

## ASSESSMENT OF INDUSTRIAL DEVELOPMENT IN SANT KABIR NAGAR DISTRICT OF UTTAR PRADESH: AN ISSUE OF REGIONAL IMBALANCE

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**Abstract:** *Industry has been considered as the engine of economic growth, while Micro, Small and Medium Enterprises (MSME) constitute the backbone of Indian economy by maintaining substantial growth rate and employment opportunities. But regional imbalance is often phenomenal in terms of industrial establishment, investment and employment generation across India. The present paper tries to focus on the present scenario and trends of industrialization and investment, and to analyze the regional distribution of industries and employment in terms of Micro, Small and Medium Enterprises (MSME) for the state of Uttar Pradesh in general and Sant Kabir Nagar district in particular. It also focuses on the potential in Sant Kabir Nagar district for the development of MSME sector, and identifies major issues and challenges to provide suitable suggestions. The data are collected from secondary sources by way of access to various government policies and programs including published annual reports, journals, books and official websites. The paper reveals that Uttar Pradesh is relatively better placed in both MSME units and employment compared to other states of India. Micro analysis of Sant Kabir Nagar district shows the block level variation for the same.*

**Keywords:** Industry, MSMEs, GDP, Regional Imbalance, Micro Analysis, Industries

### Introduction

Industry plays a significant role for economic progress and development of a nation through industrial productivity, generation of employment and revenue contribution through exports. The MSME (Micro, Small and Medium Enterprise) sector has appeared to be highly vibrant and dynamic sector, which becomes basis for large industries. It forms the backbone of Indian economy. This sector is not only crucial to provide large number of employments but it also helps to setup industries in rural as well as backward regions of the country. MSMEs supplement the large-scale industries and hence are considered as ancillary units (Muthu, 2015). MSMEs have the opportunity of generating relatively large amount of income with lower amount of investment (Sen and Selim, 2015). The share of industry in country's gross domestic product (GDP) was 27.27 percent during 2012-13, while manufacturing and service sectors contributes 7.04 percent and 30.50 percent respectively.

This scenario is not equal in all states. It differs from one state to another state, one district to another district and, more importantly, one block to another block, which becomes the major concern to the government as well as the policy makers. In India, regional imbalances are inherited since the colonial period. Before independence, British government made policies to enhance their own economy rather than developing Indian people and industries. They established industries in few pockets of the country, especially in port town of Bombay, Madras and Calcutta, which now have grown as most industrially developed states in India. On the other side, due to inappropriate exploitation of natural resources, the states like Bihar, Jharkhand, Orissa and Madhya Pradesh, which otherwise have plenty of mineral resources, still remain backward (Manoj and Rajiv, 2013). A balanced development approach was adopted during Third Five Year Plan (1961-1965) to establish industries in backward regions of India by introducing special package programs. These package programs assisted more the development of urban

areas rather than reducing regional imbalances (Lipton, 1977). MSMEs constitute an important segment of the economy of Uttar Pradesh in terms of employment generation and foreign exchange earnings through exports. The sector is also strategically important for attracting capital investment, increasing industrial output and enhancing the GDP of the state. Uttar Pradesh today is a leading exporter of MSME products in the categories like handicrafts, engineering goods, carpets, readymade garments, leather products, etc. There are two types of enterprises in MSME, viz. manufacturing sector and service sector and the subdivision of micro, small and medium enterprises are based on the following criteria (Table 1).

**Table 1: MSME Definition in India (Micro Small Medium Enterprise Development Act, 2006)**

Type	Enterprises	
	Manufacturing Sector (Investment in Plants and Machinery)	Service Sector (Investment in Equipment)
Micro	Up-to Rs. 25 lakhs	Up-to Rs. 10 lakhs
Small	More than Rs. 25 lakhs up-to Rs. 5 crores	More than Rs. 10 lakhs up-to Rs. 2 crores
Medium	More than Rs. 5 crores up-to Rs. 5 crores	More than Rs. 2 crores up-to Rs. 5 crores

Source: The Gazette of India, 16th June, 2006

The contributions of manufacturing units have gradually declined over the years. But service sector depicts on an average an upward movement. It may be attributed to people who have invested in service sector rather than manufacturing units (Table 2).

