STATE INCOME

CHAPTER

II

2.1 Growth Imperatives:

Economic development is an evolving process. Acceleration in economic growth is indispensable for various reasons – faster growth is an anti-dote to poverty; it is a means to facilitate the trickle down process i.e. the percolation effect of economic development to all sections of the population; to generate more productive jobs and to realize the goal of economic inclusiveness. It is also a mechanism to mobilize more resources by fiscal measures without impinging on the tax payers' capacity to pay (fiscal dividend); it generates more resources for development of social services which in turn reinforces the growth process and it is instrumental in enhancing the Human Development Index in sync with the increase in per capita real income.

Tamil Nadu has 4.0 per cent of India's geographical area and constitutes 5.96 per cent of India's population of 1210 million as per the 2011 Population Census. In Tamil Nadu, 48 per cent of the population is living in urban areas. Tamil Nadu ranks first in terms of urbanization amongst large States. Slower population growth rate coupled with increasing Gross State Domestic Product (GSDP) contributes significantly to State's higher per capita income as compared to All India average.

Since people leave rural areas in droves to look for work in the cities, they have to be accommodated with gainful and substantial employment opportunities in urban areas. Unabated rural-to-urban migration is a challenge to the urban administrators because they have to cope with the raising urban population, allocating sufficient resources for basic amenities such as education, health, water supply, sanitary, drainage, affordable housing, and urban renewal etc. Therefore, the attack on poverty and unemployment occupies the centre stage in urban development planning. As the development process gathers momentum in the State, it has resulted in drastic changes in the levels of aspirations and expectations of the people. All call for enormous investment in social and economic infrastructure. Declining dependence of people on agriculture, improvement in life expectancy and consequential expansion of demographic pyramid are the three factors which require expanding State Government's role in implementing the Social Security Programme and tertiary health care system.

In Tamil Nadu a "demographic dividend" is at its peak at the moment i.e higher proportion of 15 to 60 age groups in total population. This window of opportunity is double-barreled in the sense it is bound to reduce the dependency ratio on the one hand and on the other promote level of income, saving and investment in the State. This opportunity will last only a decade or two. In view of this, this rare opportunity should be made use of at the earliest and fruits of development emanating from this have to be reaped. For reaping this demographic dividend, large investments in social infrastructure, skill development and capital accumulation are the pre-requisites. While formulating the Vision 2023, it is envisaged to capitalize on the window of this opportunity. The key issue that lies at demographic dividend is whether this growing youth bulge has the right type of skill for the work to be done.

2.2: State Income Growth Target in Vision 2023:

Table : 2.1 Share and Growth Target of GSDP: Vision 2023 (%)				
Sector	**2004-05**	**2010-11**	**2022-23**	**Projected Average Growth**
Primary	12.00	12.60	7.00	5.10
Manufacturing	20.00	16.60	22.00	13.80
Non-manufacturing*	11.00	9.20	8.00	9.50
Services	57.00	61.6	63.00	11.10
Total	100.00	100.00	100.00	10.90

Note - *Non-manufacturing sector is mostly constituted by Construction, Mining, and Electricity generation.
Source: Vision Document, 2023, Government of Tamil Nadu.

The Vision 2023, projects the sectoral composition of output to undergo some drastic changes – the share of primary sector will decline from 12.0 per cent to 7.0 per cent, while the share of services will go up from 57.0 per cent to 63.0 per cent and share of manufacturing from 20.0 per cent to 22.0 per cent between 2004-05 and 2022-23. In order to achieve this share of GSDP, the overall growth of the economy is expected to grow at 10.90 per cent per annum during the decadal period from 2012-13 to 2022-23. It predicts an annual growth rate of 5.10 per cent for primary sector, 13.80 per cent for manufacturing, 9.50 per cent for non-manufacturing and 11.10 per cent for services.

