

SBI Research

Where Latin America meets Scandinavia: The Road to Salvation passes through Uttar Pradesh

The Central Government initiative PRASHAD (Pilgrimage Rejuvenation and Spiritual Heritage Augmentation Drive) scheme in conjunction with states playing a crucial role in the development of spiritual travel BOOM...augmenting the spirit, the completion of Ram Mandir in Ayodhya and multiple initiatives taken by UP government to promote tourism could result in an additional tax revenue of up to Rs 25,000 crore per annum due to spurt in tourists in FY25....India is growing in unison....

21-January-2024

- With the sovereign of India, the largest democratic republic, reemphasizing its global leadership (after a hiatus of ~3-4 centuries) across collaborative policy preambles to cutting edge reforms to tech stack at population scale and sweeping innovations, there are states that have embarked on an arduous yet fulfilling journey to ensure equity in accruing prosperity for all....
- **Uttar Pradesh, the most populous state (~Brazil in terms of population) with a commendable share of representation in the Parliament,** blessed with abundance of mighty Gangatic plains, historically a seat of arts, culture, trade and higher education proliferating and in perpetual two-way exchange with the Urbs Primus of Delhi to mineral rich MP/Jharkhand to Bihar to Nepal **appears headed for a tipping point, scripting a success story as it recognizes and reaps the opportunities sweeping the new India, working on key enablers to attain a sizeable economic order....**
- UP accounted for more than 10% in India's GVA, with increasing share of services (11.7%) in FY23, while its share in both industry and agri was above 8%...possibilities galore with infra and investment push in tandem
- With Indian economy scaling to \$5 trillion by FY28 as it defies gravity to clock growth rate in excess of 7% despite exogenous headwinds, many of Indian states could gather significant scale....**UP is estimated to have second most weightage in Indian GDP by FY28 and its GDP could overtake Norway,** the Scandinavian country with second position in Human Development Index (HDI)
- **The state has taken visible strides on export front, clocking CAGR of 7.1% in growth between FY2013-23 (against national average of 4.1%), doubling its export kitty with a 5% cumulative share** nationally even as it becomes the sixth state in rankings
- **UP has also been fuelling the wealth creation through capital markets,** adding maximum number of new investors during activity filled FY20-24 as its share vaults in excess of 10% as per bourses/depositories data. Incidentally, the state's share in AUM of MF has also increased at a higher rate than all India in the last 5 years
- Basis the CBDT data, **UP has been instrumental in increasing the tax base** with highest number of taxpayers, a trend reversal from other states..

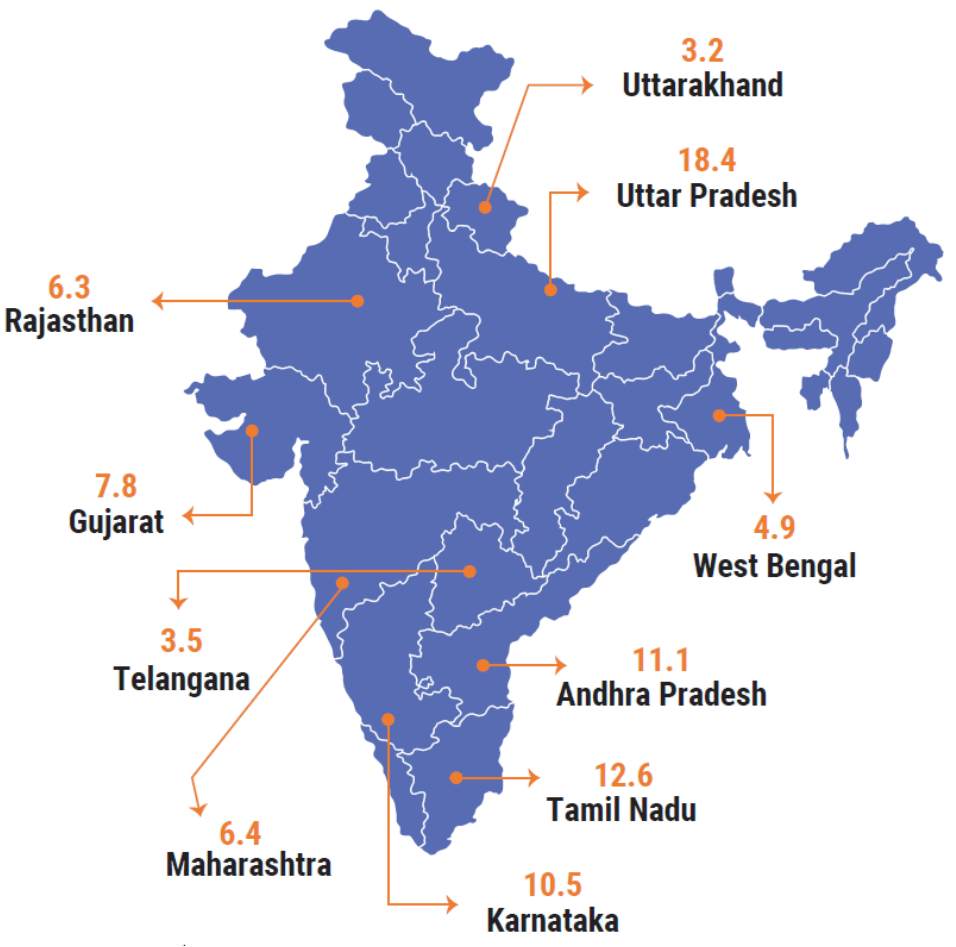
- ❑ **Despite being the most populous state, Uttar Pradesh has fared better than all India average in crimes against women per lakh population while it tops the chart in case of conviction rate in cases against women vis-a-vis all India level (71 against 25)**
- ❑ **PLFS (Periodic Labor Force Surveys) data shows youth unemployment has declined considerable in UP post pandemic (2023 compared to 2021), enabling the state to clinch third spot (after Uttarakhand and Kerala) while LFPR (Labor force participation rate) for female (15-29 years) has significantly improved for the state in 2023 compared to 2021....Enablers could be enhanced focus on Digital Didi schemes that take financial literacy to next level, enabling financial freedom for women across latitudes as they join mainstream**
- ❑ **Uttar Pradesh holds highest share in PMJDY accounts/PM-SvaNIDHI loans. Also, it has showed biggest increase in share in both PMJDY and PMMY accounts since FY19, signifying success of financialization drive at scale and formalization of myriad informal strata**
- ❑ **Uttar Pradesh was placed at number 2 spot in Ease of Doing Business report of 2019 by DPIIT. As per the revised BRAP (Business Reforms Action Plan) data released in June'22 by DPIIT, it figured in the Achievers category along with states like Maharashtra and Madhya Pradesh with a clear thrust on attracting investment**
- ❑ **The state has increased two-fold its installed power generation capacity between FY2014-22, reaching a little over 29 Gigabytes capacity**
- ❑ **The state's performance in both SCB's deposits accretion and credit deliverance in the last 5-years has been robust. Deposits grew by a CAGR of 10.4% while Credit grew by a CAGR of 13.1%, significantly better than All-India average of 9.4%. Analysing the share of major states in cost of projects sanctioned by Banks/FIs reveals Uttar Pradesh receiving the largest share (16.2%) in FY2023 while the three years average comes around ~11%**
- ❑ **Uttar Pradesh enhanced its stake in innovations during the last decade (7.2% share during 2014-23 vis-à-vis 5% share during 2004-13 in patents filing), fueling the India innovation story as the country positions itself as a knowledge economy benefitting the global ecosystem**
- ❑ **Uttar Pradesh accounts for higher share in Ayushman Bharat Health Accounts cards and health facilities registered under the scheme, and also increased the secondary/higher secondary enrolments since 2017**
- ❑ **Uttar Pradesh should immensely benefit from the ambitious Delhi Mumbai Industrial Corridor (DMIC) forming the backbone of Western Dedicated Freight Corridor (DFC) connecting Delhi and Mumbai/Gujarat positioning it as two-way gateway to major industrial territories across Eastern and Western geographies**

- Further, to decongest surface/rail traffic and encourage waterways bound consignment, Govt declared the Ganga - Bhagirathi - Hooghly river system between Haldia (Sagar) and Allahabad, stretching for 1620 km as National Waterway-1 (NW-1) in 1986 and in 2018 India's first modern inland waterway terminal was set up on river Ganga in Varanasi to commercialize waterways transport of goods. **IWAI, the concerned ministry has identified 106 new waterways across the country, out of which 10 are in UP**, namely Asi, Betwa, Chambal, Gandak, Ghaghra, Gomti, Karamnasa, Tons, Varuna and Yamuna boosting freight and passenger transport in years to come
- **Interestingly, the province of Oudh was set in 1722 with Ayodhya as its first capital, co-terminus with the down spiral of the Mughal dynasty ...**The fledgling empire, freeing itself from the humble genesis as a SUBAH set up by Akbar during 1572-80 under administrative reforms soon expanded by subduing Varanasi and surrounding major areas while the capital was later shifted to Faizabad in 1740...The seat of power was later shifted to Lucknow during 1775....Before the British East India Company subjugated the province, it had emerged as the principal seat of trade, craftsmanship and arts
- **Spiritual tourism** and the resultant pivot in the psyche of the common men and women wishing to re-connect with the unparalleled rich heritage and culture of the country has upended the potential of tourism exponentially as better physical and digital infrastructure has made connectivity accessible to all, from means of commuting to gateways of communication at the fingertip nudging people to travel and connect with our history more meaningfully
- **With holiest places/shrines of worship dotting the vast landscape, UP has seen domestic tourism increasing at a breath neck pace...Estimates by state government put the number of tourists visiting the state at around 32 crore in 2022 (around 2.21 crore footfall in Ayodhya alone) with their expenditure exceeding Rs 2 lakh crore. Additionally, spending by foreign tourists (the state ranked 5th in number of foreign tourists visiting India) was around Rs 10,500 crore....the state seems poised to reap the benefits from the tourism boom**

