**

Source: Directorate of Industries, Uttar Pradesh Government, Kanpur, 2002

The production of yarn, cloth, jute and vanaspati has significantly increased in the post-reform period. However, there has been fluctuating trend in production. There has been increasing trend in the growth of small and tiny industries in the state of Uttar Pradesh. During 1990-91, there were 30248 small and tiny industries which provided employment of 148968 persons and production of the worth of Rs. 258.12 crore. During 2009-2010, the number of small and tiny industrial units was reported to be 34063 with the capital investment of Rs. 3474.12 crore and production of Rs. 6751.82 crores. These industrial units provided employment to 175504 persons (Table 4.).

Table: 4 Growth of Small and Tiny Industries in Uttar Pradesh

Year	Target	No. of Small Industries	Capital Investment (Rs. Crore)	Employment	Production (Rs. Crore)
2000-2001	32600	31023	306.38	78901	675.56
2001-2002	30045	29246	270.00	97155	635.04
2002-2003	30000	30361	272.20	112802	620.32
2003-2004	30000	30454	276.06	117564	383.00
2004-2005	30000	30402	284.34	121102	431.25
2005-2006	30000	30282	262.79	125611	372.71
2006-2007	30000	28487	507.59	120876	944.08
2007-2008	33000	31734	1270.83	148985	4625.21
2008-2009	33000	33302	2046.80	171141	4996.21
2009-2010	33000	34063	3474.12	175504	6751.82
2010-2011	33000	25619	2196.24	133827	3682.89

Source: Directorate of Industries. Utter Pradesh Governme

More than half of the industrial units with the 62.54 per cent investment were found situated in Western region while Bundelkhand region has only 5.95 per cent industrial units (Table 5).

Table: 5 Region Wise Distribution of Small and Tiny Industries in Uttar Pradesh

Region	No. of Units	Capital Investment (Rs. Crore)	Employment
Western	341050	7938.36	1516097
Eastern	188442	2078.74	683811
Central	1097756	2309.47	421120
Bundelkhand	40455	366.38	121738
Total	**679703**	**12692.95**	**2742766**

Source: Directorate of Industries. Utter Pradesh Government.

Types of industries are shown in Table 6. Food products, hosiery and garments, metal products, leather products, wood products, miscellaneous manufacturing products, repairing and servicing industrial products constitute significant share in the small and tiny industrial units in the state of Uttar Pradesh. Units of leather products constituted 3.50 per cent units while its contribution in capital for 3.49 per cent.

Table: 6 Sector-Wise Distribution of Small and Tiny Industries in Uttar Pradesh

Type of Industry	No. of Units	Capital Investment (Rs. Crore)	Employment
Food Products	99009	2177.49	389627
Tobacco and Tobacco	1976	43.32	10707
Cotton Textile	13517	2787.15	63171
Wool, Silk and Synthetic Fibre	15346	263.61	66067
Jute, Hemp and Mesta	3114	50.73	12996
Hosiery and Garments	72818	1105.45	297730
Wood Products	41971	465.32	153055

Paper Products & Printing	14054	448.65	70943
Leather Products	23844	443.62	113380
Rubber and Plastic Products	11020	524.24	64176
Chemical and Chemical	13644	552.63	73777
Non-Metallic Mineral	12471	388.25	108989
Basic Metal Industries	8079	450.16	47649
Metal Products	38064	985.34	183829
Machinery and Parts	14867	526.56	76396
Electrical Machinery and	11306	343.70	55186
Transport Equipments and Parts	4131	179.26	26210
Miscellaneous Manufacturing	98305	1627.06	369760
Repairing and Servicing Industries	182167	1830.40	559118
Total	**679703**	**12692.84**	**2742766**

Source: Directorate of Industries. Utter Pradesh Government.

Industrial Development in Post–Reform Period

In the after month of globalization, small scale industry holds the pass key to employment and economic progress, which accounts for the high priority assigned to the growth and development of small scale industry both by the Central and the State Governments. A number of schemes have been initiated by the various state governments to attract prospective entrepreneurs to their own parlours. After Gujarat and Maharashtra, Uttar Pradesh has had the distinction of having received the largest number of Letters of Intent (Lois) and Industrial Entrepreneurial Memorandum (Iems). The Uttar Pradesh Government is resolved to change Uttar Pradesh into 'Udyog Pradesh' and its policies in regard to export and minerals deserve a little more than casual notice. To attract capital investment in the state, NRIs have been provided special concessions. Likewise, to ensure private sector participation in major industrial projects, the development of industrial corridors, marketing of products of small scale industries through private agencies, creation of the single table system and technology mission are being employed as instruments of growth of important industrial groups in the state.

