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Summary Report for the State of Uttar Pradesh

1. Demography

As per Census population projections for 2022-23, Uttar Pradesh has a population of 235.7 million, which makes it the largest State of the country, representing 16.5 percent of the country's total population.[1] The State's projected population growth rate, at 1 percent, is higher than the national average of 0.9 percent, as of 2022-23. The State's population density (958 persons per sq. km.) and dependency ratio (61.9 percent) are both higher than the respective national averages, as per 2021 projections. According to 2023 projections, a majority of the State's population lives in rural areas, with only 24 percent of its population residing in urban areas. As per the National Family Health Survey (NFHS V, 2019-21), the sex ratio in the State, at 941 females per 1000 males, is higher than the national average of 929 females per 1000 males.

As of 2022-23, the State's annual unemployment rate, at 2.4 percent and Female Labour Force Participation Rate, at 31.2 percent, are both lower than the respective national averages. The working population in the State is predominantly concentrated in the Agriculture, Forestry, and Fishing (54.3 percent); Services (23 percent); Construction (13.1 percent); and, Manufacturing (9.2 percent) sectors in 2021-22.[2]

2. Economic Structure (Growth and Sectoral Composition)

Uttar Pradesh's real GSDP grew at an average rate of 5.3 percent during the period 2012-13 to 2021-22, which is lower than the national average growth of 5.6 percent.[3] The State's share in the country's GDP decreased from 11.4 percent in 1990-91 to 8.4 percent in 2021-22. Its nominal per capita income is half of the national per capita income, as of 2021-22.

Among the major sectors, the Services sector, with a share of 46.2 percent, is the largest contributor to the State's GSVA, followed by the Industry (27.9 percent), and Agriculture (25.9 percent) sectors, respectively, in that order (2021-22). During the last decade (2013-14 to 2022-23), these three sectors grew by 4.1 percent, 6.1 percent, and 8.5 percent per annum, respectively.[4]

3. Socio-economic Indicators

Uttar Pradesh's literacy rate, at 67.7 percent, is lower than the national average of 73 percent, as of 2011.[5] As of 2016-17, the State had a lower school drop-out rate (12.7 percent for Classes VIII to X) and a higher pass percentage for Class X (89 percent) and Class XII (89.3 percent), as compared to the respective national benchmarks. The State's Gross Enrolment Ratio at the Higher Secondary level (60.8 percent in 2015-16) is higher than the national average, but at the

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[1] Projected data on population growth rate, dependency ratio, population density, and urban population is sourced from "Population Projections for Indian States 2011-2036" by the Technical Group on Population Projections, National Commission on Population, Ministry of Health and Family Welfare, Government of India.

[2] Data on unemployment, female labour force participation, and workforce distribution is from the Periodic Labour Force Survey, 2017-18 to 2023-24.

[3] Data on Economic Structure is sourced from Ministry of Statistics and Programme Implementation (MoSPI), as of August 2023.

[4] Data from MoSPI, as of March 2024.

[5] Literacy data is sourced from Office of the Registrar General and Census Commissioner, Ministry of Home Affairs, 2011.

Higher Education level (23.2 percent in 2021), it is lower than the national average.[6] Additionally, for people aged 18 to 23 years, the Gender Parity Index in higher education (the ratio of girls to boys enrolled in higher educational institutions) is better than the national average, as of 2021.[7]

As of 2020, life expectancy in the State, at 66 years, is below the national average of 70 years. The Infant Mortality Rate, at 38 deaths per 1000 live births (in 2020) and the Total Fertility Rate, at 2.4 children per woman (during 2019-21), are both higher than the respective national averages. The percentage of fully immunised children, at 69.6 percent, is below the national average of 76.4 percent (2019-21). For 2019-21, the State has shown improvement on the basic "quality of life" indicators. As of 2019-21, households' access to drinking water (99.2 percent) is better than the national average but the corresponding figures for access to electricity (89.8 percent) and sanitation facilities (66.9 percent) are below the respective national averages.

4. *State of Public Finances and Tax Devolutions*

Uttar Pradesh's debt-to-GSDP ratio, at 30.7 percent in 2022-23,[8] is the same as that of a median State[9]. However, its contingent liabilities, at 8.7 percent, are higher than those of a median State, as of 2021-22. The fiscal deficit and primary deficit levels, at 3.6 percent and 1.6 percent of GSDP, respectively, are the same as those of a median State, as of 2022-23. The State, however, had a revenue surplus of 2.4 percent of GSDP in 2022-23, which was about 2.8 percentage points higher than that of a median State (deficit of 0.4 percent) in the same year.