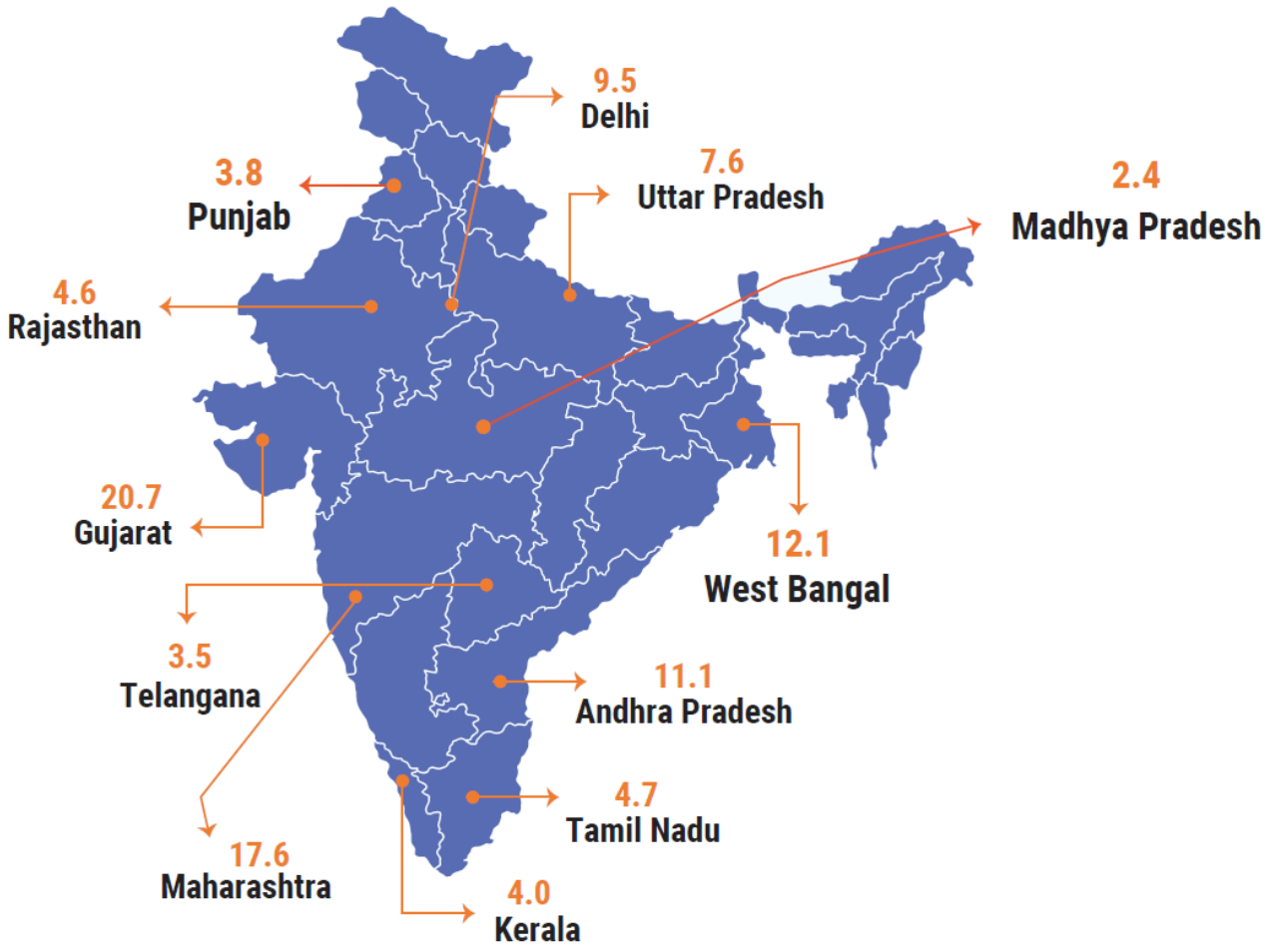
- Given the completion of Ram Mandir in Ayodhya this year and a melange of initiatives taken by the UP government to promote tourism, we believe that the total expenditure by tourists (domestic + foreign) in UP may cross Rs 4 lakh crore mark by end of this year helping the **state Government earn an additional tax revenue of Rs 20,000-25,000 crore due to huge spurt in number of tourists during FY25**
- Pre-Pandemic (2019), India's share in international tourism receipts was a meagre 2.06% with a distant ranking of 14th. Even in Asia-Pacific region, it commanded just ~7% share with a 6th rank.
- As a counter measure, in recent years, central government's **PRASHAD** (Pilgrimage Rejuvenation and Spiritual Heritage Augmentation Drive) scheme, in conjunction with partnering states has played a crucial role in the development of spiritual travel, creating an enabling ecosystem by augmenting infrastructure while disseminating knowledge at tier III and tier IV cities too as travel and hospitality sector integrates and gears up for the mega makeover to serve the hitherto unserved.
 - The state government can devise an encompassing travel itinerary that gives the discerning tourists a glimpse of the enchanting history across multiple places of importance in the state as also surrounding states on a hub and spoke model. Going forward, India can look forward to creating a tourism map that seamlessly connects the historical places here with those of Angkor Wat, Sri Lanka, Batu Caves, Pashupatinath, Prambanan for the new age salvation

UP ranked 1st in Domestic Tourist Visits in 2022; 5th in Foreign Tourist Visits

Share of Top 10 States/UTs of India in Number of Domestic Tourist Visits in 2022



Share of Top 10 States/UTs of India in Number of Foreign Tourist Visits in 2022



Source: India tourism statistic at a glance 2023

Huge Revenue expected from Tourism with the opening of Ram Mandir....

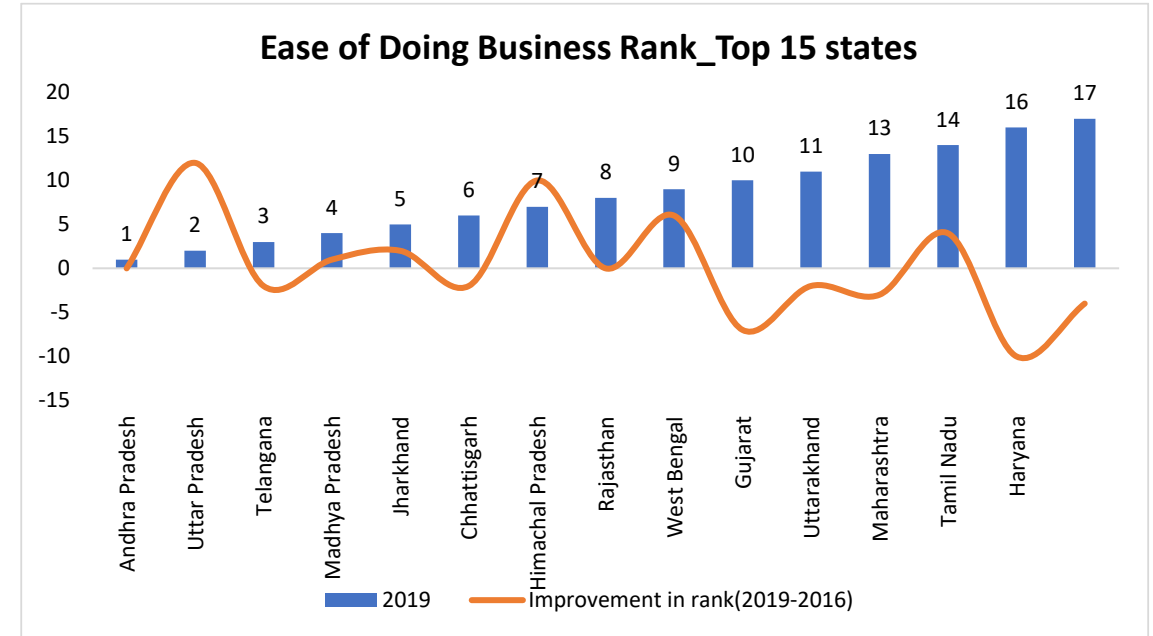
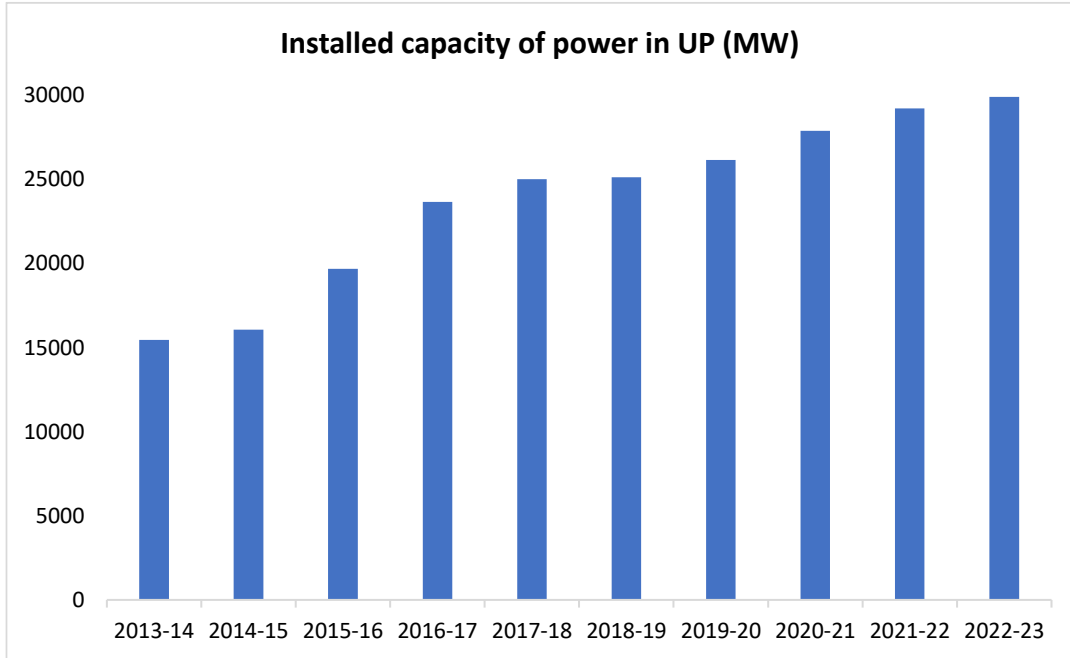
- ❑ In 2022, 32 crore domestic tourists visited UP (of which **2.21 crore tourists in AYODHYA only**), an increase of almost 200%
- ❑ Based on the expenditure provided by NSS (at all India level), the total expenditure done by domestic tourist is around Rs 2.2 lakh crore. Including Rs 10,000 crore expenditure done by foreign tourists in UP, total expenditure in UP by tourists is ~Rs 2.3 lakh crore
- ❑ **Given the completion of Ram Mandir in Ayodhya and initiatives taken by the UP government to promote tourism, we believe that the total expenditure by tourists in UP may cross Rs 4 lakh crore mark by end of this year**
- ❑ **We believe that UP Government will earn an additional tax revenue of Rs 20,000-25,000 crore due to huge spurt in tourists in**

FY25

Average expenditure per overnight trip by categories of expenditure done by Domestic and Foreign Tourists in UP					
	Category	Expenditure (in Rs)	Category wise share of Tourists	Total Tourists (in crore)	Total Expenditure (in Rs crore)
completed during last 365 days	holidaying, leisure & recreation	6358	13%	4.3	27365
	health & medical	15336	22%	6.9	106493
	shopping	13902	15%	4.8	66062
completed during last 30 days	business	4455	1%	0.2	713
	social	1068	45%	14.4	15413
	pilgrimage & religious activities	2717	2%	0.6	1739
	education & training	2286	0.3%	0.1	219
	others	2875	2%	0.7	1932
Expenditure by Domestic Tourists (A)			100%	32.0	219937
<i>Memo:</i>					
Expenditure by Foreign Tourists (B)					10575
Total Expenditure (A+B)					230512
Source: NSS Report No. 580 : Domestic Tourism in India; SBI Research					

Ease of Doing business ranking of UP shows marked improvement....