**Table 2: Contribution of MSME in Total GDP (at 2004-2005 prices) in India**

Year	Share of MSME Sector in total GDP (in percentage)		
	Manufacturing	Services	Total
2006-07	7.73	27.73	35.13
2007-08	7.81	27.81	35.41
2008-09	7.52	28.60	36.12
2009-10	7.45	28.60	36.05
2010-11	7.39	29.30	36.97
2011-12	7.27	30.70	37.54
2012-13	7.04	30.50	37.54

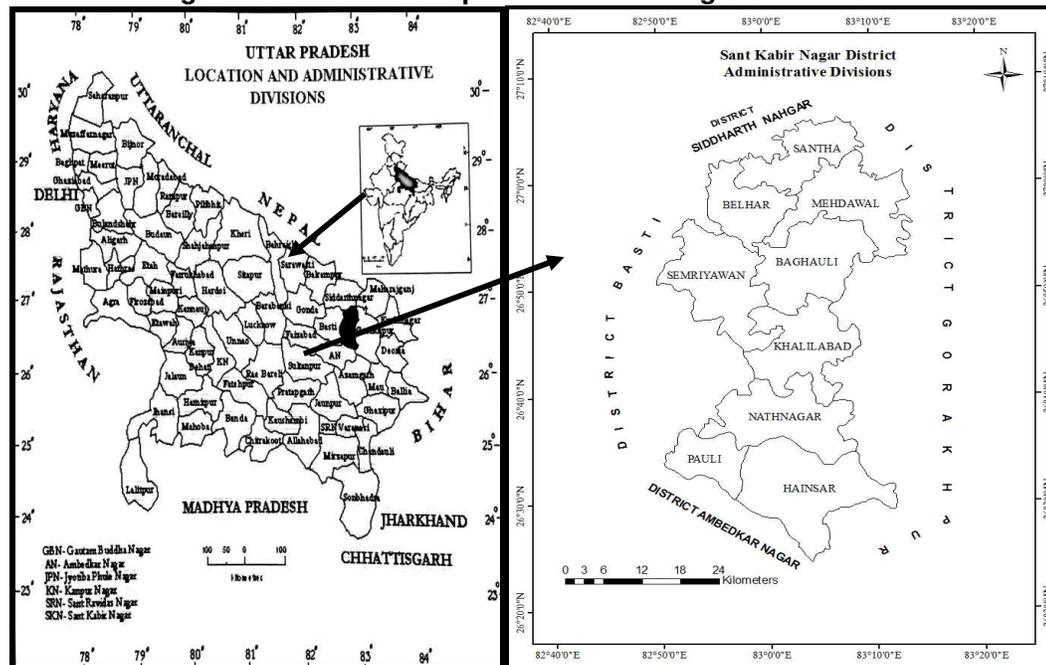
Source: 1. Fourth All India Census of MSME (2006-07) 2. National Accounts Statistics (2014), CSO, MOSPI 3. Annual Survey of Industries, CSO MOSPI

### Study Area

Uttar Pradesh, often described as the heartland of India, is spread across 2,40,928 sq. km (7.3 percent of the India's land) with 19.98 population (India's 16.5 percent). It has 18 divisions, 75 districts and 821 community development blocks. Uttar Pradesh is the third largest economy of India contributing 8.4 percent to the country's economy. The economy of Uttar Pradesh is primarily dominated by the tertiary sector, followed by primary and secondary sectors. The state is known as the food basket of India as it is the leading producer of sugarcane, pointed gourd, peas, potato, musk melon, watermelon, pumpkin, milk and milk products. The state has the highest number of Micro, Medium and Small enterprises (MSMEs) in India. Sant Kabir Nagar, a newly created district (1997) of Uttar Pradesh, was carved out from Basti and Siddharth Nagar districts. It is located in the eastern part of the state. The district is located between 26°20'N and 27°10'N latitude and 82°40'E and 83°20'E longitude (Figure 1). The total geographical area of the district is 1649 sq. km and is surrounded by the district of Gorakhpur (east), Basti (west), Siddharth Nagar (north) and Ambedkar Nagar (south). For the purpose of smooth administration, the district has been divided into 3 Sub-Divisions, 3 Tehsils, 9 Blocks, 9 Panchayat Samities, 648 Gram Panchayats and 1576 Revenue Villages. The total population of the district is 1,715,183 of which largest portion (92.5 percent) live in rural areas and 7.5 percent in urban area. Literacy of the district is equal to the state average of 66.7 percent. Although, agriculture is the major earning source for the rural people, but industry especially small agro-based industry and khadi industry

offered the farmers for extra production. The district accounts 655 industrial units (out of 13798 in the state) which have generated on an average 2870 daily employment as compared to 60,500 in the state of Uttar Pradesh. Khalilabad block is the administrative as well as industrial hub of the district.

**Figure 1: Locational Map of Sant Kabir Nagar District 2011**



## Methodology

The present paper is based on secondary sources of data obtained from Sankhyakiya Patrika (SP), Fourth All India Census of MSME 2006-07 (published in 2011-12), National Account Statistics and Annual Survey of Industries conducted by Central Statistical Office and Ministry of Statistics and Program Implementation, Government of India, District Census Handbook and various published and unpublished works. Political divisions of state and district have been considered as region to find out regional imbalances in terms of industrial development, investment and employment. Numbers as well as simple percentage method have been applied to represent the statistical data through bar diagrams, pie diagrams and maps.