2.3 Aggregate Growth Performance:

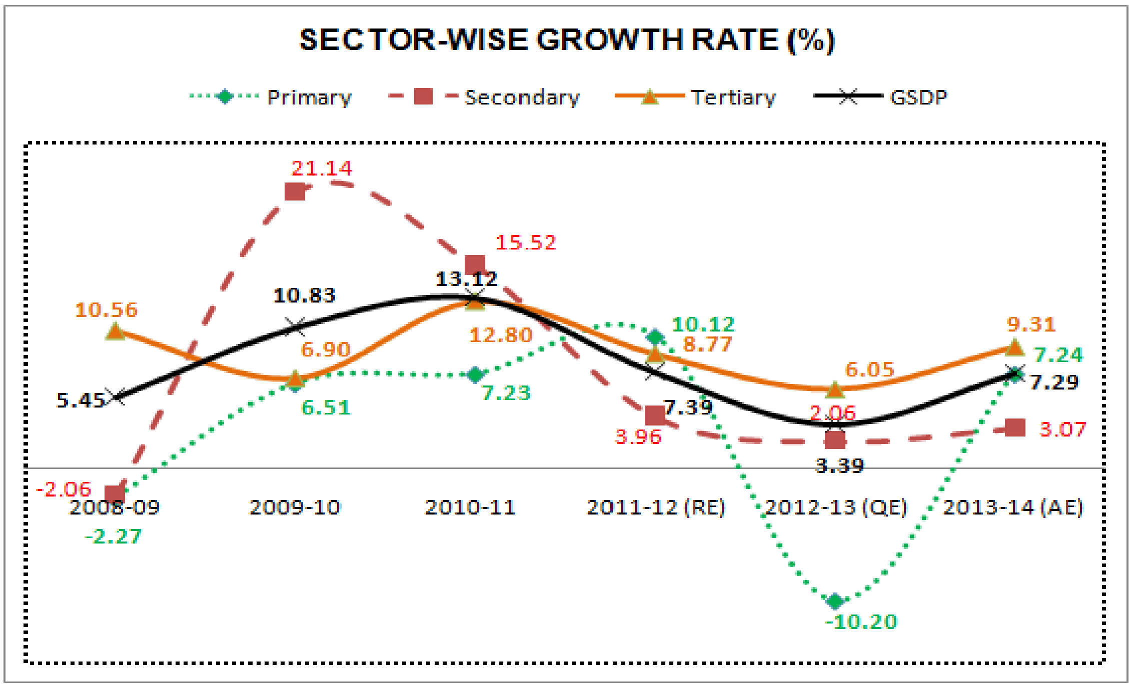
Economic development is a process whereby the State's real income increases over a long period of time. Increase in GSDP must be sustained to deliver economic development. Besides this, real per capita income should increase over the long period. The weakest segments of population should benefit from the growth process. One could measure the per capita income of the bottom quintile of the population and also calculate the growth rate of its income and evaluate economic success in terms of those measures that pertain to the poorest segment. The State aims at acceleration in growth rates in all the sectors of the economy so that a ratchet growth process can be ensured and the people in the bottom quintile can enjoy the fruits of economic development.

The Gross State Domestic Product (GSDP) at constant prices is likely to increase to Rs.4,80,618 crore during 2013-14 from Rs.4,47,943 crore in 2012-13 registering a overall growth of 7.29 per cent which is higher than that of the preceding year's growth rate of 3.39 per cent.

Table – 2.2: Performance of Gross State Domestic Product – Tamil Nadu								
Year	**At Constant (2004-05) Prices (Rs. Crore)**							
	Primary		**Secondary**		**Tertiary**		**GSDP**	
	Income	**Growth Rate (%)**	**Income**	**Growth Rate (%)**	**Income**	**Growth Rate (%)**	**Income**	**Growth Rate (%)**
2011-12 (RE)	38728	10.12	130392	3.96	264118	8.77	433238	7.39
2012-13 (QE)	34777	(-)10.20	133078	2.06	280088	6.05	447943	3.39
2013-14 (AE)	37297	7.24	137159	3.07	306162	9.31	480618	7.29
	At Current Prices							
2011-12 (RE)	92777	12.60	196965	12.25	377459	15.42	667201	14.08
2012-13 (QE)	91218	(-)1.68	215735	9.53	437906	16.01	744859	11.64
2013-14 (AE)	105395	15.54	233522	8.24	515321	17.68	854238	14.68

Note – AE- Advanced Estimates, QE- Quick Estimates. RE – Revised Estimates.
Source: Department of Economics and Statistics, Chennai – 6.

All the three major sectors displayed positive growth during 2013-14. However, the modest recovery of the overall economy during 2013-14 was mainly supported by growth in the tertiary sector (9.31%) on the back of 6.05 per cent growth in the previous year. The primary sector was able to rebound from the loss of production that occurred during the previous year due to adverse weather conditions. The growth of secondary sector at 3.07 percent during 2013-14 had experienced a marginal pick-up from 2.06 per cent during 2012-13. In 2012-13, the GSDP at constant prices in the State increased to Rs.4,47,944 crore from Rs.4,33,238 crore during 2011-12 registering a moderate growth of 3.39 per cent which was lower than the previous year's growth of 7.39 per cent. The steep and unprecedented decline of 10.20 per cent posted by the primary sector during 2012-13 pulled down the overall growth rate of the State economy during the year. The secondary and tertiary sectors that witnessed a decelerated growth of 2.06 per cent and 6.05 per cent respectively in 2012-13 could not help to maintain the tempo of overall growth rate as in the year 2011-12. By virtue of being the main contributor of economic growth, tertiary sector was capable of providing the necessary cushion to the economy.



2.4. Primary Sector:

The importance of agriculture cannot be over stated. Agricultural sector will generate adequate linkages both forward linkages (% of output purchased by other industries) and backward linkages (% of output bought from input supplying industries). Agriculture plays an instrumental role in the growth process i.e. its part in serving the end of development by assisting in the growth of other sectors, in particular, manufacturing, which are viewed as the locomotives for economic development. Thus, growth in agriculture encourages growth elsewhere. Agricultural production was the best ever with foodgrain production exceeding 100 lakh tonne mark during 2011-12. During the year 2013-14, the primary sector registered a growth of 7.24 per cent and recovered from the negative growth of 10.20 per cent in 2012-13. This could be made possible mainly due to a hefty growth rate of 8.22 per cent recorded by the agriculture sub-group. During 2012-13, the primary sector was hit severely by a slide in the agriculture sub-sector because of precipitous fall in area, production and yield of crops due to adverse weather and non-release of due share of water in inter-State rivers. In spite of the growth rate recorded by “Forestry & Logging” (3.44%), “Fishing” (1.03%) and “Mining & Quarrying” (5.95%), they could not compensate the loss in the income of the agricultural and allied activities due to their low weight among the sub-groups. It is worth mentioning that mining and quarrying, fishing and forestry activities need to be sustainable without any over exploitation and over extraction.