- ❑ Total installed capacity of power continues to increase in Uttar Pradesh
- ❑ This also gets reflected in ease of doing business ranking

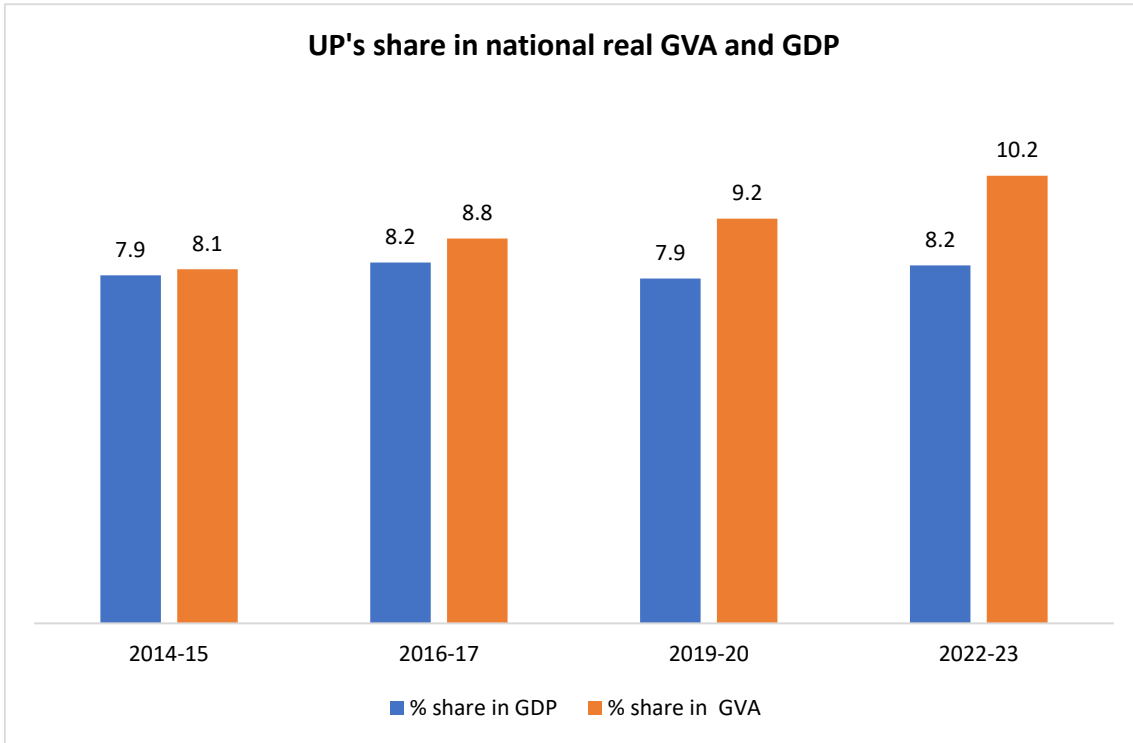


Basis 2020 BRAP (Business Reforms Action Plan) data released in June'22 by DPIIT, UP figured in the Achievers category along with states like Maharashtra and Madhya Pradesh

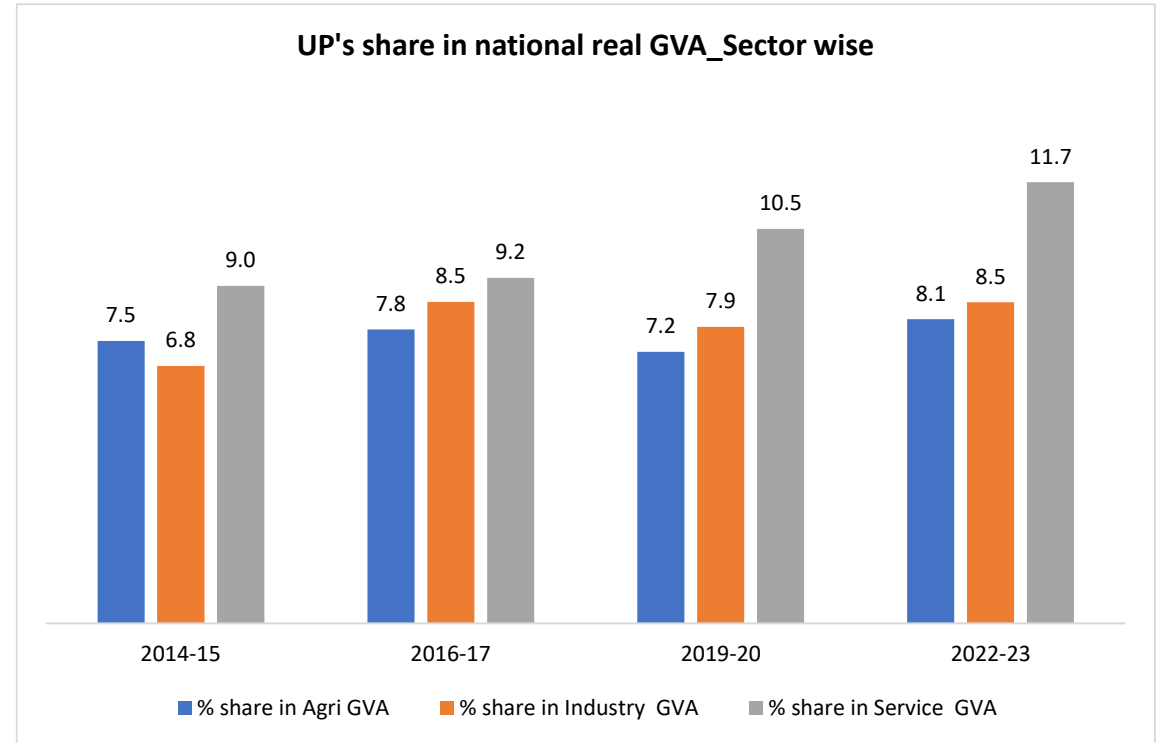
The share of Uttar Pradesh in India's GDP is rising continuously

- UP accounts for more than 10% in India's GVA, with increasing share of services

UP's share in national real GVA and GDP



UP's share in national real GVA_Sector wise



As India marches towards a \$5 trillion economy by FY28...Maharashtra & Uttar Pradesh to break the \$500 bn threshold and contribute 10% to India's GDP.. Uttar Pradesh will surpass Norway...

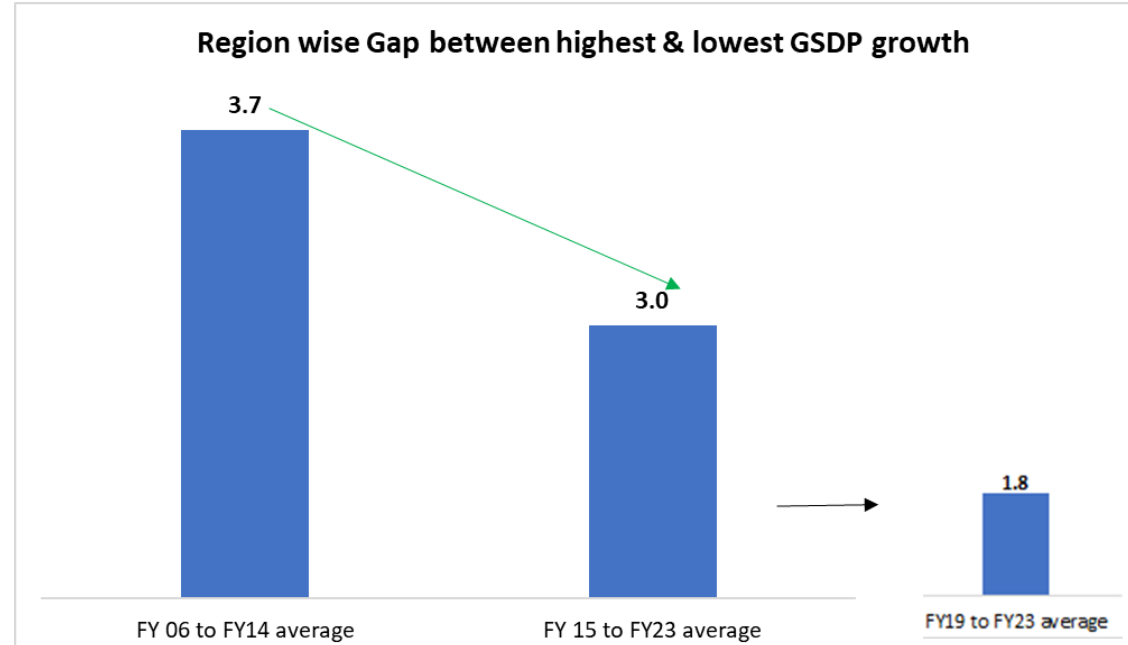
- India is expected to achieve the \$5 trillion economy by FY28. India needs to grow by CAGR of 8.4% till 2027 (in dollar terms). This translates into 11.0-11.5% nominal GDP growth per annum (in Rs terms), which is achievable
- UP will be one of the two states which will break the \$500 billion mark in 2027 (or FY28) when India achieves the 3rd place in global economy. The GDP size of major Indian states in 2027 will be more than the size of some of the European countries like Norway, Hungary, etc.

Top 15 States contributing to India GDP in FY28			
State	Estimated Size (\$ Bn)	Estimated Share (%)	Countries with equal size in 2027
Maharashtra	647	13%	Vietnam
Uttar Pradesh	515	10%	Norway
Tamil Nadu	426	8%	Chile
Karnataka	395	8%	Colombia
Gujarat	386	7%	
Rajasthan	252	5%	Qatar
Andhra Pradesh	243	5%	Ethiopia
Telangana	239	5%	Algeria
Madhya Pradesh	234	5%	
Kerala	218	4%	Hungary
Delhi	209	4%	
West Bengal	206	4%	Kuwait
Haryana	200	4%	
Bihar	159	3%	Dominican Republic
Punjab	151	3%	Slovak Republic
India	5153	-	-

Source: WEO,SBI Research,* FY28 is CY27

Remarkably the gap between better off and laggard states in terms of growth differentials has narrowed down significantly since 2014..as India is growing, the states are also growing in unison..

