



A STUDY ON THE PERFORMANCE OF INDUSTRIES IN TAMIL NADU: AN OVERVIEW

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Abstract

Tamil Nadu has been in the vanguard of industrialization among the Indian States. Over a span of 10 years, the industrial GSDP in the State increased from Rs.45,066 crores in 2004-05 to Rs.90,664 crores in 2013-14 (at 2004-05 prices) registering a Compound Annual Growth Rate (CAGR) of 8.08 per cent. Moreover, the growth rate of industrial GSDP during the period of 2005-06 and 2013-14 had been much oscillating from year to year. It ranged between the highest growth rate of 28.66 % in 2009-10 and the lowest of 0.60 % in 2007-08. Negative growth rates of 1.33% and 1.17 % during 2008-09 and 2012 13 respectively were also noticed. This paper analyses the performance of industries in Tamil Nadu over the past six years from 2007-13.

Keywords: GSDP, CAGR, TIDEL, TIDCO, TIIC, SIPCOT, ITES.

INTRODUCTION

Traditionally, Tamil Nadu has been in the vanguard of industrialization among the Indian States. The State has had a strong presence in textiles, engineering, automobile production and auto components manufacture and recently in Information and Bio Technology sectors. Tamil Nadu has always been a safe haven for the investors owing to a favourable business climate, excellent infrastructure for trade and investment, outstanding law and order maintenance, peaceful industrial relations and healthy socio-economic reforms.

OBJECTIVE OF THE STUDY

The objective of the study is to study the performance of industries in Tamil Nadu, its contribution to the GSDP, distinguishing features of Tamil Nadu for starting up the industries, its industrial growth rate and creation of employment opportunities.

METHODOLOGY

This study is a second data analysis. The period of study is 2007-13. Only, the state of Tamil Nadu has been taken for study. The secondary data is collected from government publications and research articles in various journals and website.

DATA INTERPRETATION

Tamil Nadu is the southern-most State of India. It is located in the Indian peninsula between the Bay of Bengal in the east, the Indian Ocean in the south and the Western Ghats and the Arabian Sea on the west.

Tamil Nadu is now ranked:

- First in the number of factories,
- First in number of workers employed in the factories sector,
- Third in Gross Industrial Output and
- Third in Net Value Addition

TABLE 1
GROWTH RATE OF GSDP(% GROWTH AT CONSTANT PRICES)

S.No	State	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
1	Tamil Nadu	6.13	4.89	10.36	9.83	7.37	4.61
2	Andhra Pradesh	12.02	6.88	4.53	9.66	7.82	NA
3	Karnataka	12.60	7.11	1.29	9.66	5.50	5.95
4	Kerala	8.77	5.56	9.17	8.05	9.51	NA
5	Gujarat	11.00	6.78	11.25	10.00	8.53	NA
6	Maharashtra	11.26	2.58	9.17	11.34	8.54	NA
	All India	9.32	6.72	8.59	9.32	6.21	4.96

Source: NITI Aayog

Tamil Nadu is increasingly becoming the choice of destination for foreign investors, which provides them with a global reach. Ranked among the top three Indian

States in terms of Purchasing Power Parity (PPP), Tamil Nadu is a dream come true for all those looking for a rich cultural heritage, a highly productive work force,

excellent infrastructure and cost-effective operations. record.
Each of these facts is substantiated by an enviable track

TABLE 2
PER CAPITA NSDP AT CURRENT PRICES

S.No	State	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
1	Tamil Nadu	47606	54137	64336	75449	84496	94720
2	Andhra Pradesh	39727	46345	51114	60703	68970	NA
3	Karnataka	42419	48084	51386	61073	69051	78049
4	Kerala	45700	53046	60226	69465	80924	NA
5	Gujarat	50016	55068	64097	78802	89668	NA
6	Maharashtra	57760	62234	71300	87686	101314	NA
All India		35825	40775	46249	54151	61564	68747

Source: NITI Aayog

Traditionally, Tamil Nadu has been in the vanguard of industrialization among the Indian States. Over a span of 10 years, the industrial GSDP in the State increased from Rs.45,066 crores in 2004-05 to Rs.90,664 crores in 2013-14 (at 2004-05 prices) registering a Compound Annual Growth Rate (CAGR) of 8.08 per cent. Moreover, the growth rate of industrial GSDP during the period of 2005-06 and 2013-14 had been much oscillating from year to year. It ranged between the highest growth rate of 28.66 % in 2009-10 and the lowest of 0.60 % in 2007-08. Negative growth rates of 1.33% and 1.17 % during 2008-09 and 2012 13 respectively were also noticed.