Table-2.3: Performance of Primary Sector: Sub-Sectoral Income (GSDP) at Constant (2004-2005) Prices -Tamil Nadu (Rs.Crore)

Sub-sector	**2011-12 (RE)**	**2012-13 (QE)**	**2013-14 (AE)**
a) Agriculture	31976 (11.05)	27808 (-13.04)	30094 (8.22)
b) Forestry & Logging	1949 (2.49)	2015 (3.44)	2098 (4.08)
c) Fishing	2748 (3.40)	2777 (1.03)	2796 (0.70)
d) Agriculture & Allied Activities (d =a+b+c)	36673 (9.95)	32600 (-11.11)	34988 (7.33)
e) Mining & Quarrying	2055 (13.15)	2177 (5.95)	2309 (6.01)
Primary Sector (d+e)	**38728 (10.12)**	**34777 (-10.20)**	**37297 (7.24)**

Note - AE- Advanced Estimates, QE- Quick Estimates. RE – Revised Estimate.
Figures in brackets indicate percentage change over the previous year.
Source: Department of Economics and Statistics, Chennai – 6.

2.5 Secondary Sector:

A host of global factors such as the fallout of housing, market slump, fiscal dysfunction and euro zone crisis impacted the industrial activities of all the nations which are globally integrated. The limited stimulus measures provided by Government of India were not adequate to help stage a full recovery on the industrial front. Besides this, rampant inflation has impeded the growth of industrial sector. The growth of this sector decelerated in subsequent years starting 2009-10.

Table-2.4: Performance of Secondary Sector: Sub-Sectoral Income (GSDP) at Constant (2004-2005) Prices -Tamil Nadu (Rs.Crore)

Sub-sector	**2011-12 (RE)**	**2012-13 (QE)**	**2013-14 (AE)**
a)Manufacturing (i+ii)	86719 (1.42)	87692 (1.12)	91708 (4.58)
i)Registered	62079 (0.75)	62637 (0.90)	65506 (4.58)
ii)Un Registered	24640 (3.13)	25055 (1.68)	26202 (4.58)
b)Construction	41934 (9.24)	41021 (-2.18)	41522 (1.22)
c)Electricity, Gas &Water Supply	1739 (13.73)	4365 (151.04)	3929 (-9.98)
Secondary Sector (a+b+c)	**130392 (3.96)**	**133078 (2.06)**	**137159 (3.07)**

Note - AE- Advanced Estimates, QE- Quick Estimates. RE- Revised Estimate.
Figures in brackets indicate percentage change over the previous year.
Source: Department of Economics and Statistics, Chennai – 6

The overall GSDP of the secondary sector increased from Rs.1,30,392 crore during 2011-12 to Rs.1,33,078 crore during 2012-13 registering a growth of 2.06 per cent. This was mainly due to the growth rate of 1.12 per cent recorded by manufacturing sub-sector which is the major contributor to the secondary sector. The growth rate of secondary sector during 2013-14 improved slightly to 3.07 per cent from 2.06 per cent during 2012-13. The slow acceleration was mainly due to the negative growth in the sub-sector Electricity, Gas and Water Supply” (9.98%). The other two sectors viz., “Electricity, Gas and Water Supply” and “Construction Activities” could not give the secondary sector a real boost due to their lower weight among the sub-groups. Thus both the Indian economy and State economy were in manufacturing recession. Recovery of the manufacturing sector requires an immediate boost in consumer spending, a burst in investment activity, technological up-gradation, and improvement in competitiveness of industrial products in the domestic as well international markets. The State requires acceleration in the performance of manufacturing and even a broad-based manufacturing sector across the districts.

2.6 Tertiary Sector:

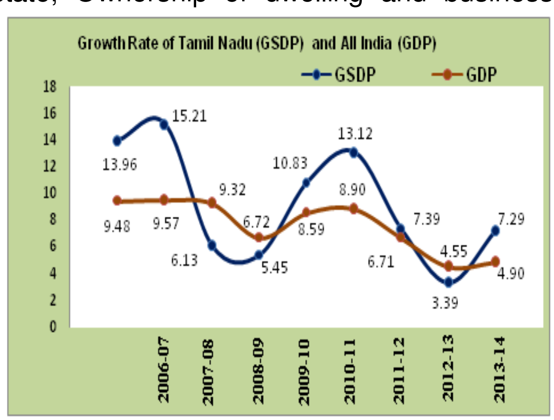
The tertiary sector is a medley of sub-groups such as Trade, Hotels & Restaurants, Transport & Communication, Financing, Real Estates, Community, Social and Personal Services. Income of an important sub-sector, Community, Social and Personal Services is a proxy for Government spending. The tertiary sector, which is the major contributor to the State economy, propped up the growth of overall GSDP, in the face of the farm sector having performed badly owing to drought and uneven spatio-temporal distribution of precipitation. It had been experiencing ups and downs in growth from 2006-07 to 2013-14. The GSDP originating in this sector increased from Rs.2,64,118 crore during 2011-12 to Rs.2,80,088 crore during 2012-13 and further to Rs.3,06,162 crore. The tertiary notched up 9.31 per cent growth during 2013-14 as compared to 6.05 per cent during 2012-13 and 8.77 per cent during 2011-12. The growth in sub-sector of banking and insurance (12.65%) and Real Estate, Ownership of Dwelling and Business Services (14.99%) had mainly contributed to the accelerated growth of the tertiary sector. The growth rate at 6.73 per cent in Transport, Storage & Communications in 2013-14 witnessed an increase from 4.41 per cent in 2012-13. All the sub-groups of the tertiary sector registered positive growth rates in 2013-14 as compared to 2012-13. Among the sub-groups, it ranged between 0.46 per cent (railways) and 14.99 per cent (Real Estate, Ownership of dwelling and business services).