Uttar Pradesh has possessed flourishing clusters of industries like foundaries in Agra, leather in Kanpur, glass in Firozabad and pottery in Khurja. The Directorate of industries is planning to launch an integrated project to develop these clusters. To ensure this, an export bureau has been constituted and export cell is being strengthened. Exemption from trade tax on industrial raw materials, VIP status for exporting green industries, revival of labour laws and issuance of cards to entrepreneurs are among other important measures taken by government to boost exports. There has been a consistent growth of industries in the state under the liberalization process. Uttar Pradesh State Industrial Development Corporation, Uttar Pradesh Finance Corporation, Sidbi, Picup, Uttar Pradesh State Handloom Corporation, Uttar Pradesh State Export Corporation, Sate Leather Development and Marketing Corporation, Industrial Advisory Service Fund, Institute of Entrepreneurship Development etc. all have assisted in boosting of industries in the state. As a quick disposal of requests i.e. Iems and Lois, as many as 2056 industries were set up as against 3966 Iems. Another 3162 projects were under process. About 123 industries were established as against 360 LOIs. Development of heavy and medium industries in the state has maintained a progressively upward trend in the state. By the end of the Seventh Five Year Plan, 935 big and medium industrial units had been set up. These units with a total capital investment of Rs. 4,48,938 persons. There are 2616 heavy and medium industries are functioning in Uttar Pradesh. The investment has gone up to Rs. 41,266.20 crore and opportunities of employment have been created for 7,38,582 persons. Under the new industrial policy regime, altogether, 3966 Iems had been issued between September 1991 to December 2000 in favour of entrepreneurs, entailing a capital investment of Rs. 68,740 crore and possibility of employment for 6,32,586 persons.

Industrial Sector Reforms

Industrial sector is the second largest sector of U.P.'s economy. Its contribution to Sdp currently stands at 2 per cent with 8 per cent of the labour force employed therein. Sugar, Vanaspati and Cement are three important industries. Despite the fact that UP has witnessed significant increase in industrial production during the planned process of development, the state still lacks the requisite level of industrialization. U.P. has a vast market for industrial products. Also, there is no dearth of land and water for industrial use. The state is rich in mineral and capital wealth and technical and non-technical human resources are also available in sufficient quantity. The rate of growth of industry in recent past has varied between 2 per cent to 6 per cent per annum. Significantly, industrial growth rate, which was recorded at 8.6 per cent during the late eighties declined to 3 per cent during the early nineties.

The manufacturing sector, which contributed about 10 per cent in SDP in 1950-52, remained at the same level during 1960-61. The average rate of growth of this sector increased to 6.4 percent during the sixties, as against 2.6 per cent during the earlier decade. Rate of growth declined to 5.6 per cent during the seventies and it was recorded to the level of 7.0 per cent during the eighties. The year-to-year fluctuations in the rate of growth declined gradually from CV 120 per cent (1960-61 to 1990-91) to 74 per cent during 1980-81 to 1990-91. The manufacturing sector recorded a dismal growth performance of 3 per cent during the first 3 years of the Eighth Plan (1992-95). Its growth rate for the whole time period of the Eighth Plan calculates at 4.2 per cent. In the first two years (1997-99) of the Ninth Plan, this has further dipped to 3.6 per cent. This sluggishness in industrial sector may aggravate the problems of poverty and unemployment. The services sector could not demonstrate significant growth due to sluggish growth of both agriculture and industry. The rate of growth of

services sector hovered around 3.0 per cent during the first three decades and it was only during the fourth decade that it could achieve a figure of 6.3 per cent. It is, generally, an accepted proposition that industrialization at a rapid rate along with agricultural growth should be treated as the engine of growth of the economy in order to reduce the incidence of poverty and unemployment. Moreover, small industries have a very special and vital place in the economy of the state. Presently, there are 3,43,000 small industries in the state with an investment of Rs. 3,231 crore. This sector provides unemployment to 14,20,2000 people. The greatest strength of this sector does not lie only in nurturing first generation entrepreneurship, but also in increasing immense employment opportunities at a relatively low capital investment.

Recently, UP has witnessed significant growth and structural changes in the factory sector of industries. The modern sector of industries, such as chemicals and engineering has experienced relatively faster growth than the traditional industries such as sugar and textiles. The share of industries based on raw materials from agriculture, animal husbandry and forestry declined marginally from that of consumer goods industries based on non-local raw materials, which declined significantly and the capital and intermediate products industries have gained significantly. The raw material location of specific industries declined in relative importance while footloose industries increased their share substantially. This change has made the state's industrial structure locationally more diversifiable.