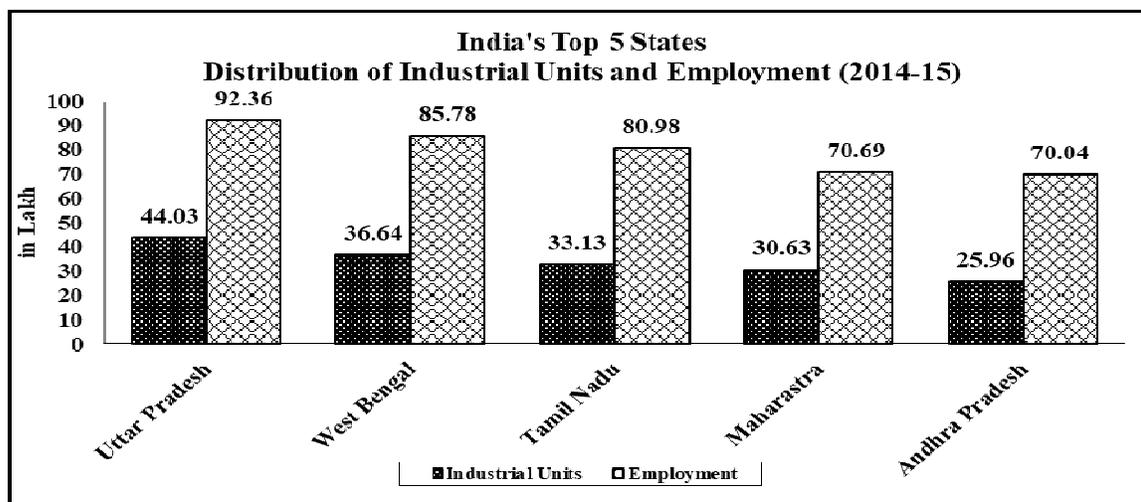
## RESULT AND DISCUSSION

### Regional Imbalance at National Level

India has been facing the problems of regional imbalances especially in the case of industrial development. The overall share of MSME sector in national GDP was 37.54 percent by contributing 37.33 percent of the total manufacturing output of the industry. It accounted a sum of 214.38 lakh registered and unregistered units, which employed more than 501.93 lakh people with 6,89,95,486 lakh investment of India during 2012-13. But the scenario of industrial development in the light of industrial units, employment and investments is differing from one region to another region depending on various factors like colonization, unequal distribution of resources, lack of investment and, above all, faulty governmental policies and programs. In Uttar Pradesh, MSME industries hold a central position in terms of employment generation and as a source of foreign exchange earnings. It has contributed almost 60 percent of the total industrial output of the state. There are 44.03 lakh MSME units in Uttar Pradesh, followed by West Bengal (36.64), Tamil Nadu (33.13), Maharashtra (30.63) and Andhra Pradesh (25.96) (Fig. 2).

Uttar Pradesh remains on the top position in terms of employment generation (after agriculture sector) accounts 92.36 lakh people and one of the leading state in terms of employed in industrial sector in India followed by West Bengal (85.78), Tamil Nadu (80.98), Andhra Pradesh (70.69) and Maharashtra (70.04) (Fig. 2). MSME of Uttar Pradesh report (2014-15) reveals that the objective of the 11<sup>th</sup> Five Year Plan was to generate 6.50 lakh employment opportunities by

establishing 1.65 lakh MSME units in Uttar Pradesh. The government has exceeded these targets and established 1.66 units with an investment of 13,433.11 crore and employed 8.57 lakh people.