In tune with varying growth performance, the

share of industrial income to overall GSDP increased from 20.58 per cent during 2004-05, then declined to 18.81 per cent during 2008-09 and again increased to 21.19 per cent in during 2013-2014. The State Govt. is taking all out efforts for a vibrant and sustained high growth in the industrial sector.

Tamil Nadu is the second largest economy in India with a GSDP of US\$150 billion in 2014-15 when it grew at 14.34%. Per capita GDP of Tamil Nadu was \$1,622 in the year 2010-11, the sixth highest in India. As the most industrialized state of India, Tamil Nadu is also the most urbanized, accounting for 9.6% of the urban population while only comprising 6% of India's total population according to the 2011 census.

TABLE 3
TAMIL NADU SECTORAL REAL GROWTH RATES OF GSDP (IN PERCENTAGE)

S.No	Sector	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
1	Agriculture and Allied	-4.41	-2.29	6.14	4.54	7.08	1.14
2	Industry	3.86	-2.06	20.93	9.16	6.12	5.12
3	Services	9.33	9.62	6.14	10.96	8.05	4.82

Source: NITI Aayog

Services contribute to 45% of the economic activity in the state, followed by manufacturing at 34% and agriculture at 21%. Tamil Nadu has a wide network substantial industrial parks and estates offering developed plots with supporting infrastructure.

DISTINGUISHING FEATURES OF TAMIL NADU

- Tamil Nadu is well connected to the major cities of the world both by air and sea routes. It is the only State in India with 4 international airports offering direct connectivity to over 20 countries and has the second longest coast line (1076 km) in India, with 4 major ports connecting the State with trade centres across the world.
- It has an excellent road connectivity too having nearly 200,000 km of road network and 60,000km maintained by National and State highways department.

- Railway network of about 6,700 km and 690 railway stations providing freight and passenger connectivity from major urban/rural nodes with the country.
- Only State in India with 4 International airports, handling more than 13.5million passengers yearly, with a combined cargo handling capacity of over 110 million tons per annum.
- Four major ports in Tamil Nadu account for over 15% of India's major port capacity
- The state also has a largest telecom bandwidth and highest telecom-density in India with 14.8Tbps, three submarine cables and 8.4% of total subscriber base in India.
- As of 2014-15, Tamil Nadu has an installed capacity of over 20,000 MW and proposed to be power surplus by 2016.

**TABLE 3
CONTRIBUTION OF TAMIL NADU TO INDIA**

Largest Contributor to India's GDP (2nd in the Country)	8.4%
Contribution to India's industrial output	11%
State's share in India's industrial workforce	16%
State's share in number of factories	17%
Cumulative FDI inflow (US \$ 16 billion from 2000-14)	3%
Contribution to India's renewable energy capacity	28%
Share of Technical Universities	18%
Share of most urbanized state by geography and population	48.5%

CHENNAI-THE INDUSTRIAL HUB OF TAMIL NADU

Tamil Nadu is the only State to attract seven automobile giants-Ford, Hyundai, Mitsubishi, Daimler, Nissan, Renault and BMW. As on date, Chennai, the capital of Tamil Nadu and the Detroit of South Asia, has an installed capacity to produce 13,80,000 cars and about 3,50,000 commercial vehicles each year.

Caterpillar, USA and Komatsu, Japan chose Chennai to establish their large earth moving equipment manufacturing plants. Chennai is now emerging as one of the "Top 10" Global Automobile manufacturing centres. The State is also the preferred choice for over 350 large auto component manufacturers accounting for more than 35% of India's auto components production.

Knowledge based industries like I.T. and Biotechnology have become the thrust area in the industrial scene in Tamil Nadu. TIDEL, a software technology park, has been established in Tharamani, Chennai. Global auto majors Hyundai Motors, Ford, Hindustan Motors and Mitsubishi have also been playing an active role. Ashok Leyland and TAFE have set up expansion plants in Chennai.

A comparison of the total operating costs across various investment destinations in India would place Tamil Nadu ahead of the rest and in a very favourable position to offer investors opportunities they would find

hard to resist. Chennai serves as the most cost effective production base for export markets by many MNCs.