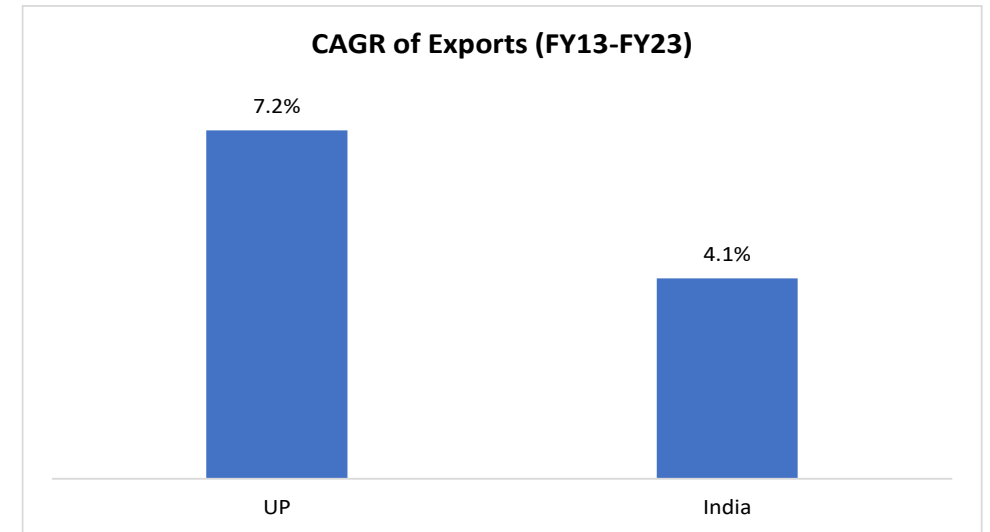
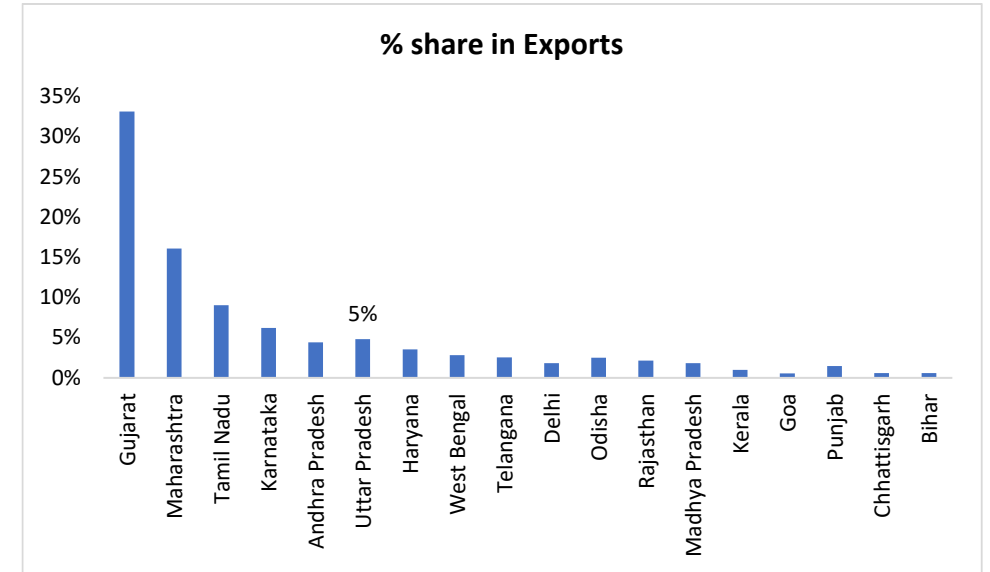
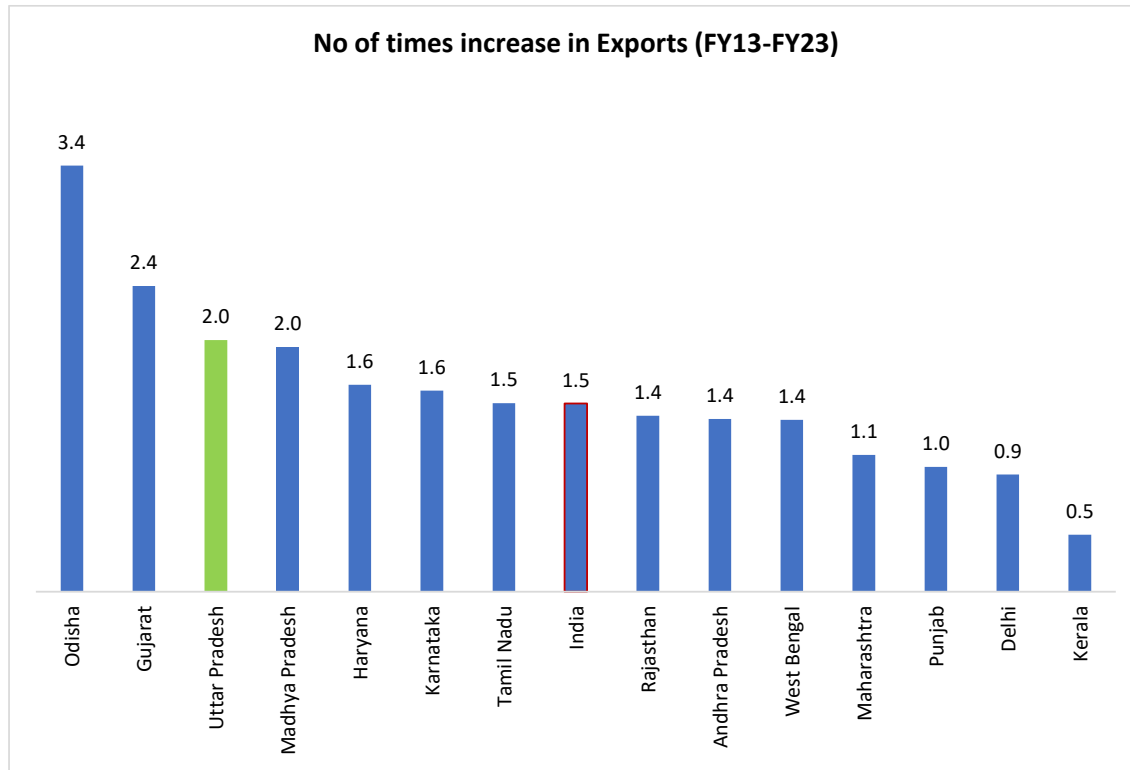
- Remarkably the gap between better off and laggard states in terms of growth differentials has narrowed down significantly after FY2015 as was in 2014..as India is growing, the states are also growing in unison.. this will ensure balanced regional growth across India in future....



Gap between highest & lowest growth has stabilized averaging 1.8% since FY19, indicating all are growing with India

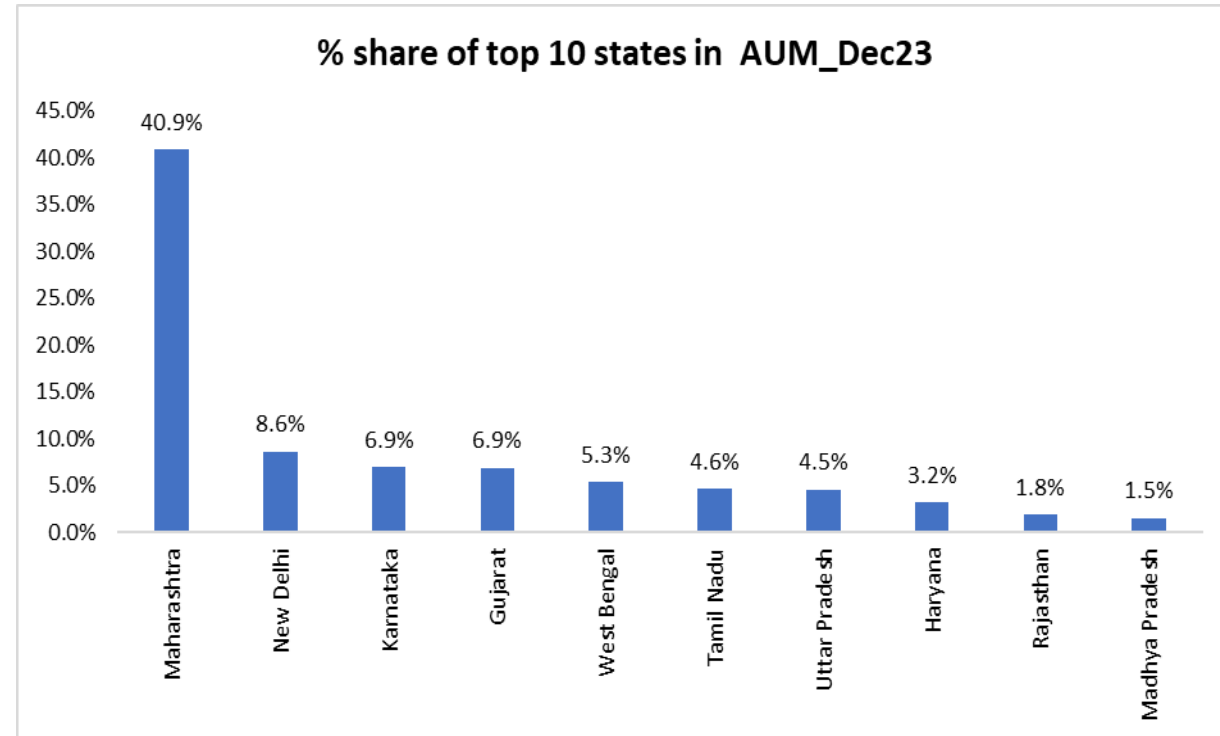
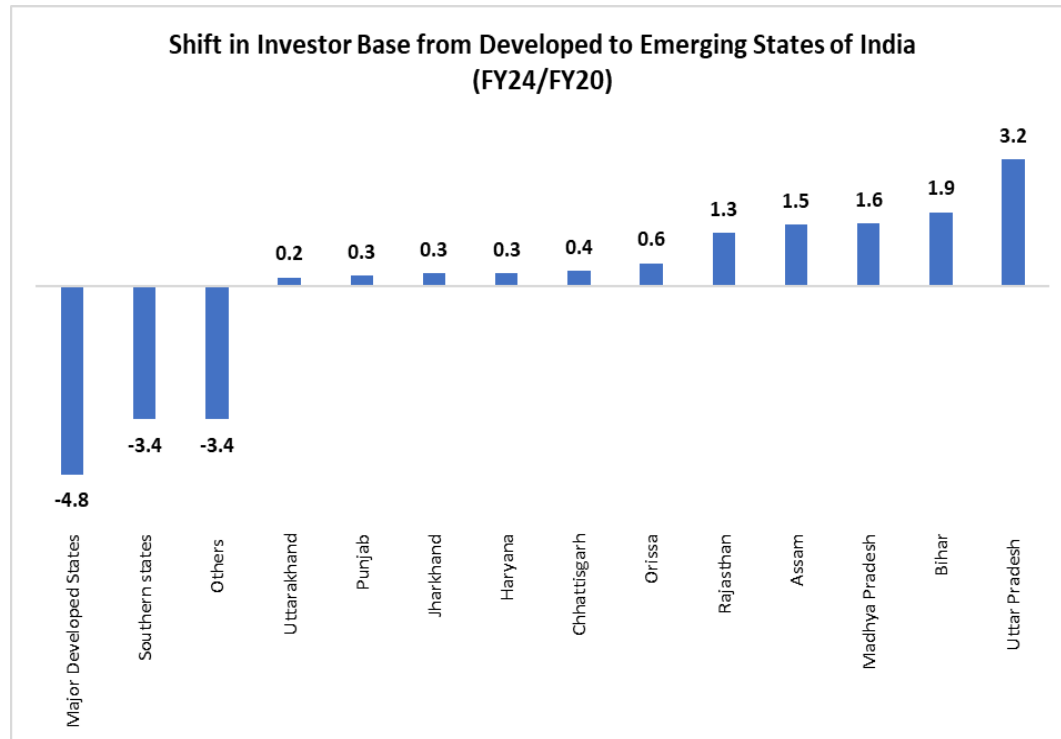
Exports from Uttar Pradesh has logged in a 7.2% growth, with a 5% share...