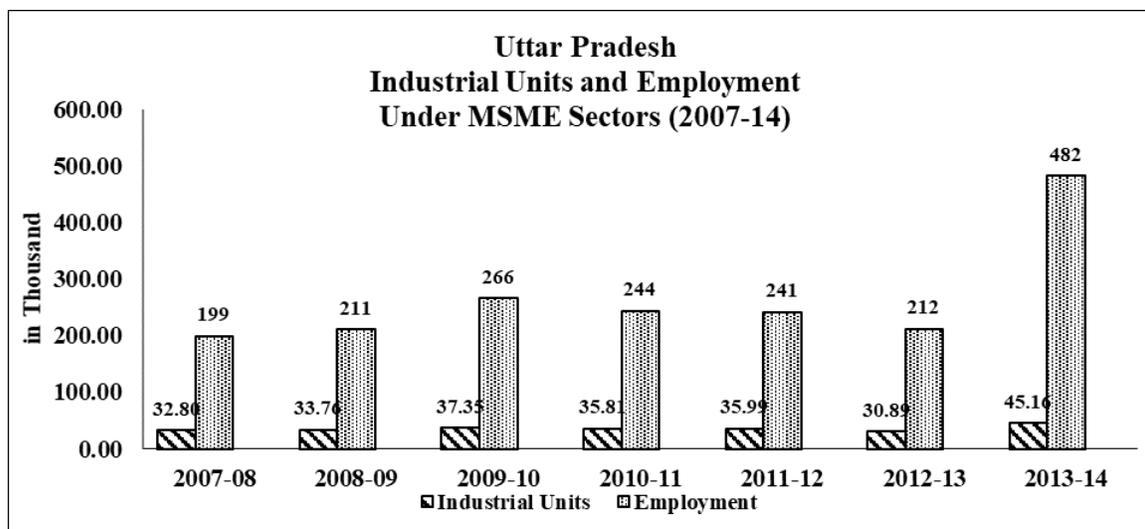


Source: Based on Data obtained from MoMSME, Gol 2014-15

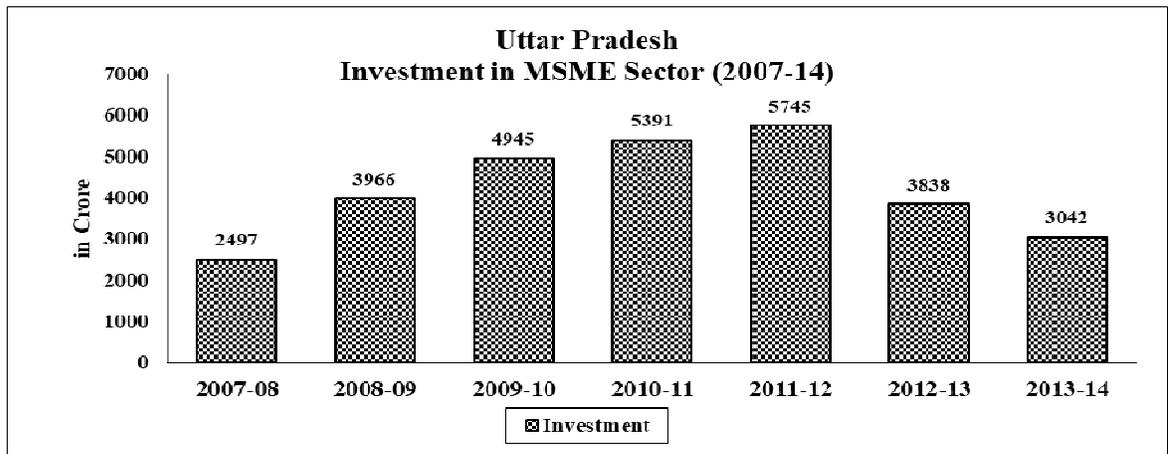
### Regional Imbalance at State Level

#### Trends of Industrial Establishment, Employment and Investment in Uttar Pradesh

The trend of industrial establishment, employment and investment shows that there was significant progress over the years. It is observed (Fig. 3 & 4) that the number of units and employment grew continuously from 2007 to 2010. During 2012-13 the number of units and employment saw a decline, but it remained stagnant in 2013-14 because of the implementation of the Infrastructure and Industrial Investment Policy 2012. During 2007-08, more than 35,000 MSME units were established with the investment of Rs. 2497 crore and employed 1.99 lakh people which increased 45,000 units, with Rs. 3042 crore investment and 4.82 percent employment during 2013-14 in the state. It is noted that the investment continuously increased till 2012; but after that it continued to decline that may be attributed to the macro-economic slowdown as well as a shift in focus from manufacturing to the services sector requiring lower investment.