Tamil Nadu is known as a major exporter of Leather and Leather Goods, Textiles and Garments, Automobiles and Components, Engineering Goods, Castings, Pharmaceuticals, Spices, Agro-Products, Marine Products, Electronic Hardware and, of course, Software. Tamil Nadu offers an abundance of relevant skills, robust IT infrastructure and easily available real estate.

Chennai is the choice of international finance majors as well - Stanchart, World Bank, Citibank and ABN-AMRO Bank have set up their back office operations in the city. BPOs and off-shore operations have also preferred to operate from Chennai. With more than 1,780 IT / IT Enabled Services (ITES) companies, over 3,75,000 professionals and annual IT exports of Rs.50,000 crores, Chennai, with its IT Bay Area, towers over other major cities as an IT and ITES powerhouse.

The State is blessed with a talent pool of keen minds, well-honed expertise and specialized educational institutions like Anna University, Indian Institute of Technology, Madras, the National Institute of Technology, Trichy and the Madras Institute of Technology and many other private institutions that serve as alma mater to some of the sharpest brains in the country, from where a legion of top notch engineers gear

up to take on the world. The Government has set up the Indian Institute of Information Technology at Srirangam near Tiruchirapalli recently to take higher technical education to the next level for the coming decades.

The State also complements its skilled manpower with salubrious working conditions, a peaceful industrial climate, committed workforce and extremely competitive wage rates that offer substantial cost savings. In short, when it comes to human resources, Tamil Nadu is the "Number 1" in skilled manpower availability .

The town of Sivakasi is a leader in the areas of printing, fireworks, and safety matches. It was fondly called as "Little Japan" by Jawaharlal Nehru. It contributes to 90% of India's production of safety matches as well as 90% of India's total fireworks production. Sivakasi provides over 60% of India's total offset printing solutions

With the second largest coastline in the country of around 1076 kms, a network of 3 major ports and 23 minor ports⁴ that includes India's most efficient container port at Chennai, Tamil Nadu has effectively harnessed the might of the oceans to provide the perfect gateway for investors to reach out to the world. Its climate favours year round port operations.

The Vision 2023 Tamil Nadu document envisages a 14% annual growth in the manufacturing sector and an investment of Rs.15 lakh crores in the next 10 years.

The State Government will be giving special thrust to:

- Automobile and Auto components Sector
- Renewable Energy Equipment manufacturing Industries.
- Aerospace industry and
- Bio-technology and Pharmaceuticals Sector

Tamil Nadu's contribution to India's industrial output (%)

- Leather and leather products 30
- Auto and auto components 25
- Textiles 19
- Electronics 18
- Machinery 15

INDUSTRIAL GROWTH RATE OF TAMIL NADU

The industrial growth in the State during 2012-13 was 1.3 % against 4.00 % achieved during 2011-12. It may be noted that manufacturing sector put up 1.3 % growth rate and the mining sector 6.2 % whereas electricity group exhibited a negative growth rate of 1.3 %. These sub-groups were not able to provide necessary buffer against deceleration in General Index.

Capital goods production is a barometer of demand. The capital goods industries which relate to manufacturing plant and machinery which are utilized in further production function also decelerated from a healthy growth of 34.5 % in 2005-06 to a growth of 3.0 % in 2013-14. The decline was sharp during 2011-12 (20.2%).

The basic goods industries which are supplying auxiliary items to other manufacturing industries registered a growth of 4.8 per cent in 2005-06 then decelerated to 1.6 per cent entered the negative territory and has picked up a growth rate of 5.1 per cent in 2013-14 in comparison to the corresponding period of previous 35 year. Its performance has been inconsistent.

The intermediate goods industries which are engaged in the production stage of unfinished products to be utilized for further production grew at a moderate pace with a rise of 6.7 per cent in 2005-06 and declined to 6.4 per cent in 2013-14.

TABLE 4
INDUSTRIAL SCENARIO- ALL INDIA VS TAMIL NADU

Principal Characteristics	All India			Tamil Nadu share (%)		
	2009-10	2010-11	2011-12	2009-10	2010-11	2011-12
No. of factories	158877	211660	2177554	16.86 (1)	17.41 (1)	17.01 (1)
Productive Capital (Rs. crores)	1739928	2227369	2538564	9.20 (3)	9.60 (3)	8.32 (3)
Fixed Capital (Rs. crores)	1352184	1607007	1949769	9.83 (3)	9.21 (4)	8.28 (3)
Gross Value of Output (Rs. crores)	3733036	4676217	5777944	10.07 (3)	10.10 (3)	10.54 (3)
Net Value Added (Rs. crores)	592114	704576	836284	9.99 (3)	10.22 (3)	9.11 (4)
Total number of Persons Engaged (Lakh no.)	117.92	126.95	134.30	16.03 (1)	15.31 (1)	14.45 (1)

Note: Figures in bracket indicate the industrial position of Tamil Nadu among the States at National level.