- Exports have increased at a higher rate in Uttar Pradesh when compared to all India level



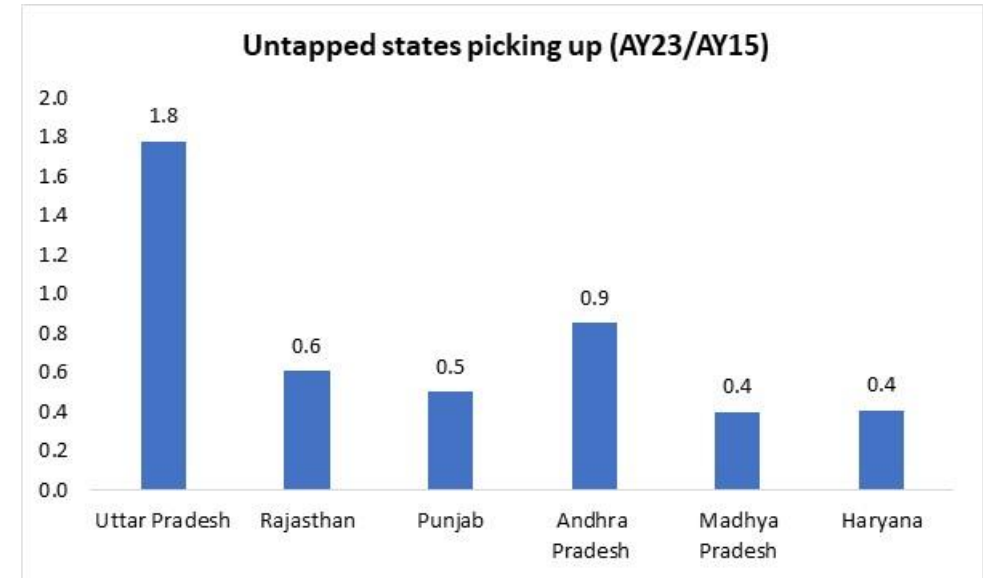
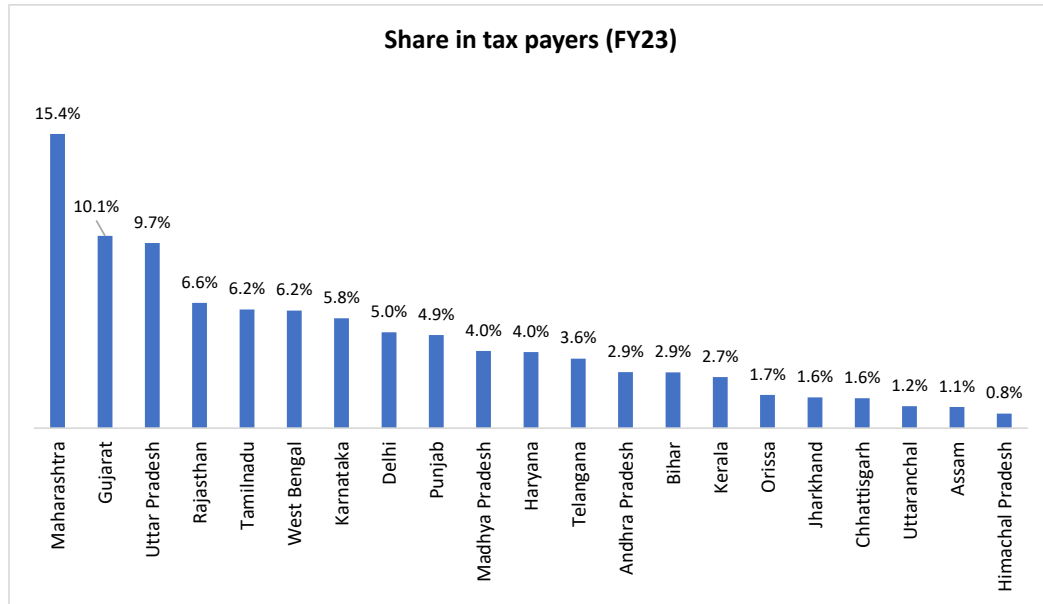
Uttar Pradesh seems to have caught the fancy of financial markets...3.2% of incremental investors during FY20-FY24 are from Uttar Pradesh...

- Investors at NSE from Uttar Pradesh have increased by more than 4 times during FY200 and FY24 (till Dec'23). Their share in total investors have increased from 7.4% to 10.6%...The share of investors in BSE from UP also stand at more than 10%
- AUM of MF has also increased at a higher rate than all India in the last 5 years
- 11.6% investors are shifted from developed states to emerging states like UP, Bihar, MP



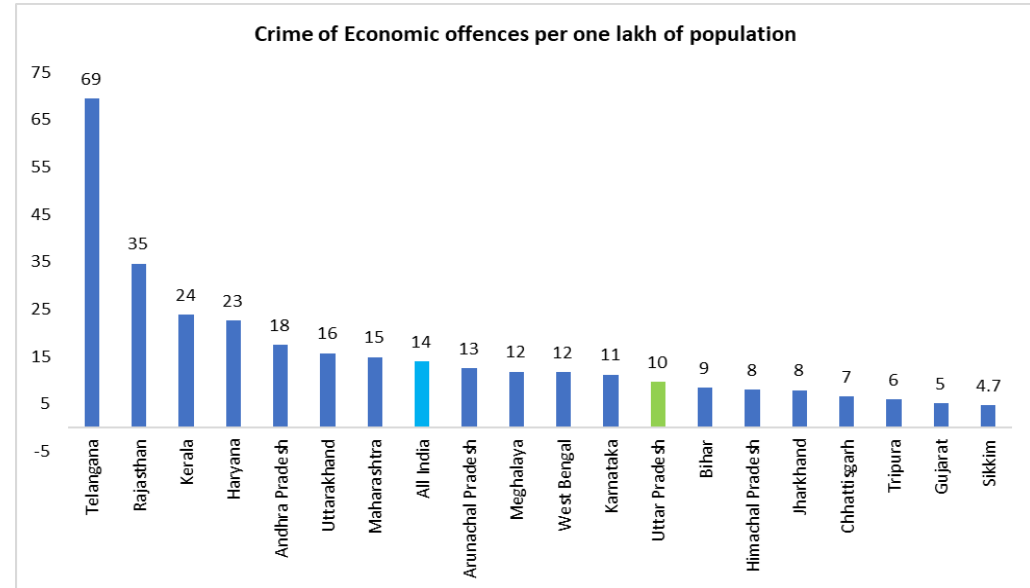
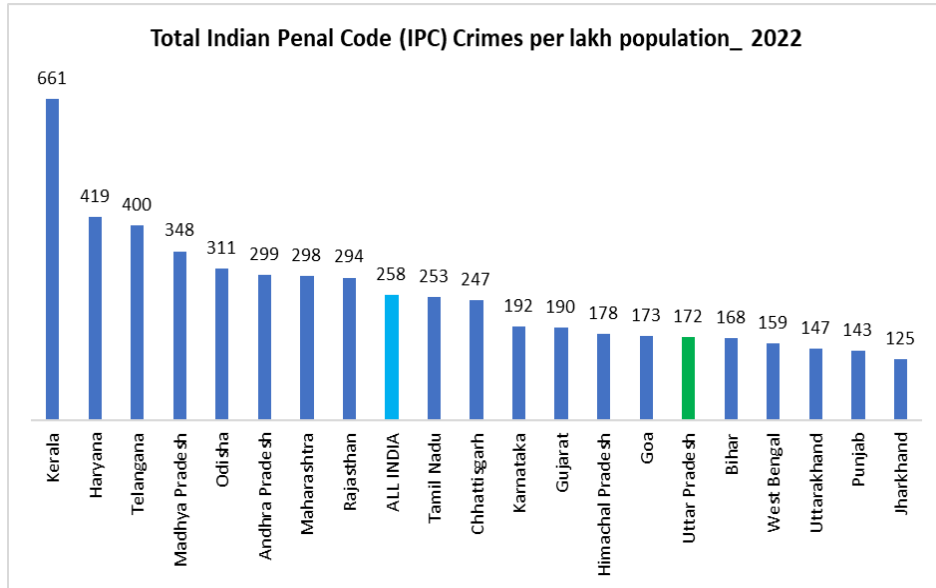
The share of Income Tax payers from Uttar Pradesh has increased by 1.8% during FY14-FY22 (AY23/AY15)

- UP is the leader in increasing share in Income tax base, followed by Andhra Pradesh, Rajasthan, Punjab, Madhya Pradesh and Haryana for the year FY14-FY22
- Meanwhile, other states as Maharashtra, Gujarat, Delhi, and Karnataka, which have been traditional leaders in income tax base are nearing saturation and their share in overall tax base is decreasing continuously

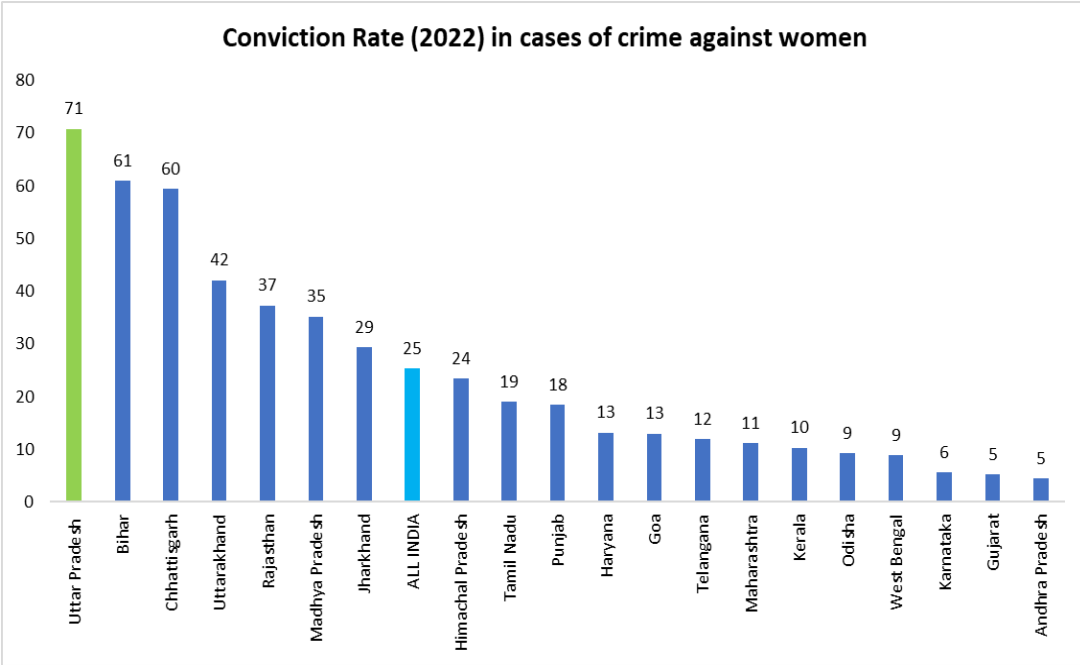
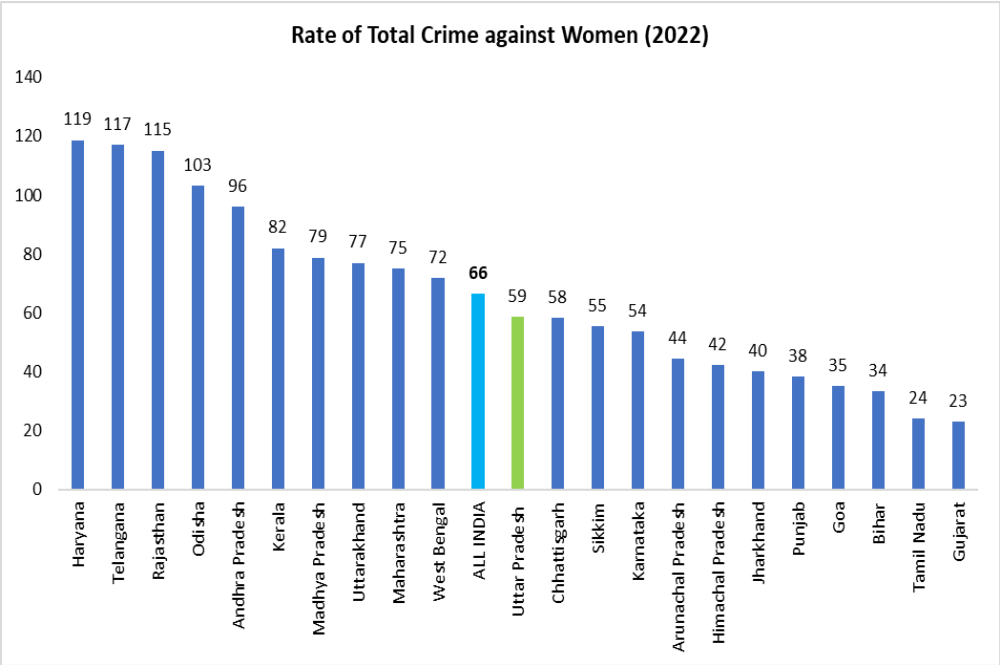


Localised improvement : Uttar Pradesh has become synonymous with a dramatic improvement in law & order

- Uttar Pradesh ranks far better in controlling crimes now...