The diversification of UP's rural economy becomes imperative from the standpoints of employment, distribution and long-term growth. Arguably, the principal instrument of such diversification is naturally to be found in the development of manufacturing activity in rural areas. The rural development strategy has two facets (i) To uplift the existing village industries, with suitable schemes of assistance and support; and (ii) To diversify locational pattern of industries—large or small, traditional and modern—in favour of rural areas. Thus, the introduction of modern small scale industries may serve as an effective instrument for income and employment generation in these areas and thereby bringing about a better inter-regional balance in the development process.The government's development focus is on village-oriented small industries, such as handloom, silk and others. The handloom industry meets nearly one-third of the total requirements of cloth in the State. The strength of State's cottage industries can be gauged from the fact that it houses roughly 7,40,000 skilled artisans. So long as there is demand for their products, they are valuable assets to the State's economy.

Table 7 presents the contribution of growth of capital and labour inputs and technical progress to manufacturing output over time both at aggregate and State level. The table shows that for the aggregate Indian manufacturing sector 48 per cent of output growth is due to capital stock growth, 45 per cent due to growth of labour input and 7 per cent due to technical progress. The analysis at State level reveals that highest contribution of capital accumulation in manufacturing output growth has been witnessed in Kerala (71 per cent) followed by Andhra Pradesh (56 per cent), Haryana (56 per cent), Bihar (55 per cent), Madhya Pradesh (51 per cent), Tamil Nadu (52 per cent), Gujarat (52 per cent) and Uttar Pradesh (51 per cent). In the remaining States, the contribution of growth of capital input in manufacturing output growth was found to be less than 50 per cent. The contribution of labour input was witnessed highest in West Bengal (54 per cent) followed by Andhra Pradesh (30 per cent), Maharashtra (25 per cent) and UP (22 per cent). In the remaining States, the contribution of labour input was less than 20 per cent in the growth of manufacturing output except Assam where the contribution of labour input has been negative. The contribution of technical progress in manufacturing output growth has been less than 50 per cent in all States except Assam (91 per cent). U.P. witnessed 27 per cent on this parameter. Taken as a whole, it has been observed that the capital input is the single most dominant factor determining the output of manufacturing sector of Indian States. Furthermore, it may be of immense significance to examine whether technical progress has been labour-saving or capital-saving in manufacturing sector.

Table 7 Contributions of Labour and Capital Inputs in Growth of Manufacturing Output

States	Contribution of Capital	Contribution of Labour	Contribution of Technical Progress
All India	47.680	45.429	6.891
Andhra Pradesh	56.298	30.339	13.363
Assam	16.221	--7.286	91.065
Bihar	55.380	7.861	36.759
Gujarat	51.833	19.347	28.280
Haryana	56.006	16.640	27.353
Karnataka	43.195	15.656	41.148
Kerala	71.133	14.064	14.803
Madhya Pradesh	54.678	14.140	31.182
Maharashtra	33.517	24.787	41.695
Orissa	52.210	2.823	44.967
Punjab	48.540	17.958	33.502
Rajasthan	43.635	9.852	46513
Tamil Nadu	52.371	20.395	27.234
Uttar Pradesh	51.274	21.598	27.127
West Bengal	31.110	57.532	11.358

Source: Singh Parminder, Bawa, R.S. Kumar Sunil (1999), Economic Reforms and Employment in India Manufacturing Sector, Iea Conference Volume.

The estimates show that for aggregate Indian manufacturing sector technical progress is labour saving. The same holds true for UP also. The substitution elasticity being greater than one implies that the present strategy of industrialization is not consistent with the domestic factor endowment. Thus, labour-saving technical progress may further aggravate the problem of unemployment. This being the scenario, it is imperative to correct the factor-mix being adopted in manufacturing sector. This can be brought by promoting the adoption of labour-intensive techniques through appropriate mechanism of fiscal flows and incentives and also thereby changing the structure of employment. Promotion of industrial cooperatives in the rural and industrially backward districts may be the ultimate solution for ensuring employment—friendly industrial growth.

Foreign Direct Investment

The overall value of the investment proposals and their approval by the government increased substantially since the adoption of new economic policy in 1991. Official estimates place the total value of the approvals till August 2004 at Rs. 2,47,664 crores. During August 1991 to August 2004, Maharashtra, Delhi, Karnataka and Tamil Nadu received largest Fdi approvals while Maharashtra, Delhi, Tamil Nadu and Karnataka received largest amount of Fdi. In about one fifth of the cases, location was not indicated at the time of the approval. Such projects amount to about 28 per cent of the total investment. While Delhi stands near the top, it is obvious that most of these projects will not be located in Delhi.