Table-2.5: Performance of Tertiary Sector: Sub-Sectoral Income (GSDP) at Constant (2004-2005) Prices -Tamil Nadu (Rs.Crore)

Sub-sector	2011-12 (RE)	2012-13 (QE)	2013-14 (AE)
a)Transport, Storage & Communications(i+ii+iii+iv)	45734 (7.53)	47750 (4.41)	50965 (6.73)
i) Railways	2625 (-14.13)	2637 (0.46)	2649 (0.46)
ii) Transport by Other means	25113 (10.97)	25832 (2.86)	27783 (7.55)
iii) Storage	162 (13.29)	159 (-1.85)	169 (6.30)
iv)Communication	17834 (6.78)	19122 (7.22)	20365 (6.50)
b)Trade, Hotels & Restaurants	72162 (7.68)	74158 (2.76)	79596 (7.33)
b) Banking and Insurance	37113 (9.73)	41806 (12.65)	47093 (12.65)
d) Real Estate, Ownership of Dwelling and Business Services	54787 (14.16)	61793 (12.79)	71056 (14.99)
e)Public Administration	14980 (0.83)	14312 (-4.46)	15137 (5.76)
f)Other Services	39342 (7.46)	40269 (2.35)	42314 (5.08)
Tertiary Sector(a+b+c+d+e+f)	**264118 (8.77)**	**280088 (6.05)**	**306162 (9.31)**

Note - AE- Advanced Estimates, Q.E- Quick Estimates.
RE- Revised Estimates.
Figures in brackets indicate percentage change over the previous year.
Source: Department of Economics and Statistics Chennai – 6.

2.7. Long Term Trend – Tamil Nadu Vs. All India:



The trend analysis reveals a diverse pattern. The State recorded a higher growth rate of more than 10 per cent mark in GSDP during 2005-06, 2006-07, 2009-10 and 2010-11. During 2007-08, 2008-09, and 2011-12, the growth rate in GSDP was varied between 5-8 per cent at constant prices due to State's vulnerability to global shocks. The growth rate registered during the last three-year period from 2011-12 to 2013-14 has been oscillating between 3.0 percent and 7.4 percent. At disaggregated level in the State, the primary sector experienced negative growth during 2007-08, 2008-09 and 2012-13 owing to occurrence of drought in the State. On other occasions, the growth rate was positive at a significant level during the nine year period ending 2013-14.

With respect to the secondary sector, the growth performance of manufacturing was not robust during the recent three-year period, whereas it exhibited significant growth in earlier years of the nine-year period. During 2008-09, the growth in manufacturing was negative (-1.31%). Growth was a slender 0.59 per cent during 2007-08. Broad-based manufacturing and sustainability of growth in manufacturing is a necessary condition to mobilize additional resources and to undertake massive public investment projects. The transparent and proactive Industrial policy of the State Government to promote investment in manufacturing industries enabled the sector to maintain 4.58 per cent of growth during 2013-14 in spite of the global slowdown and recessionary effects prevailing at all India. With regard to tertiary sector, the performance during the recent three year period is not encouraging, even though this sector is a key driver of the State economy. This sector was able to register a growth rate of 6.05 per cent during 2012-13. On the earlier occasions, the growth rate was of a higher order. It ranged between 16.57 per cent during 2006-07 and

Table –2.6: State Income - Sectoral Growth Pattern (2004-05 Prices) (in per cent)

Sectors	2005-06	2006-07	2007-08	2008-09	2009-10	AAGR	2010-11	2011-12 (RE)	2012-13 (QE)	2013-14 (AE)	AAGR
Agriculture and Allied	13.26	13.24	(-)4.41	(-)2.29	6.35	5.23	7.47	9.95	(-)11.11	7.33	3.41
Agriculture	11.49	15.42	(-)4.69	(-)2.70	6.56	5.22	7.69	11.05	(-)13.04	8.22	3.48
Industry	14.08	13.44	3.86	(-)2.06	20.93	10.05	15.32	4.09	2.12	3.11	6.16
Manufac-turing	15.11	18.75	0.59	(-)1.31	29.18	12.46	12.31	1.42	1.12	4.58	4.86
Services	14.02	16.57	9.33	10.56	6.90	11.48	12.80	8.77	6.05	9.31	9.23
GSDP	13.96	15.21	6.13	5.45	10.83	10.32	13.12	7.39	3.39	7.29	7.80
GDP (All India)	9.48	9.57	9.32	6.72	8.59	8.74	8.90	6.71	4.55	4.90	6.27

Note - RE- Revised Estimates, QE- Quick Estimates, AE-Advanced Estimates.
Source: Department of Economics and Statistics Chennai – 6

6.90 per cent during 2009-10. The robustness of the State economy in overall performance is self-evident with the growth rate maintained around 9.31 per cent in 2013-14 by the tertiary sector.