The State's total revenue receipts (own tax, own non-tax, and shared by the Centre), at 21.2 percent, were higher than what a median State collected, as of 2022-23. In 2022-23, the State's expenditure-to-GSDP ratio, at 24.9 percent, was over 5 percentage points higher than that of a median State.

The Debt Sustainability Analysis shows that under the most reasonable scenarios (baseline scenario being where debt level, primary deficit, real GDP growth, real effective interest rate remains constant at their decadal average from 2012-13 to 2021-22.), debt sustainability assessment for the State results in benign outcomes—its debt-to-GSDP ratio is projected to decline in the next five years, starting from 2021-22. The State's debt-to-GSDP ratio is projected to increase quite rapidly only if it absorbs its existing contingent liabilities at the rate of 20 percent each year for the next five years.

The State's share in taxes from the Centre, as per the recommendations of the Finance Commission (FC), remained consistent under the recommendations of the 14th and 15th FCs, at about 18 percent, making it the largest recipient of taxes from the Centre. The State's share in

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[6] Data on dropout rates, pass percentage of students and Gross Enrolment Ratio at the Higher Secondary Level is taken from Unified District Information System for Education, 2015-16.

[7] Data on Gross Enrolment Ratio at the Higher Education Level, Gender Parity Index, and college density is taken from the All-India Survey on Higher Education, 2020-21.

[8] Data on fiscal variables is sourced from Reserve Bank of India, State Finances Report, as of December 2023.

[9] For calculation of a median State, the variable as a percentage of GSDP was computed for each State, with the median across 22 major States shown (excluding all Union Territories and the North-eastern States, except Assam). The Macro and Fiscal Landscape State brief includes this benchmark in the States' Median (Large States), Column 6, Table 4A.

the total grants-in-aid also increased by 0.4 percentage points under the 15th FC, compared to the 14th FC.

5. *Fiscal Rules*

As per the recommendations of the 12th FC, the Uttar Pradesh Fiscal Responsibility and Budget Management (UPFRBM) Act, 2004 was enacted.[10] The Act sets targets relating to the revenue deficit, fiscal deficit, and outstanding guarantees and liabilities, and presents a Medium-Term Fiscal Restructuring Policy along with the budget. Since 2004, the Act has been amended in 2010, 2011, 2020, and 2021.

The fiscal targets have been modified as follows:

Revenue Deficit: The original Act in 2004 mandated the State to eliminate its revenue deficit during a period of five financial years from 2004-05 to 2008-09. In 2011, the Act modified the target to eliminate the revenue deficit by 2011-12 and maintain a revenue surplus thereafter.

Fiscal Deficit: The 2004 Act aimed to reduce the fiscal deficit to 3 percent of GSDP by 2008-09. The 2010 amendment allowed the State to set fiscal deficit targets based on policy needs. The 2011 amendment again fixed a 3 percent target in each of the financial years from 2011-12 to 2014-15. In 2016, it was recommended that the State should maintain a 3 percent target from 2015-16 to 2019-20, with an additional 0.5 percent borrowing space based on fulfilment of certain criteria. In 2020, a first amendment raised the fiscal deficit target by Rs 10,570 crore for 2019-20, and a second amendment added 2 percent over and above the 3 percent limit for 2020-21 and 4 percent for 2021-22 contingent on the States undertaking reforms suggested by the Union Government.

Outstanding Debt: The initial Act in 2004 required the State to limit its total liabilities to 25 percent of GSDP by March 2018. The 2011 amendment set a target of keeping debt below 42 percent of GSDP by 2014-15, going down from 46.9 percent in 2011-12. In 2016, the target was revised to progressively bring debt down to 30 percent of GSDP by 2019-20. The 2021-22 State Finances Audit noted that going forward, the State government would fix the debt-to-GSDP targets as per directions from the Government of India based on the 15th FC's fiscal roadmap.

Outstanding Guarantees: The 2004 Act aimed not to give a guarantee for any amount exceeding the time stipulated under any rule or law of the State government existing at the time this Act came into force or the enactment of any rule or law by the State Government subsequent to the implementation of this Act.

Fiscal Discipline: As per the State Finances Audit Report of the Comptroller and Auditor General of India (CAG), during the period 2017-18 to 2021-22, the State failed to achieve the revenue targets only once (2020-21). The State was able to meet the fiscal deficit target in all the five years, but failed to meet the targeted achievements for the outstanding liabilities in four out of five years with the exception of 2019-20.

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[10] Data is sourced from the State Audit Report of the CAG for the respective years and the State Government Gazette.