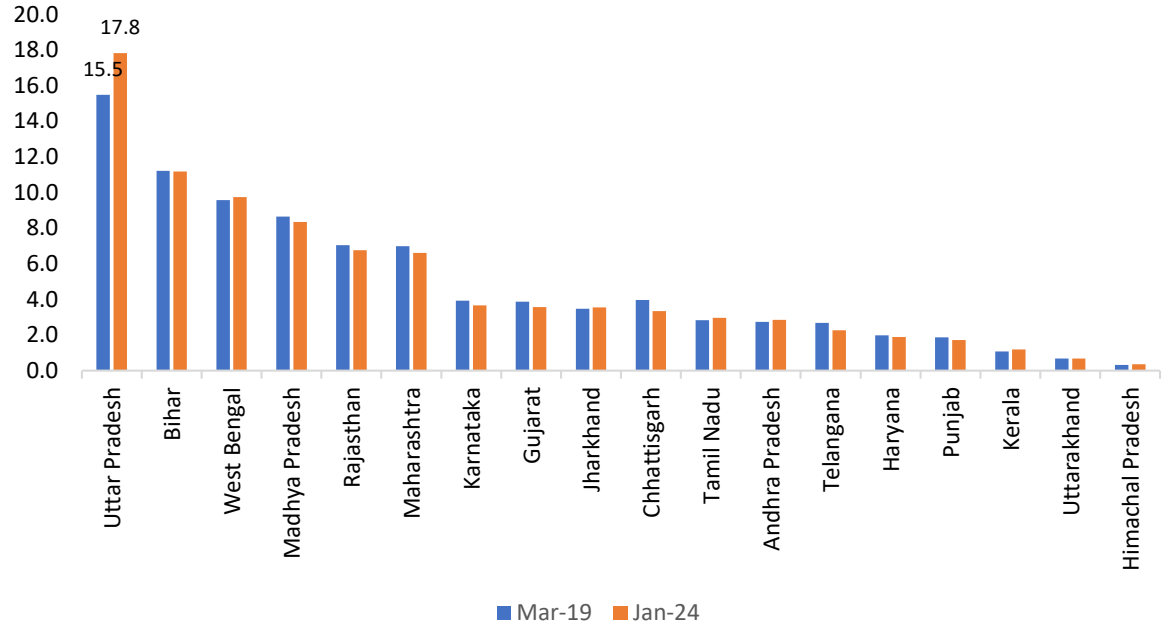
- Crimes against women per lakh population are lower than all India level
- Highest conviction rate in cases against women in UP signifies that Uttar Pradesh is now the best example of a state where law is supreme....



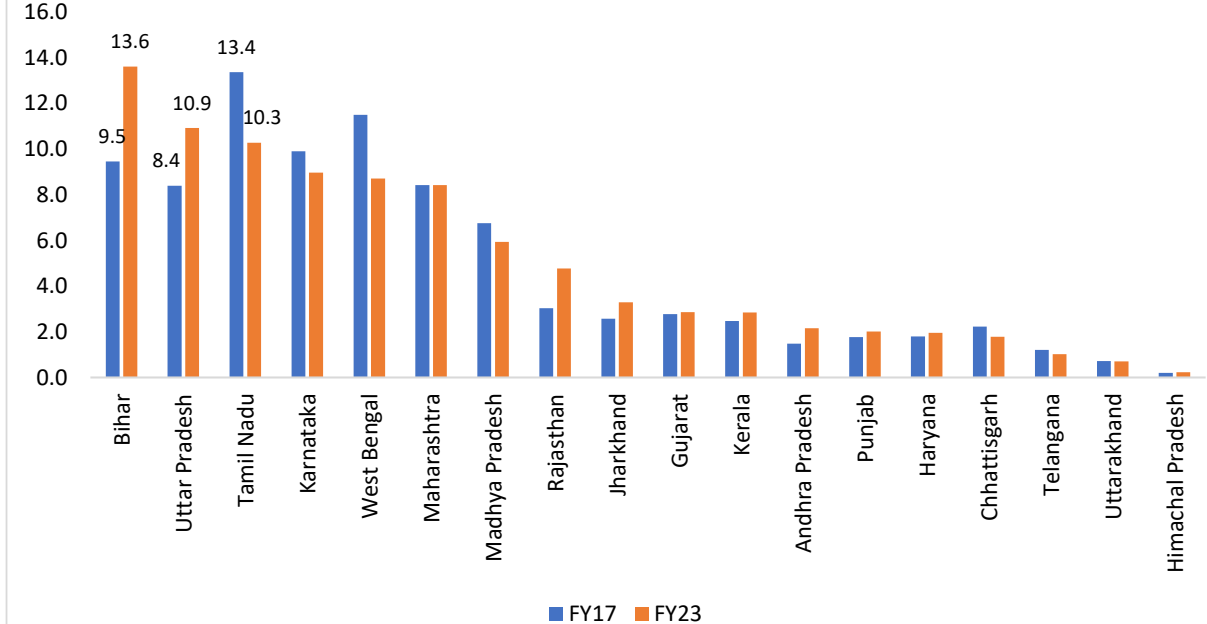
Uttar Pradesh has highest share in PMJDY & PMMY accounts

- UP has highest share in PMJDY accounts, also it has showed most increase in share in both PMJDY and PMMY accounts since FY19

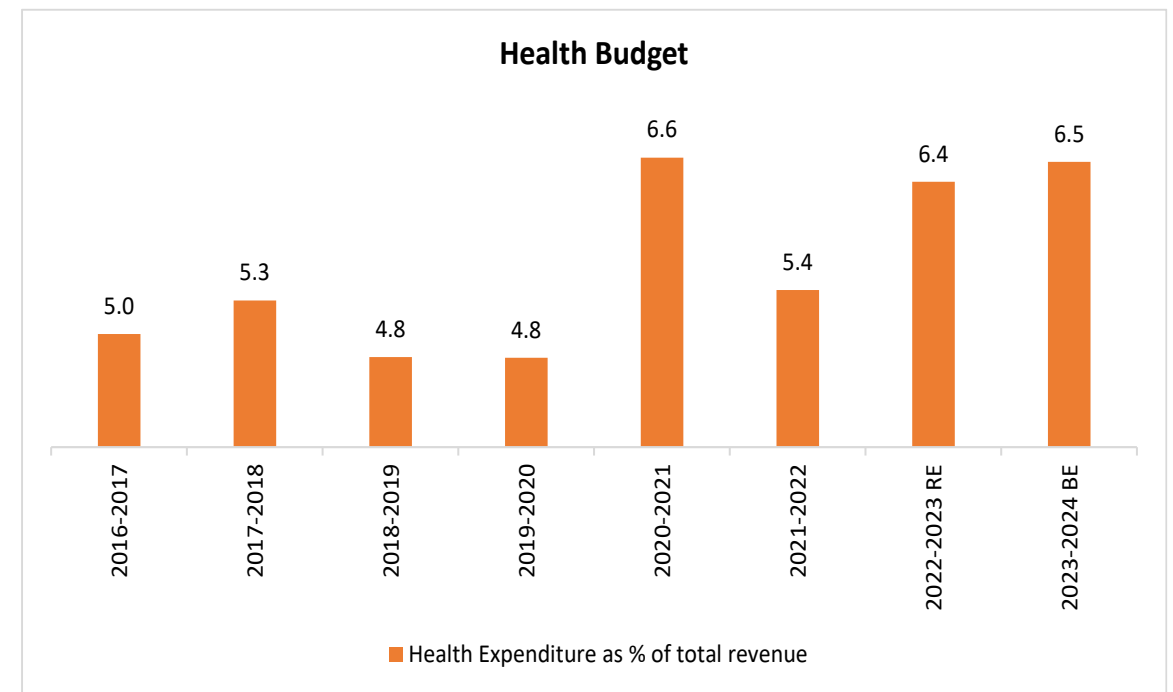
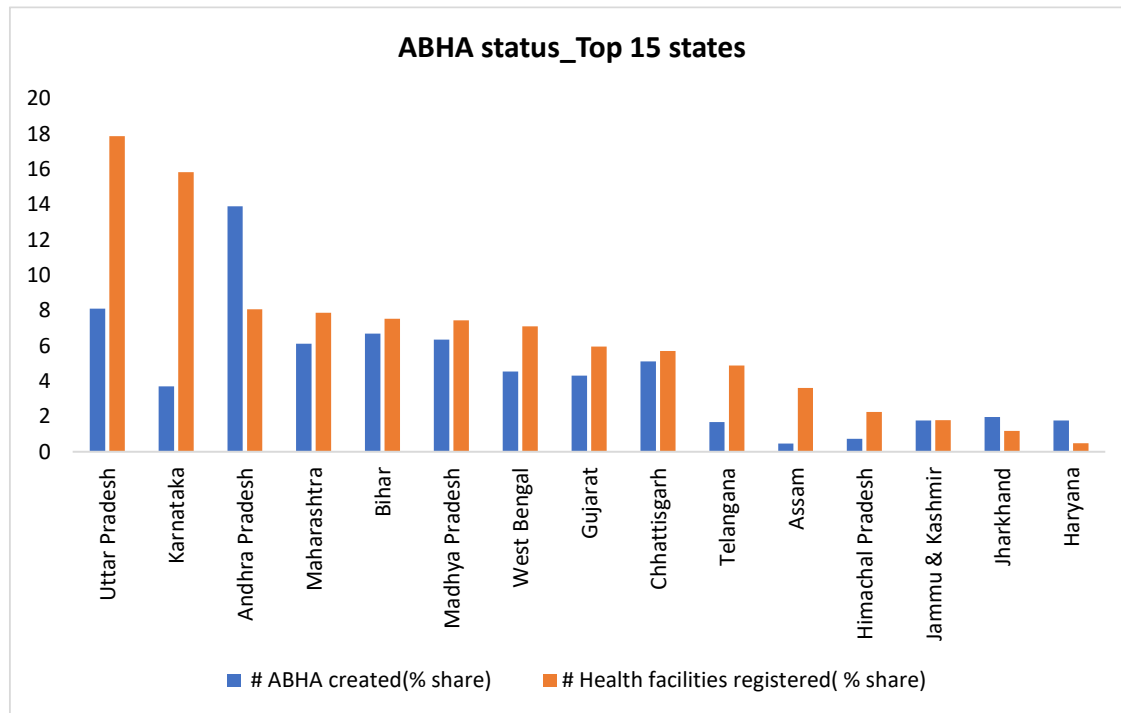
Share in PMJDY accounts