Delhi in all probability must be representing the neighbouring states or the foreign investment might have used the services of local agents for communication and for doing the initial spadework. For the practical purposes, Delhi should also be clubbed with the un–indicated category. This meant that for almost two fifths of the investment, the location details are not available. It is relevant to note that the states in the southern and western regions together accounted for about 71 per cent of the total approved investment, excluding Delhi and the unintended category. Incidentally, Maharashtra the top ranking state witnessed equity hikes by a number of ex–Fera companies viz. Hindustan Lever, Colgate, Cadburry, Castrol, Proctor & Gamble and Bayer and takeovers by foreign investors. State-wise distribution of Fdi seems to have undergone substantial changes during the period. The total approved amount during 1991–98 was Rs. 1,81,296 crores and that during 1999 to March 2004 was Rs. 1,11,062 crores out of which location details were available for Rs. 1,23,952 crores and Rs. 92,398 crores respectively (Rao and Murthy, 2005). During the second period, the relative importance of Maharashtra increased substantially.

While Gujarat, Tamil Nadu and Karnataka were slightly better off, Andhra Pradesh held its position. Delhi, Madhya Pradesh, West Bengal and Orissa lost their shares substantially in the second period. Thus, Fdi is getting concentrated in the western and southern states. The liberalization of Indian economy in the 1999s witnessed loosing its economy edge which formally it enjoyed over other Indian states. There has been slow down to increase policy competition from direct investment from other states. The industrial growth during 1990s was reported just 3.6 per cent as compared to 6.6 per cent at the national average. During 1980s, the growth of industry sector in the state was reported 7.7 per cent which was higher than the national average of 6.9 per cent.

There has been phenomenon growth in letter of intent and memorandum of understanding for capital investment in industrial sector in the state of Uttar Pradesh. The growth has been recorded significantly high during the post-reform period (Table 8).

Table: 8 Progress of Industrial Investment in U.P.

Year	Letter of Intent / MoU	Capital Investment	Employment
2003-2004	239	1662.49	1058805
2004-2005	551	224222.54	147881
2005-2006	631	31710.00	165127
2006-2007	520	21596.00	83835
2007-2008	187	13701.30	145835
2008-2009	6886	210100.80	1531075
2009-2010	7061	220569.78	1569451
2010-2011	7157	227145.78	1584483

Source: Directorate of Industries. Utter Pradesh Government.

Problems and Issues in Industrial Development

Despite of several strengths of Ssi's, the entrepreneurs in the state of Uttar Pradesh are facing several problems, constraints are challenges. The small industry is confronted with number of problems, constraints, handles, hazards, limitations and rigidities, but of which some are old and chronic whereas the others are new and complicated. The worldwide industrial and economic environment and particularly New Policy regime had also affected the small-scale industries in the state. In a nutshell the following problems relating to small industry in U.P. have been identified: (i) raw material constraints, (ii) organizational problems, (iii) social and cultural value system, (iv) environmental pollution and other problems, (v) technological problems, (vi) manpower development related problems, (vii) quality related problems, (viii) Marketing related problems, (ix) export related problems, (x) financial problems of entrepreneurs.

As the Indian industry entered into the third millennium, the most daunting challenge it has to encounter in a liberalized global trading system relates to the attainment and maintenance of technological competitiveness while a vast network of technological infrastructure has been built in the country and considerably progress has been achieved in the industrial and scientific arena since independence, many industries, mostly in the small scale sector still suffer from technological obsolescence as compared to that of the international level. More importantly, any technological innovation has not trickled down to the desired extent to the small scale and rural industries. It has been observed that the linkages between R&D and SSI's, and also between on parallel units and Ssi's, are weak. Similarly, the linkages between trade consultants, media, websites, trade fairs, industry associations, on the one hand and SSI's, on the other hand, are simply

moderate. This is because of the fact that institutional research is not demand-driven and there is mismatch between institution's orientation towards basic research and industry's needs for improved products.

Some of the infrastructural inadequacies affecting the SSI sector are absence of design centres, evaluation and demonstration facilities, lack of services and feasibility studies, poor assistance for pilot plant trials, inadequate testing facilities, high cost of maintenance, environment cleanliness, including effluent treatment and disposal facilities, absence of common facilities, non-availability of developed tool rooms and standards for ensuring quality and accuracy of the work/product, proper storage and handling facilities. Lack of infrastructural facilities has hampered efforts towards attainment of technological self-reliance for small-scale industries. The SSI's are using indigenous and traditional technologies. In this context, It sector is found to be weak mainly due to: (i) inadequate management skills; (ii) lack of access to technological information and consultancy services; (iii) relative isolation from technology hubs; (iv) inadequate quest for technological advancements; (v) inadequacy of financial capability; (vi) low levels of investment in R&D; (vii) inadequate adaptability to changing trends; (viii) non-availability of technically trained human resources.