Source: Annual Survey of Industries 2011-12, CSO, New Delhi.

INDUSTRIAL POLICY OF GOVT. OF TAMIL NADU-2014

The Industrial Policy 2014 of the State adopts the following multi-pronged approach towards achieving the vision 2023 of the State.

- (i) Providing world-class infrastructure,
- (ii) Special emphasis on priority sectors like automobiles, bio-technology, electronic hardware and aerospace
- (iii) Improving the quality of human resources and
- (iv) Providing attractive incentives to the investors.

The Policy of the State Government has been to maximize the welfare of the people of Tamil Nadu by creating gainful employment opportunities by achieving higher and sustainable economic growth with emphasis on balanced regional development through greater private and public investment in Manufacturing and infrastructure development.

The Industrial Policy of the state is now focused on stimulating industrial development and attracting FDI. It is aimed at consolidation of the existing industrial base, facilitating new manufacturing capacity and is designed to meet challenges of globalisation and demand for new areas of development.

There was a pickup in overall industrial production in the State during 2013-14 which registered a growth of 5.14 percent as compared to the previous year (1.3%). On the other hand, at all India the growth rate of industrial production has plummeted to (-) 0.20 in 2013-14 as compared to the previous year (1.1%). During this period, the electricity sector in the State which registered a hefty growth of 15.8 per cent. All those positive development led to the overall growth of 5.14 per cent in spite of minimal growth rate recorded by the mining sector (0.7%).

SOME MAJOR INDUSTRIES IN TAMIL NADU

1. Bharat Heavy Electricals Ltd (BHEL)
2. Caterpillar India Pvt Ltd (CIPL)
3. Amalgamations Group
4. Ashok Leyland
5. Electronic Data Systems (EDS)
6. Ford Motor Company India
7. Hyundai Motor India Ltd
8. Chennai Petroleum Corporation Ltd (CPCL)
9. Cognizant Technology Solutions India Pvt Ltd
10. Computer Associates (CA)
11. Lakshmi Machine Works (LMW)
12. Madura Coats Ltd (MCL)
13. DELL Computers
14. SAMSUNG India Electronics Pvt Ltd.
15. Renault and Nissan
16. Nokia Siemens Networks Ltd

INDUSTRIAL PROMOTIONAL AGENCIES

The financial support for the industrial development is being promoted by the various State level Financial Corporation to meet the needs of small and major industries. Needed fillip is being accorded by

these agencies. Creation of industrial infrastructural facilities, offering industrial incentives to industrial estates / complexes / establishing parks are being promoted by the State through the following major promotional agencies.

Tamil Nadu Industrial Investment Corporation Ltd. (TIIC)
State Industries Promotion Corporation of Tamil Nadu Limited- (SIPCOT)
Tamil Nadu Industrial Development Corporation Ltd. (TIDCO)
Tamil Nadu Industrial Guidance and Export Promotion Bureau

CONCLUSION

In spite of industrial development measures, the moderate industrial growth in the manufacturing sector was largely attributed to sluggish growth in investment, decreasing margins of Corporate Sector, deceleration in the credit inflows due to high rate of interest, inadequate industrial infrastructural facilities and slowdown in economic recovery both at national and global levels. The consumer goods industries engaged in the production of both durable and non-durable goods in the production process for final consumption purposes performed well with 14.9 % of growth in 2005-06. But it declined to 4.9 % in 2012-13. Then it accelerated to 6.3 % in 2013-14. Within the consumer goods industries, consumer non-durable industries witnessed a steady growth rate in the State compared to consumable durable goods industries. During the review year 2013-14, out of 22 sub-groups of manufacturing sector, only 16 sub-groups registered the positive growth rates with the weight of 69.02 % whereas the remaining 6 sub-groups with the weight of 13.9 % recorded the negative growth rate. So, adequate focus should be given to improve the industries in Tamil Nadu.

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