At All India level, the growth performance during the recent five-year period was similar to that of what was obtaining for Tamil Nadu. Though the national economy registered a growth rate of more than 9.0 per cent up to 2007-08, the growth rate decelerated to 6.72 per cent during 2008-09 due to external vulnerabilities such as the global financial meltdown and the consequent recession. Altogether, the growth scenario is found to be encouraging in Tamil Nadu compared to the all India scenario.

2.8 Per capita Income based on NSDP:

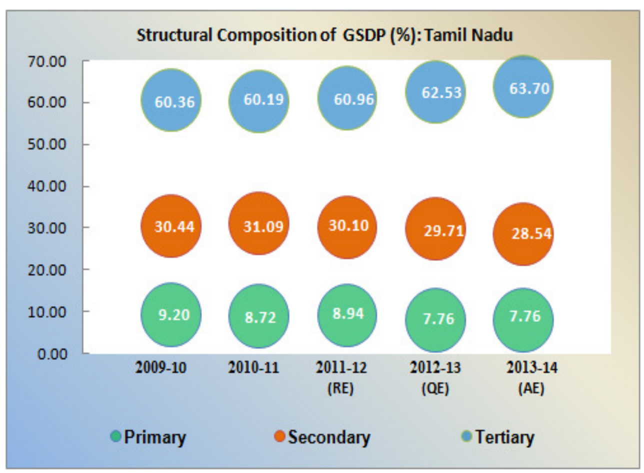
By relating development to the problems of alleviating poverty, many would use as the test of development, an increase in real per capita income. Per capita income is used as a crude measure of economic welfare. The level of per capita income depends upon two things – the size of population and the size of the economic pie. Per-capita income at 2004-05 constant prices stood at Rs.62,361/- in Tamil Nadu during 2013-14, whereas it was Rs.30,062/- during 2004-05. The per capita income almost doubled during the reference period. At all India level, the per capita income was at Rs.39,961/- during 2013-14 as against Rs.24,143/-. Tamil Nadu's percapita income is now well above the all India average

Table-2.7: Per capita Income-Tamil Nadu vs. All India

Year	Tamil Nadu				All India			
	At Current Prices		At Constant Prices		At Current Prices		At Constant Prices	
	Per capita Income (Rupees)	Growth Rate (%)	Per capita Income (Rupees)	Growth Rate (%)	Per capita Income (Rupees)	Growth Rate (%)	Per capita Income (Rupees)	Growth Rate (%)
2004-05	30062	-	30062	-	24143	-	24143	-
2005-06	35243	17.23	34126	13.52	27131	12.38	26015	7.75
2006-07	42288	19.99	39166	14.77	31206	15.02	28067	7.89
2007-08	47606	12.58	41314	5.48	35825	14.80	30332	8.07
2008-09	54137	13.72	43193	4.55	40775	13.82	31754	4.69
2009-10	64338	18.84	47394	9.73	46249	13.42	33901	6.76
2010-11	78473	21.97	53507	12.90	54151	17.09	36342	7.20
2011-12 (RE)	89050	13.48	57093	6.70	61564	13.69	38037	4.66
2012-13 (QE)	98628	10.76	58360	2.22	68757	11.68	39168	2.97
2013-14(AE)	112664	14.23	62361	6.86	74920	10.44	39961	2.84

Note - RE-Revised Estimates, QE- Quick Estimates. AE - Advanced Estimates.
Source: 1. Department of Economics and Statistics, Chennai- 6.
2.Central Statistical Organization, New Delhi.

2.9. Structural Shift in GSDP:



Changes in consumption pattern are a trigger that bring about changes in employment pattern which in turn engenders the sectoral shift in output structure in an expanding economy. If economic growth occurs and real income rises, then the demand for goods and services with high and positive income elasticity will tend to increase relative to those with low or even negative income elasticity.

In sympathy with changing consumption pattern, the proportion of working population engaged in primary production declines that in secondary and tertiary production increase. To what extent, the State economy has metamorphosed in terms of output structure over a period of time is analyzed.