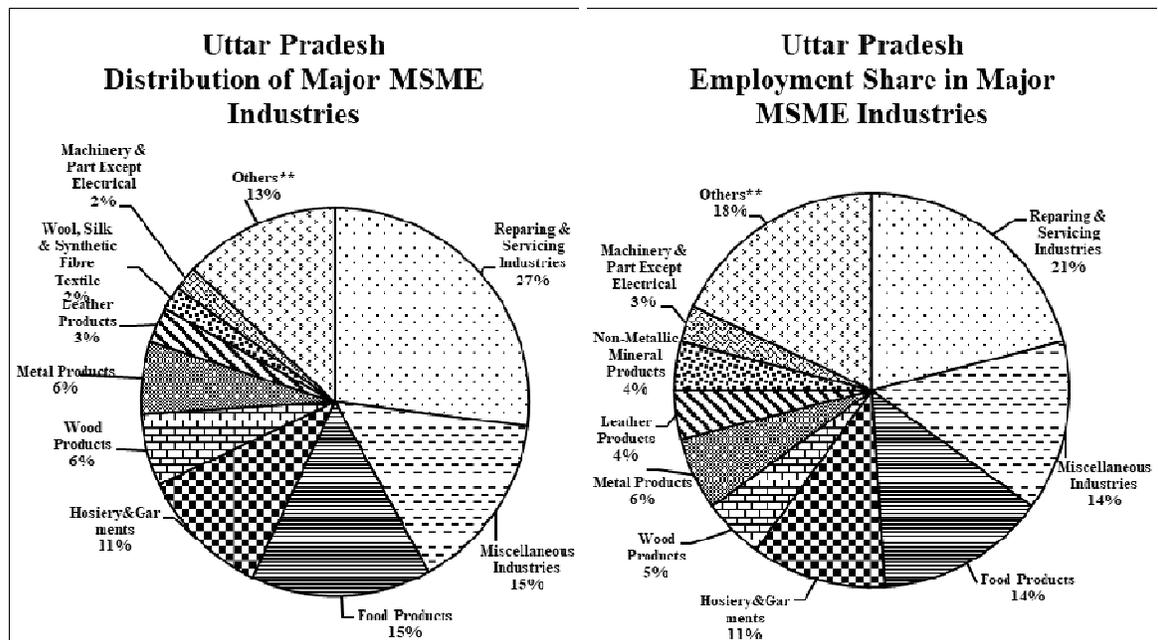
Source: Based on Data obtained from MoMSME, Gol 2014-15



Source: Based on Data obtained from MoMSME, Gol 2014-15

### Distribution of MSME Industries and Share of Employment in Uttar Pradesh

Product wise distribution of MSME industries shows (Fig. 5) that among all the industries, the repairing and servicing industries enjoy the highest share with 27 percent of total MSME units. They generated 21 percent employment of the total employed people in Uttar Pradesh that may be attributed to lower investment followed by food products and miscellaneous industries (15 percent), other industries (13 percent), hosiery & garments (11 percent), metal products and wood products (6 percent), leather products (3 percent), machinery and textile industries (2 percent).

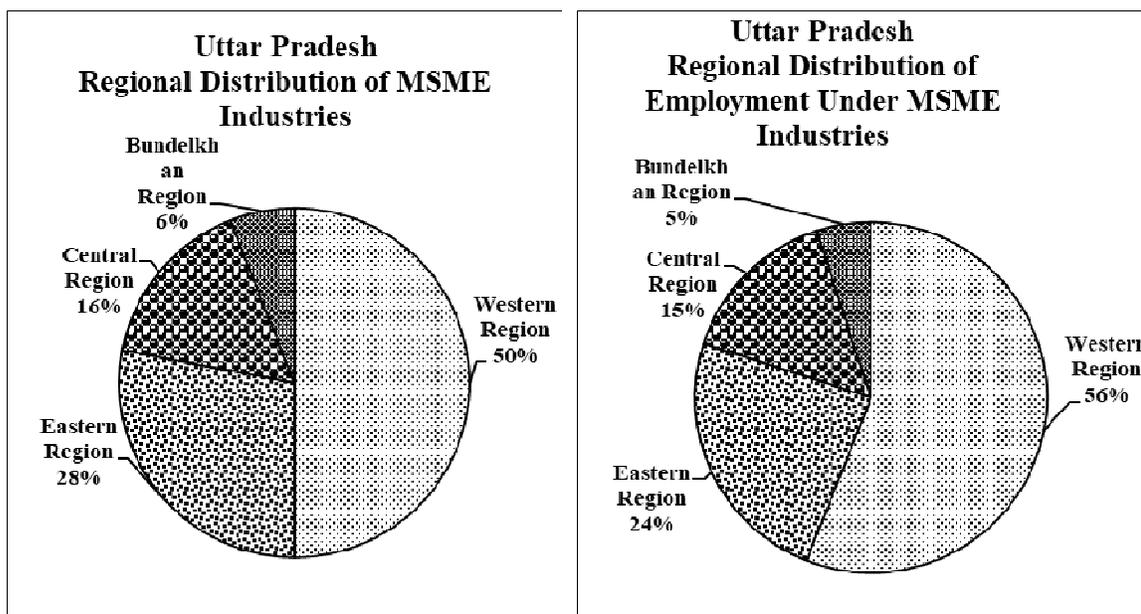


Source: Based on Data obtained from MoMSME, Gol 2014-15. \*\* Others includes Products & Printing, Cotton Textile, Chemical & Chemical Products, Non-Metallic Mineral Products, Electrical Machinery & Apparatus, Rubber & Plastic Products, Basic Metal Industries, Transport Equipments, Jute and other Textile, Beverage, Tobacco & Tobacco Products