An industrial production is associated with the problem of disposal of effluents. However, the leather, chemical, sugar and tannery industries have been singled out as pollution intensive industries. There is belief that the large scale unplanned tanning actively can erode the soil. The leather industry is one of the major industries that discharge toxic pollutants like sulphide, phenolic compounds, chromium and other mineral salts, dyes, solvents, etc. Out of which, chromium contributes a major share to the potentially hazardous nature of tannery effluents, owing 15 above hazards a stringent environmental regulations is at present posing an important threat to the growth of leather industry. Most of the tanneries in India are century old with no drainage facilities and no adequate measures to recycle or diffuse the effluent.

Small enterprises are presently handicapped in comparison with large units by an inequitable allocation system for scarce raw materials and imported components. The SSI sector has not shared proportionately, the growing supplies of scarce raw materials. In village industries, raw materials account for more than 60 per cent of the total cost of the product, and in some industries, like leather, oil, metal products it is even higher than 80 per cent. New enterprises face problems in obtaining raw materials in the absence of a proper and equitable policy of raw material distribution. There has been a decrease in availability of many of the materials needed for craft manufacture and a decline in quality in many of the still available materials. The materials facing the most severe shortage today are wood, cane, silk, scrap and virgin metal. The costs of some of these are rising faster than the Wholesale Price Index. Importantly, many of the agro-based industries find it difficult to obtain the right type of raw materials at the right time and at moderate prices

Lack of finance has been a serious problem by the small scale industries. This problem becomes acute in economic reforms period in terms of modernization and expansion of industries. In the state of Uttar Pradesh, the small business entrepreneurs rely on traditional sources of finance such as personal or family sources or local moneylenders. Credit available through financial institutions is either availed by large entrepreneurs and the smaller ones are deprived of it due to illiteracy, lack of awareness, tedious procedure, followed for obtaining loans, or due to local petty politicking. Large industrial institutions with enormous resources take

The small industries suffer from administrative difficulties. Applications for access to almost any form of governance service involve the endless filling of forms. The complexity of procedures, the multiplicity of required clearances, and the low salaries of the junior clerks who are involved at every stage result in wide spread corruption. As conventional trade barriers disappear in the world economy, a new set of concerns, laudable in themselves, are often extremely difficult to address satisfactorily in developing countries.

From the marketing aspect, the main problems identified are: (i) packaging; (ii) pricing; (iii) selling; (iv) promotion; (v) transport; (vi) market information. Although many exploit the vulnerabilities of their suppliers, there are also a good number of entrepreneurs who are committed to improving the lives of crafts persons, and who conduct their enterprises with integrity and dedication. A number of these people have established businesses that are recognized as true pioneers in the field. Exporters complained about the difficulty of obtaining credit. The problems they face are in fact, similar to those faced by crafts producers. Procedural complexities, inefficiencies and corruption of government officers are perennial problems being faced by business entrepreneurs. Export procedures from India are complex. It is very difficult for an individual buyer on a short trip to find economical ways of shipping home a small order. Most agencies work on a container basis, even if they agree to accept a smaller order, they will charge extremely high rates. Individual crafts producers, NGO's and small retailers cannot offer this kind of service, which means that visiting buyers can purchase from them no more than they can fit into their unit case.

Thus, globalization, liberalization and marketization of economy have posed challenges to SSI sector which need to be faced with preparedness. Business process re-engineering, R&D, technological upgradation, enhancing competencies of human resources, enhancing financial creditability, widening the scope of marketing, policy support in terms of credit, raw materials, technology transfers, prices, trade tax excerption, etc., need immediate attention of policy makers to revive the industrial productivity and enhancing the managerial efficiency. It may be concluded that Uttar Pradesh has agrarian economy and industrial development in the state is low as compared to the western and southern states. However, there has been increasing trend in the growth and development of industries in the state of Uttar Pradesh in the post-economic reforms. Leather sector occupies important share in the state economy and Kanpur and Agra are known for leather clusters of India. However, due to environmental problems, a

number of tannery units in Kanpur and Unnao were closed down in the recent past in absence of compliance of the High Court and State Pollution Control Board. Agra has emerged one of the Asia's largest footwear markets with the concentration of household cottage industries in leather sector.

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