% Share in PMMY accounts

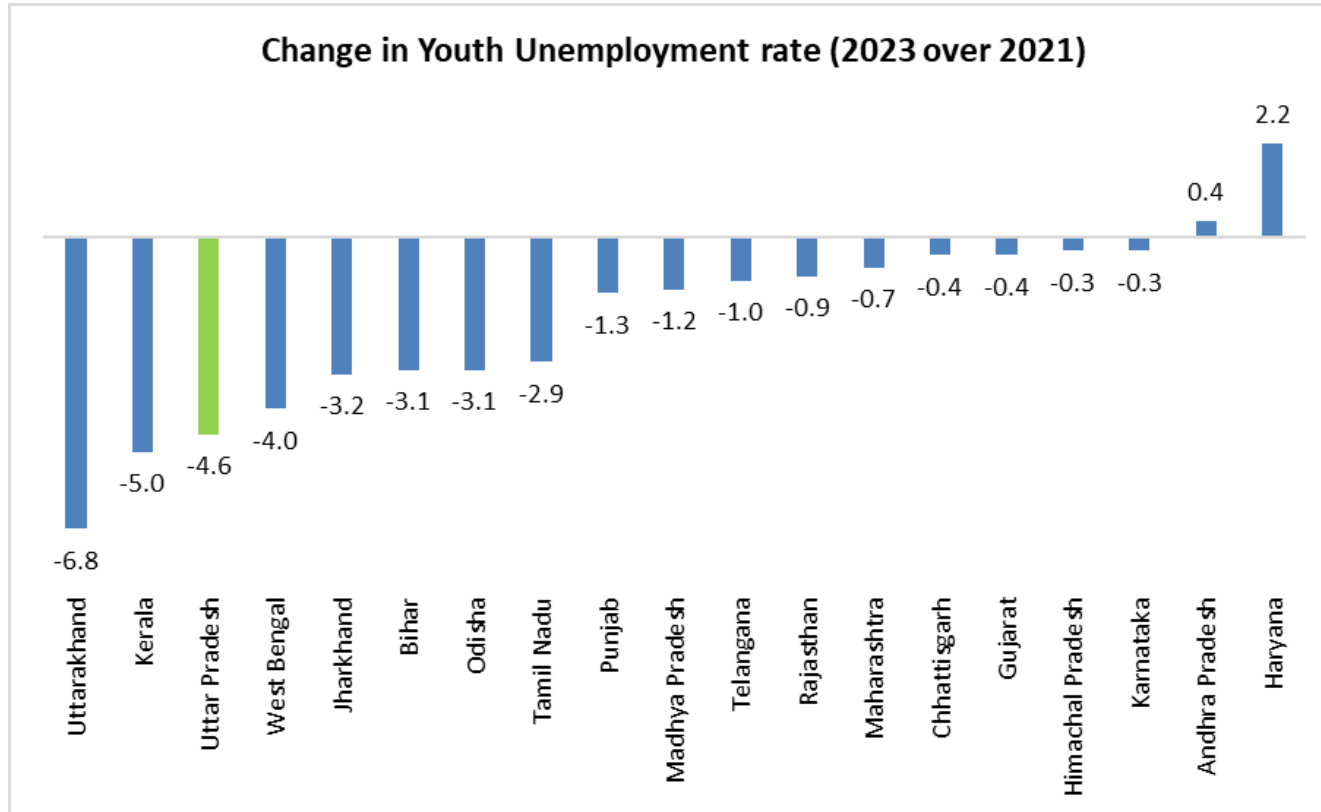


- ❑ Uttar Pradesh accounts for higher share in Ayushman Bharat Health Accounts cards and health facilities registered under the scheme
- ❑ The government allocation to health has increased as a percentage of total revenue



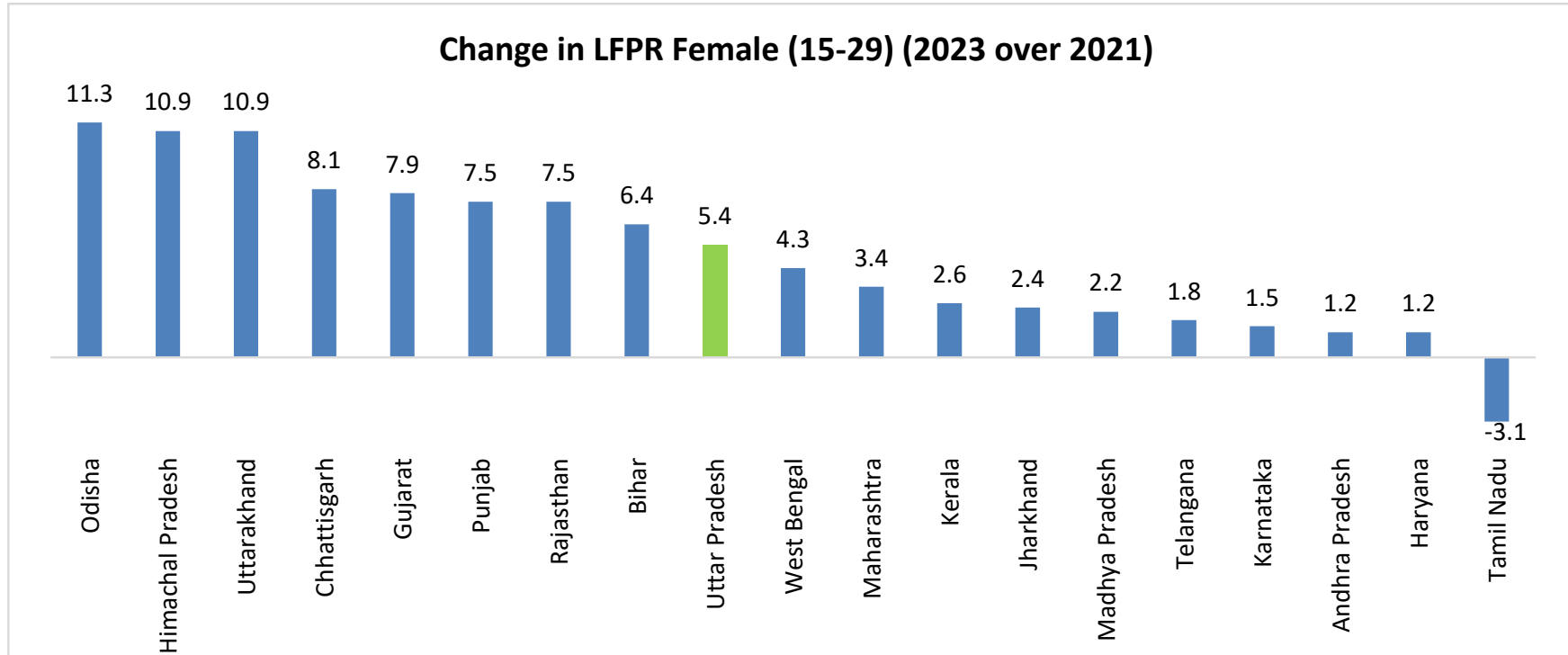
Decline in Youth Unemployment in Uttar Pradesh at a rapid pace...

- PLFS data shows youth unemployment has declined in Uttar Pradesh in 2023 compared to 2021



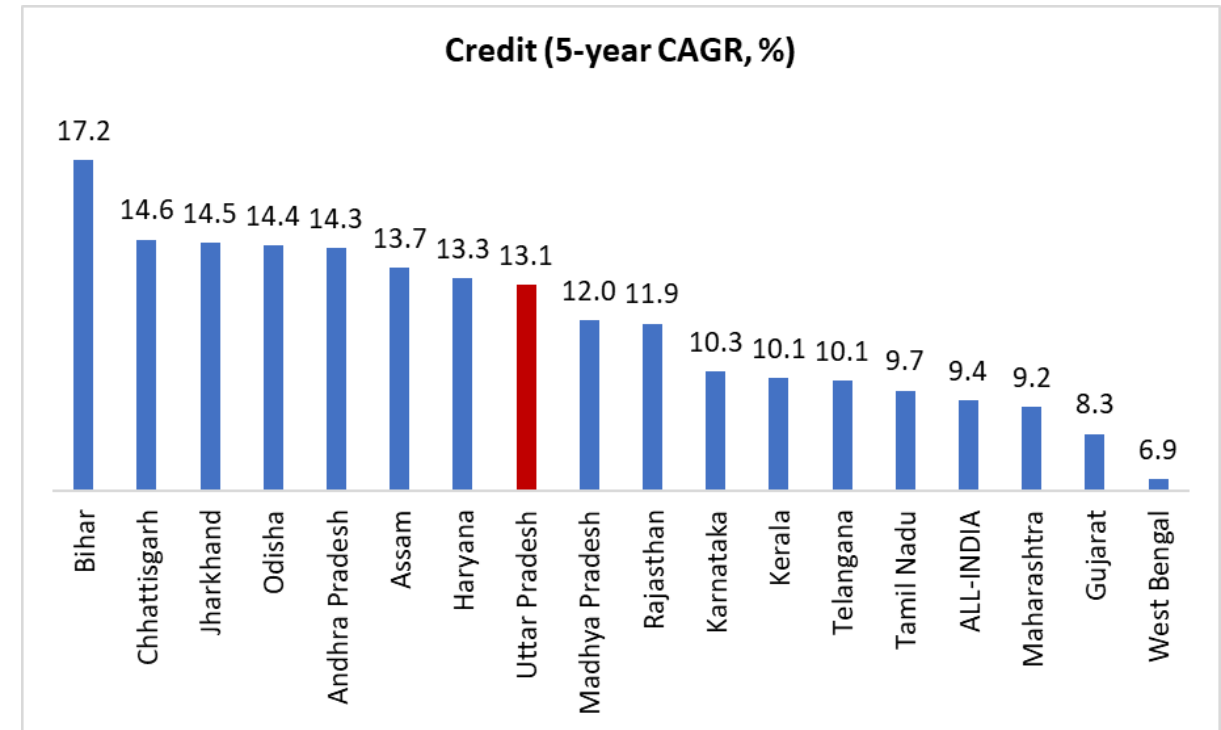
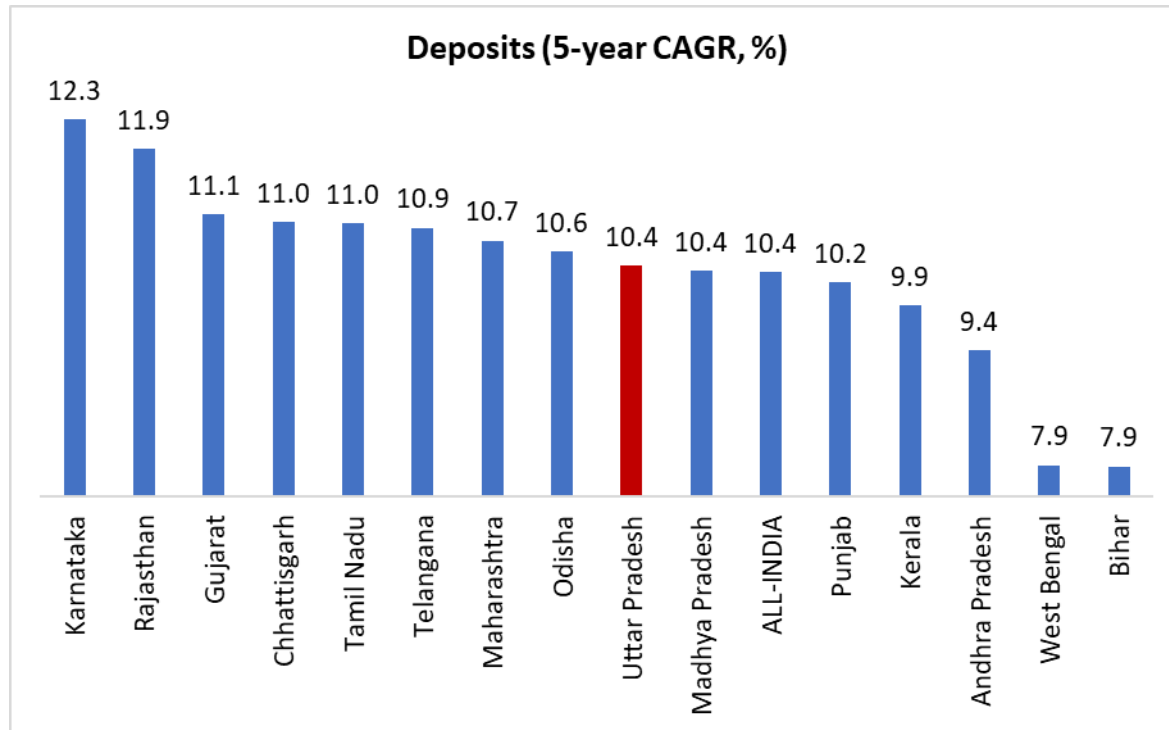
Improvement in Female LFPR in Uttar Pradesh