### Regional Distribution of MSME Industries and Employment in Uttar Pradesh

Uttar Pradesh is the highest populous as well as agriculturally developed state in India which leads to grow industries in a very effective manner. This state is divided into four major regions i.e., Western Region, Eastern Region, Central Region and Bundelkhand Region, based on agricultural development, cultural behaviour and location. Out of these regions, Western Region is highly developed in terms of industry and agriculture. It has the positive impact of green revolution which help to make this region self-sufficient and one of the leading industrial region in the state. The regional distribution of industries and employment shows (Fig. 6) that western

region leads in both instances as compare to other regions of eastern, central and Bundelkhand. Various factors like lack of infrastructure, growth centres and regional factors, which cannot be altered, have led to an imbalanced growth in the state especially in Bundelkhand and western regions.



Source: Based on Data obtained from MoMSME, GoI 2014-15

#### Regional Imbalance at District Level: Sant Kabir Nagar Industrial Profile of Sant Kabir Nagar District

The Sant Kabir Nagar district is industrially well developed which account for 655 total industrial units as compare to 13798 in the state of Uttar Pradesh. The district has reported 4 medium scale industries that are as follows:

1. Harbansh Ram Bhagwan Das Auryedic Sansthan, Industrial Area, Khalilabad,
2. Hindustan Liver Ltd., Industrial Area, Khalilabad,
3. Raina Paper Board India Ltd., Khalilabad and
4. Shiv Shakti Thermoacoal Pvt. Ltd., Industrial Area, Khalilabad, Sant Kabir Nagar.

It has also one large-scale industry namely Khalilabad Sugar Mills Pvt. Ltd., Khalilabad, Sant Kabir Nagar. It is revealed (Table 3) that the large and medium scale industries have been generated about 267 employments in the district. The turnover of small scale industries is higher as compare to large scale and medium scale industries. The total turnover of small scale industries is Rs. 2012.91 lakh while of large and medium scale industries is Rs. 1525.8 lakh in the district for the year 2011-12.

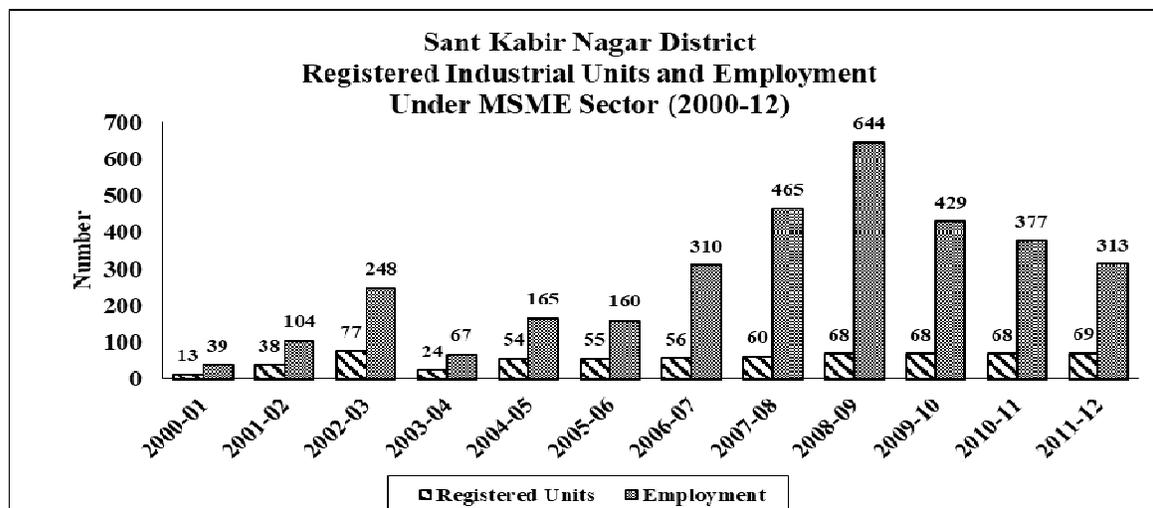
**Table 3: Industry at a Glance, Sant Kabir Nagar District 2011-12**

Head	Unit	Particulars
Total Registered Industrial Unit	No.	650
Registered Medium and Large Industrial Unit	No.	5
Total Industrial Unit	No.	655
Average No. of Daily Worker Employed in Small Scale Industries	No.	2870
Employment in Large and Medium Scale Industries	No.	267
No. of Industrial Area	No.	3
Turnover of Small Scale Industries	Lakh	2012.91
Turnover of Medium and Large-Scale Industries	Lakh	1525.8