Table – 2.8 Structural Shift in Gross State Domestic Product– Tamil Nadu (Rs. Crore)				
Year	At Constant (2004-05) Prices			
	Primary	Secondary	Tertiary	GSDP
2004-05	25995 (11.87)	67680 (30.90)	125328 (57.23)	219003 (100.00)
2005-06	29145 (11.68)	77517 (31.06)	142903 (57.26)	249565 (100.00)
2006-07	32865 (11.43)	88078 (30.63)	166585 (57.94)	287528 (100.00)
2007-08	31508 (10.33)	91517 (29.99)	182131 (59.68)	305156 (100.00
2008-09	30794 (9.57)	89629 (27.85)	201369 (62.58)	321792 (100.00)
2009-10	32797 (9.20)	108574 (30.44)	215259 (60.36)	356630 (100.00)
2010-11	35169 (8.72)	125423 (31.09)	242822 (60.19)	403414 (100.00)
2011-12 (RE)	38728 (8.94)	130392 (30.10)	264118 (60.96)	433238 (100.00)
2012-13 (QE)	34777 (7.76)	133078 (29.71)	280088 (62.53)	447943 (100.00)
2013-14 (AE)	37297 (7.76)	137159 (28.54)	306162 (63.70)	480619 (100.00)

Note – 1. R.E- Revised Estimates, Q.E- Quick Estimates.
AE-Advanced Estimates
2. Figures in brackets indicate percentage share to total.
Source: Department of Economics and Statistics , Chennai – 6

The paradigm shift in sectoral Gross State Domestic Product (GSDP) in Tamil Nadu tended towards secondary from agriculture and then to services. As indicated above, the share of primary sector in GSDP computed at constant (2004-05) prices declined to 7.76 per cent in 2013-14 from 11.87 per cent in 2004-05. During the corresponding period, while the share of secondary sector hovered around 29 to 31 per cent with minor variations in some years, the share of tertiary sector expanded from 57.23 per cent to 63.70 per cent. Eventually, the State economy has become service-led from being primary-producing.

2.10. GSDP for Major States:

The GSDP of major States (at constant prices) almost doubled between 2004-05 and 2012-13. In terms of GSDP Maharashtra with Rs.8,43,565 crore ranked number one among

Table-2.9: Major State-wise GSDP and Per capita Income based on NSDP at Constant (2004-05) Prices						
State	GSDP (Rs.Crore)			Per capita Income (Rupees)		
	2004-05	2012-13	AAGR (%)	2004-05	2012-13	AAGR (%)
Andhra Pradesh	224713	425469	**8.34**	25321	44526	**7.34**
Assam	53398	85690	**6.10**	16782	23448	**4.29**
Bihar	77781	165018	**9.98**	7914	14904	**8.39**
Gujarat*	203373	398884	**10.13**	32021	61220	**8.49**
Haryana	95795	190878	**9.01**	37972	64631	**6.89**
Karnataka	166747	303670	**7.84**	26882	43075	**6.15**
Kerala*	119264	210107	**8.43**	31871	56115	**7.33**
Madhya Pradesh	112927	221463	**8.82**	15442	25463	**6.49**
Maharashtra	415480	843565	**9.31**	36077	66066	**7.92**
Odisha	77729	142607	**7.92**	17650	25415	**4.72**
Punjab	96839	164525	**6.86**	33103	48572	**4.93**
Rajasthan*	127746	227824	**8.67**	18565	29244	**5.90**
Tamil Nadu@	219003	451313	**9.53**	30062	58360	**8.73**
Uttar Pradesh	260841	445168	**6.91**	12950	18866	**4.82**
West Bengal	208656	353809	**6.83**	22649	35132	**5.65**
All India	**2971464**	**5505437**	**8.03**	**24143**	**38856**	**6.15**

Note: * - Data is pertaining between 2004-05 and 2011-12.
Source: 1. Central Statistical Organisation, Government of India, New Delhi.
2. Department of Economics and statistics, Chennai.

major states in 2012-13. Tamil Nadu ranked second with Rs.4,51,313 crore. Bihar achieved the highest annual average growth rate (AAGR) of 9.98 per cent between 2004-05 and 2012-13. In 2012-13, Maharashtra ranked first in per capita income (based on NSDP) with Rs.66,066/- and Tamil Nadu occupied fourth place with Rs.58,360/-. The highest AAGR of

8.73 per cent in per capita income is noticed in Tamil Nadu which put the State ahead of the industrially developed States like Maharashtra and Gujarat. The preeminence of Tamil Nadu in having the highest AAGR in per capita income among the major States was due to population stabilization, broad-based industrialization, high volume of trade and commerce, higher investment activities, trader-friendly tax structure, host of welfare measures tailored to the needs of the pro-poor, universal education, better sanitation, potable drinking water, affordable housing, good governance in administration, etc.

2.11. Eleventh Five Year Plan – Sector-wise Performance (Target and Achievement) of Major States-An Overview:

As per the Annual Report 2012-13 published by Union Planning Commission, Government of India, the nation could not realize its overall growth target during the Eleventh Five Year Plan Period (2007-12). The overall growth rate achieved was 8 per cent against the target of 9 per cent. Both agricultural and industrial sectors could not meet their targets while the tertiary sector realized a growth of 9.7 per cent against the target of 9 -11 per cent. Among the 15 major states, Assam, Rajasthan, Bihar, Madhya Pradesh, Punjab and Uttar Pradesh overshot their overall target. Among the States that realized the growth target, Madhya Pradesh was the only State which accomplished its target in all the three sectors during the Eleventh Five Year Plan Period. Tamil Nadu's achievement was 7.7 per cent against the target of 8.5 per cent. None of the three sectors in the State had realized its target during the 11th plan period. The gap was in the order of 2.5 per cent for agriculture and

Table-2.10: Major State-wise / Sector-wise Growth Targets and Realization during Eleventh Plan Period (2007-012) (Per cent)