- Labour force participation rate for female (15-29 years) has improved in UP in 2023 compared to 2021



UP Credit/Deposits 5-Year CAGR is better than All-India level

- ❑ In the last 5-years, deposits in UP grew by 10.4% CAGR, which is far better than states like WB and Bihar **and at par with All India**
- ❑ **Meanwhile, credit grew by 13.1% CAGR, much better than All-India level of 9.4%**



Uttar Pradesh is increasingly contributing in innovations

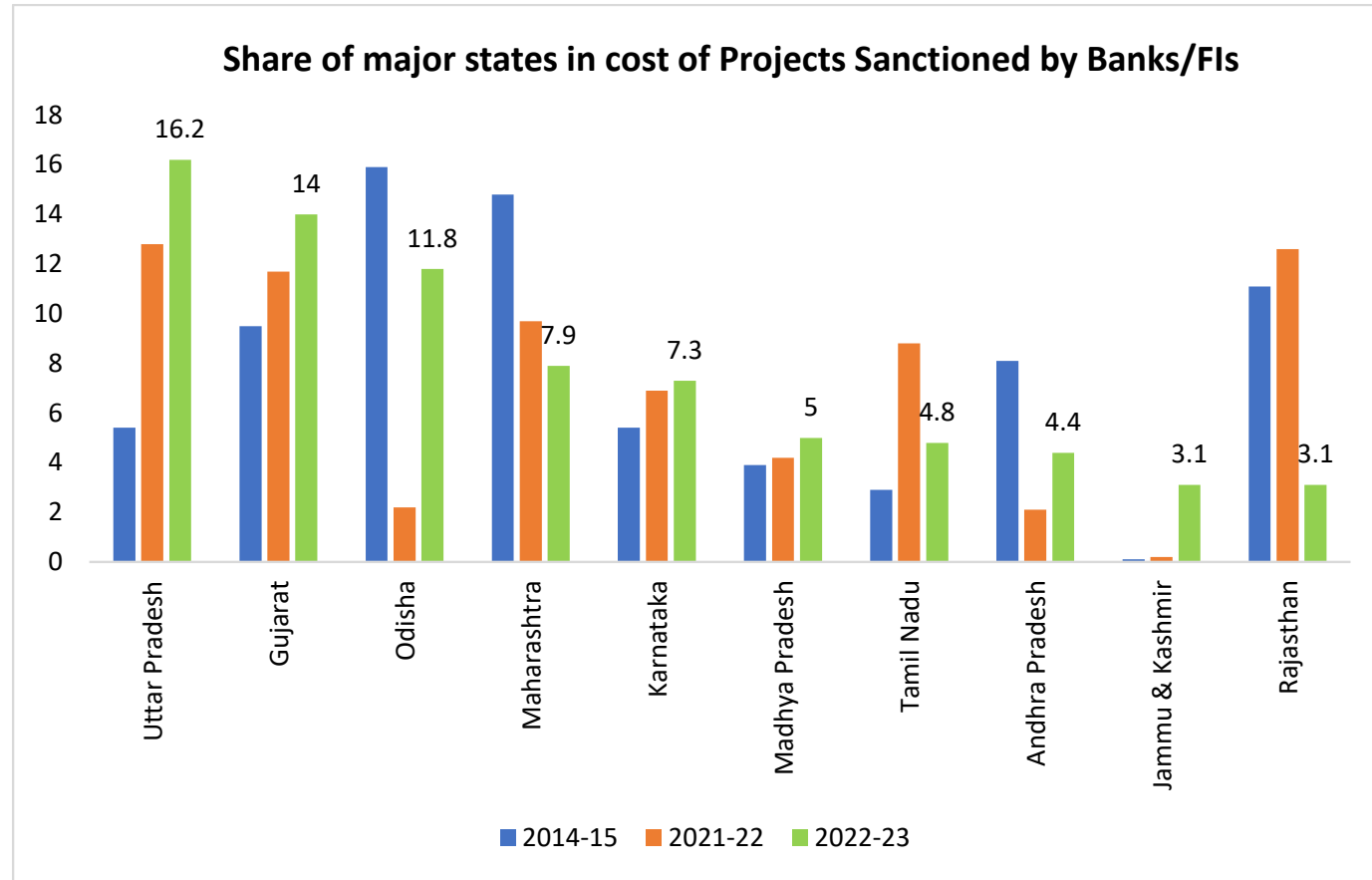
- Uttar Pradesh, Punjab, Telangana, Rajasthan, Uttarakhand are states where Innovations are increasing at a fast pace
- Gujarat, Haryana, Odisha, A&N Islands, Chhattisgarh, Jammu and Kashmir, Pondicherry and Himachal Pradesh are also increasingly contributing to Indian Innovation growth

Emerging States in Innovation (% share)

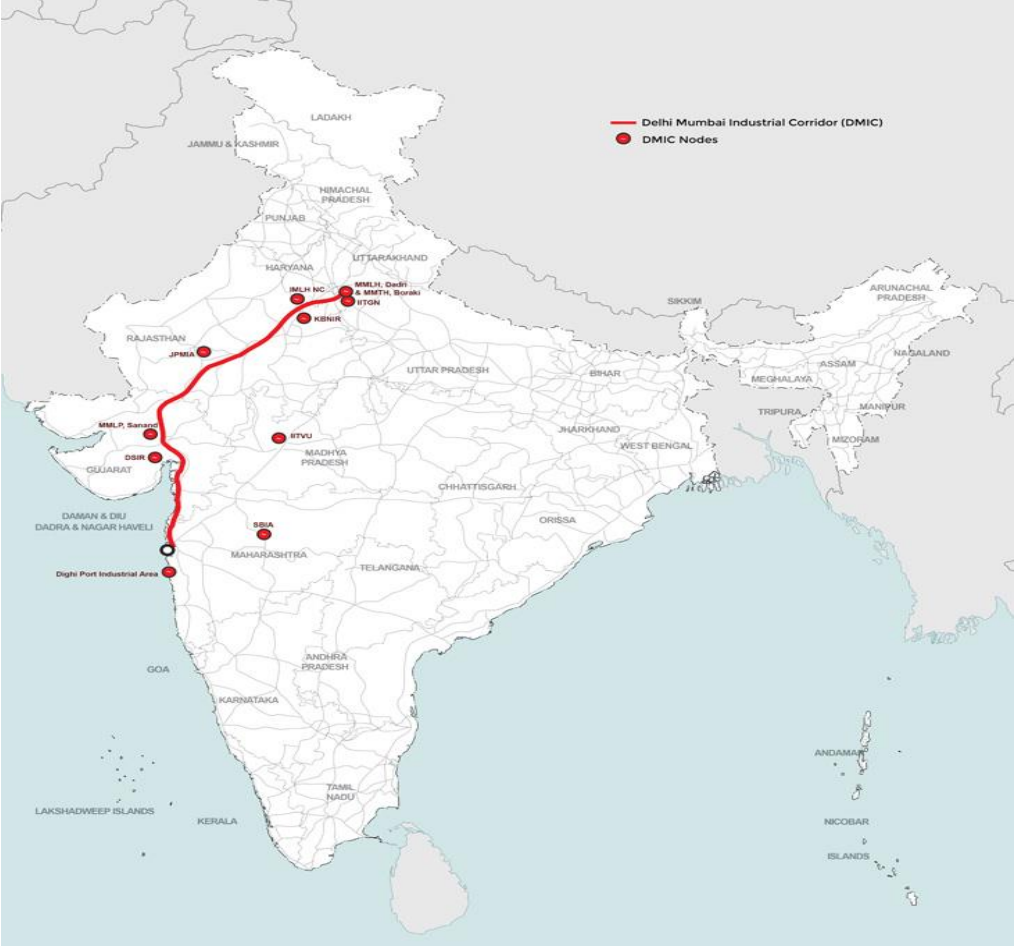
State	2004-13	2014-23
Uttar Pradesh	5.0	7.2
Punjab	1.0	5.8
Gujarat	4.5	4.6
Telangana	0.1	4.0
Haryana	2.7	2.9
Rajasthan	1.2	2.3
Uttarakhand	0.7	1.4
Orissa	0.8	0.9
Andaman & Nicobar	0.6	0.8
Chattisgarh	0.3	0.7
Jammu & Kashmir	0.3	0.4
Pondicherry	0.1	0.4
Himachal Pradesh	0.2	0.3

Source: SBI Research

- UP tops the list in projects sanctioned by Banks/FI in FY23. The robust investments in infrastructure to augment connectivity, both with surrounding states and within the state augurs well for economic development across demographics



- The ambitious Delhi Mumbai Industrial Corridor (DMIC) forming the backbone of Western Dedicated Freight Corridor (DFC) between Delhi and Mumbai that spans through Uttar Pradesh, Delhi NCR, Haryana, Rajasthan, Gujarat and Maharashtra, stretching an overall length of 1504 km could position UP as the melting pot and two-way gateway to major industrial territories across Eastern and Western geographies, benefitting from the enhanced play India is expected to enjoy in the reorchestrated value/supply chain with major nodes at Greater Noida and at Multi-Modal Logistics Hub (MMLH) and Multi-Modal Transport Hub (MMTH)



- Gross enrolment ratio in UP has increased in primary, upper primary and elementary level....

Gross Enrolment Ratio_change (2021-2017)			
States	Primary	Upper Primary	Elementary
Top 4			
Andhra Pradesh	18.4	13.4	16.5
Uttarakhand	17.1	13.3	15.4
Punjab	9.9	12.3	10.8
Uttar Pradesh	11.1	9.9	10.5
Bottom 4			
Chhattisgarh	-3.7	-9.4	-5.9
Goa	-8.3	-9.1	-8.6
Jharkhand	-7.0	-16.5	-11.2
Bihar	-9.0	-24.7	-14.9
India	4.1	-0.6	2.2

This research work is a study by Economic Research Department, State Bank of India, Mumbai.

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Thank You