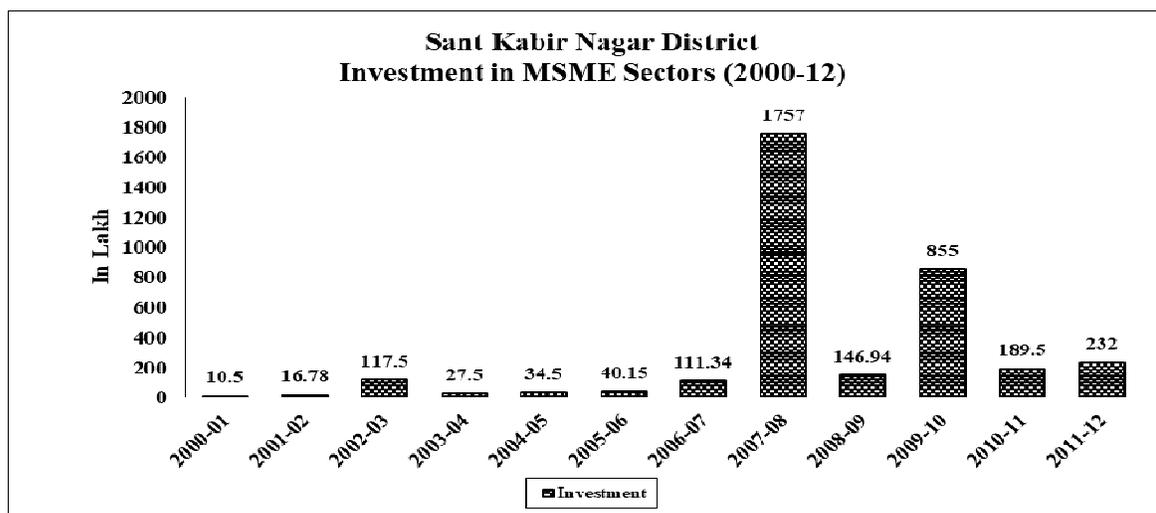
Source: District Industrial Corporation, Sant Kabir Nagar 2011-12

### Trends of Industrial Development, Investment and Employment

Trends of industrial development of Sant Kabir Nagar district shows that numbers of registered industrial units increase gradually from 2000 to 2012. It was just only 13 units in 2000-01 that have increased to 650 units in 2011-12. Number of employed persons increased rapidly during 2005-09, but it showed a slowdown thereafter. The investment was very low during 2000-06; but from 2006-07 onwards the investment gradually increased. The highest investment was reported in 2007-08 which also had the positive effect on employment (Fig. 7 & 8).



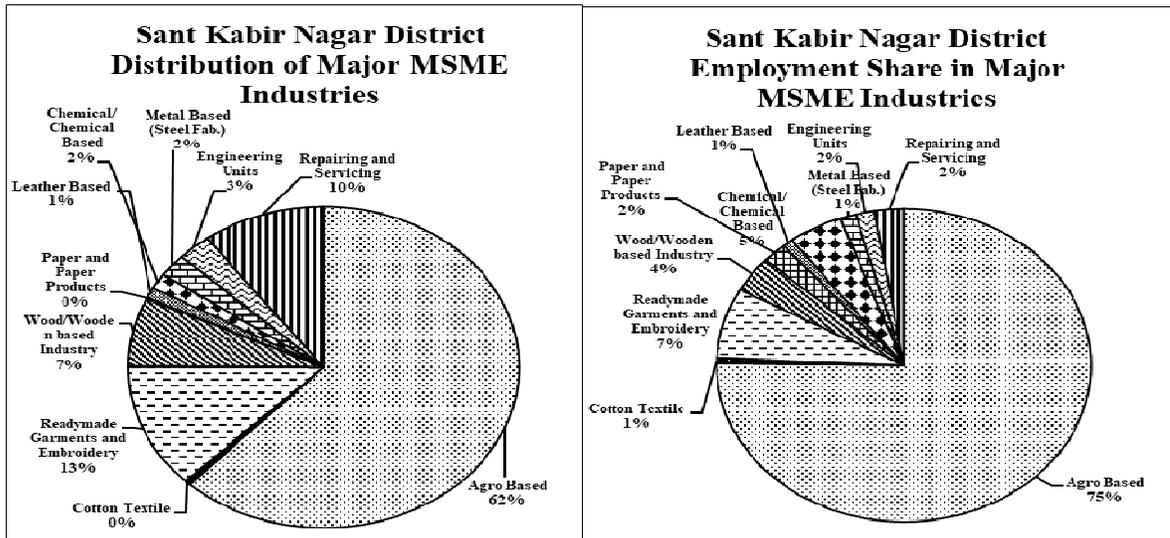
Source: Data obtained from District Industrial Corporation, Sant Kabir Nagar 2000-2012