Sl. No.	State	Agri & Allied		Industry		Services		GSDP Growth	
		Target	Reali-sation	Target	Reali-sation	Target	Reali-sation	Target	Reali-sation
1	Andhra Pradesh	4.0	5.3	12.0	7.3	10.4	9.8	9.5	8.2
2	Assam	2.0	4.1	8.0	4.2	8.0	9.1	6.5	6.8
3	Bihar	7.0	4.7	8.0	15.1	8.0	11.2	7.6	9.9
4	Gujarat	5.5	5.6	14.0	10.1	10.5	10.5	11.2	9.5
5	Haryana	5.3	3.9	14.0	6.6	12.0	12.6	11.0	9.0
6	Karnataka	5.4	5.5	12.5	5.0	12.0	9.0	11.2	7.2
7	Kerala	0.3	-1.3	9.0	6.2	11.0	10.6	9.5	8.2
8	Madhya Pradesh	4.4	6.9	8.0	9.7	7.0	10.3	6.7	9.2
9	Maharashtra	4.4	1.9	8.0	8.1	10.2	9.9	9.1	8.6
10	Odisha	3.0	2.3	12.0	6.8	9.6	9.5	8.8	7.1
11	Punjab	2.4	1.9	8.0	7.8	7.4	9.0	5.9	6.7
12	Rajasthan	3.5	7.4	8.0	7.3	8.9	10.1	7.4	8.5
13	Tamil Nadu	4.7	2.2	8.0	7.6	9.4	8.8	8.5	7.7
14	Uttar Pradesh	3.0	3.2	8.0	5.7	7.1	9.8	6.1	7.1
15	West Bengal	4.0	2.4	11.0	5.1	11.0	9.7	9.7	7.3
All India		**4.0**	**3.7**	**10 to 11**	**7.2**	**9 to 11**	**9.7**	**9.0**	**8.0**

Source: Annual report 2012-13, Union Planning Commission, Government of India, New Delhi.

allied activities, 0.4 per cent for industry and 0.6 per cent for tertiary sectors. The sluggish farm sector, stagnant manufacturing sector and falling tertiary sector were the factors that could be attributed to the gap in target realization.

2.12. District Per capita Income based on NSDP:

The details relating to district per capita income in the State for the years 2011-12, 2012-13 and 2013-14 are not readily available. Hence, an attempt has been made to compare district per capita income between the period 2004-05 and 2010-11. Among the districts, Kanniyakumari district had the highest per capita income of Rs.81,094/- during

2010-11, followed by Tiruppur district Rs.72,479/-, Thiruvallur district Rs.70,778/-, Virudhunagar district Rs.70,689/- and Kancheepuram district Rs.70,667/- and whereas Perambalur district with Rs.17,922/-, Ariyalur district with Rs.16,559/- lies at the bottom of the economic pyramid. The annual average growth rate in district per capita income during the above reference period revealed that it was the highest in Krishnagiri district (13.47%) followed by Kancheepuram district (13.23%) and Kanniyakumari district (13.10%).

Table - 2.11 District Per capita Income (at 2004-05 prices)

District	2004-05 (Rs.)	2010-11 (Rs.)	AAGR (%)	District	2004-05 (Rs.)	2010-11 (Rs.)	AAGR (%)
Chennai	37676	57706	**6.97**	Karur	32452	61181	**11.09**
Kancheepuram	33564	70667	**13.23**	Perambalur	13926	17922	**4.29**
Thiruvallur	34820	70778	**12.32**	Ariyalur	12654	16559	**4.84**
Vellore	29037	52900	**10.47**	Pudukkottai	22490	37390	**8.92**
Thiruvannamalai	19949	35241	**10.04**	Coimbatore	35702	65781	**10.73**
Cuddalore	27578	47042	**9.25**	Tiruppur	37089	72479	**11.87**
Villupuram	18180	30181	**8.84**	Erode	39186	61631	**7.58**
Thanjavur	24150	40366	**8.75**	Madurai	31512	56506	**10.34**
Nagapattinam	22110	34640	**8.11**	Theni	23986	35539	**6.66**
Thiruvarur	18395	27408	**6.95**	Dindigul	28448	47812	**9.01**
Salem	29271	48802	**8.57**	Ramanathapuram	24778	37707	**7.40**
Namakkal	34619	58133	**8.96**	Sivagangai	23879	41912	**9.74**
Dharmapuri	24727	46828	**11.29**	Virudhunagar	40394	70689	**9.61**
Krishnagiri	25854	55719	**13.47**	Tirunelveli	31334	54259	**9.77**
The Nilgiris	28234	44993	**7.66**	Thoothukudi	39746	63467	**7.99**
Tiruchirappalli	32089	65011	**12.42**	Kanniyakumari	38475	81094	**13.10**

Note – AAGR: Annual Average Growth Rate
Source: Department of Economics and Statistics, Chennai-6.

Delineation of data on district per capita income drives home the point that in those districts viz., Ariyalur, Perambalur, Villupuram, Thiruvannamalai, Thiruvarur, Ramanathapuram, Theni, Pudukottai and Nagapattinam where the per capita income was below Rs.40,000/- during 2010-11, a big push needs to be given in the form of creation of broad-based economic growth in industry, the farm sector and development of the least urbanized taluks.