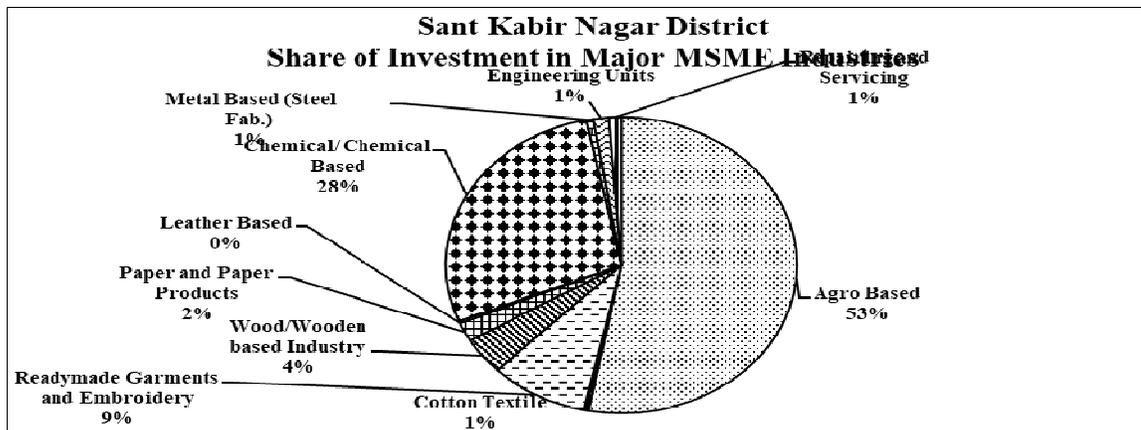
Source: Based on Data obtained from District Industrial Corporation, Sant Kabir Nagar 2000-12

### Distribution of Major MSME Industries, Investment and Employment

Agro-based industries have occupied a dominant position among all the industries in the district. It has share of 62 percent to the total industry, followed by readymade garments and embroidery (12.62 percent), repairing and servicing (10.15 percent), wood/wooden based industry (6.92 percent), engineering units (2.77 percent), metal based (2.31 percent), chemical/ chemical-based (1.54 percent), leather based (1.08 percent), cotton textile (0.62 percent) and paper and paper products (0.15 percent). The largest share of agro-based industries to the total MSMEs is due to locally available raw materials and cheap skilled or semi-skilled rural labourers. The agro-based industries have also the leading place in terms of employment generation and investment in the district (Fig. 9 & 10).



Source: Based on Data Obtained from District Industrial Corporation, Sant Kabir Nagar 2011-12



Source: Based on Data Obtained from District Industrial Corporation, Sant Kabir Nagar 2011-12

### Regional Distribution of MSME Industries and Employment

There is uneven distribution of industries in the district; it varies from one block to another block. It is because of location, raw material, labour cost and governmental policies. The highest concentration of industry has been found in two blocks namely Baghauli (15.38 percent) and Khalilabad (14 percent). Other five blocks (Santha, Belhar, Semriyawan, Nath Nagar and Pauli) remain backward in context of industries and employment. Although, the state of Uttar Pradesh is seems to be in a strong position and the Sant Kabir Nagar district also continue to raise the share of industry and employment.

### Conclusion and Suggestions

Overall, this paper shows that large number of industry (MSME) is concentrated in few areas especially in Khalilabad and Baghauli blocks. This is actually the result of one city (Khalilabad) that is the place of attraction for the government as well as investors. As per district report, there are few units of General Engineering workshop, Hotels & Restaurants, Cyber Cafes, Beauty Parlours, Photo Copying, Tailoring shops, Automobile Repairing, Computer Based Training Institute, etc. in most of the blocks (excluding Khalilabad and Baghauli blocks) which are only catering to the requirements of local population. The inadequate power supply, finance problems, lack of infrastructure, lack of skilled labour and poor market facilities are also responsible for non-development of industries in these blocks. By taking the advantage of potentiality of massive agricultural output, the government should establish industries like rice mills, flour mills, oil mills, wooden furniture, agricultural implements, iron furniture, doors, grills windows and shutter, school notebook and registers, etc., bakery products and building bricks industries. The district has very

good potential for service industry like automobile repairing sector, electronics equipments repairing, computer institute, cafeteria, mobile repairing centre, restaurant & bhaba, xerox photocopiers, agro items repairing workshops and transport agencies. Such small-scale industries need less investment and generate more benefits. There is also a need to upgrade and development of existing infrastructure facilities in the district. In order to balance the regional growth, the government should identify the vacant land and expand the existing industrial area and set up new industries with necessary infrastructure facility. MSME industrial units suffer through the problems of management and sickness, therefore, rehabilitation of such units can be possible through the coordination of public and private sector banks.

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