2.13. Share of Sectoral Income for the Districts:

Between 2004-05 and 2010-11 the share of primary sector to total Gross District Domestic Product (GDDP) was on the decline in all districts. Among the districts, the share of primary sector income was the highest in Ariyalur district at 33.87 per cent during 2010-11, followed by Perambalur district (30.70%), Nagapattinam district (24.09%) and Theni district (23.19%) where the role of agricultural sector is predominant. It is lowest in Chennai (1.07%). The share of secondary sector to total district income was found to be the highest in Virudhunagar district (51.76%) followed by Kanniyakumari district (49.28%), Tiruppur district

(42.22%), Coimbatore district (41.83%). Perambalur district placed at the bottom level with the secondary sector's share of 11.66 per cent and Thiruvarur district 13.34 per cent. Except Kancheepuram, Coimbatore, Tiruppur and Kaniyakumari, in all other districts the share of tertiary sector was on the increase between 2004-05 and 2010-11. The share of tertiary sector income was the highest in Chennai district at 85.08 per cent, followed by Thanjavur district 72.66 per cent and Madurai district 71.21 per cent.

Table-2.12: District-wise Share of Sectoral Income (at 2004-05 Prices) - Tamil Nadu

District	% Share to Gross District Domestic Product						GDDP (Rs.lakh)	
	Primary		Secondary		Tertiary			
	2004-05	2010-11	2004-05	2010-11	2004-05	2010-11	2004-05	2010-11*
Chennai	1.43	1.07	18.99	13.85	79.58	85.08	1905771 (100.0)	2991076 (100.0)
Kancheepuram	5.98	3.11	32.90	37.71	61.12	59.18	1176866 (100.0)	2659745 (100.0)
Thiruvallur	5.76	2.91	37.64	39.2	56.60	57.89	1218558 (100.0)	2707866 (100.0)
Vellore	8.44	5.98	37.4	37.32	54.16	56.70	1192054 (100.0)	2287349 (100.0)
Thiruvannamalai	19.40	14.69	27.37	29.76	53.22	55.55	485380 (100.0)	872031 (100.0)
Cuddalore	30.36	18.45	18.24	17.98	51.41	63.56	720479 (100.0)	1240646 (100.0)
Villupuram	22.97	17.11	22.00	23.89	55.03	59.00	600786 (100.0)	1018218 (100.0)
Thanjavur	16.05	11.08	18.77	16.26	65.18	72.66	599320 (100.0)	998874 (100.0)
Nagapattinam	27.18	24.09	17.94	17.63	54.87	58.27	373036 (100.0)	597149 (100.0)
Thiruvarur	19.07	15.59	16.19	13.34	64.74	71.08	239114 (100.0)	357213 (100.0)
Salem	9.52	8.18	38.21	33.00	52.26	58.82	1037534 (100.0)	1780666 (100.0)
Namakkal	19.50	18.28	33.28	30.18	47.23	51.53	618815 (100.0)	1124863 (100.0)
Dharmapuri	21.10	16.05	23.71	21.23	55.19	62.72	371755 (100.0)	755580 (100.0)
Krishnagiri	11.95	9.98	35.14	31.37	52.91	58.65	486045 (100.0)	1110124 (100.0)
The Nilgiris	23.00	17.71	21.73	15.66	55.27	66.63	247517 (100.0)	391847 (100.0)
Tiruchirappalli	9.38	5.74	22.44	23.52	68.18	70.75	889696 (100.0)	1854074 (100.0)
Karur	10.44	8.37	33.13	32.65	56.43	58.98	348600 (100.0)	670189 (100.0)
Perambalur	35.04	30.70	16.16	11.66	48.8	57.64	76920 (100.0)	99584 (100.0)
Ariyalur	31.43	33.87	17.19	13.83	51.38	52.29	101058 (100.0)	139390 (100.0)
Pudukkottai	20.82	13.33	24.32	27.58	54.86	59.09	373699 (100.0)	642192 (100.0)
Coimbatore	6.35	5.34	40.27	41.83	53.38	52.83	1270940 (100.0)	2506504 (100.0)
Tiruppur	7.16	7.13	39.57	42.22	53.27	50.65	867142 (100.0)	1820269 (100.0)
Erode	14.41	15.17	36.43	30.53	49.16	54.30	959777 (100.0)	1580685 (100.0)

(Contd…)	Table-2.12: District-wise Share of Sectoral Income (at 2004-05 Prices) - Tamil Nadu							
District	**% Share to Gross District Domestic Product**						**GDDP (Rs.lakh)**	
	Primary		**Secondary**		**Tertiary**			
	2004-05	**2010-11**	**2004-05**	**2010-11**	**2004-05**	**2010-11**	**2004-05**	**2010-11***
Madurai	7.32	4.82	25.59	23.97	67.09	71.21	917393 (100.0)	1652993 (100.0)
Theni	24.59	23.19	19.18	17.5	56.23	59.31	294086 (100.0)	432510 (100.0)
Dindigul	19.26	15.23	27.62	30.09	53.12	54.67	626051 (100.0)	1077715 (100.0)
Ramanathapuram	24.23	16.26	20.14	19.77	55.63	63.98	324862 (100.0)	489724 (100.0)
Sivagangai	13.55	9.72	24.03	22.74	62.42	67.55	308612 (100.0)	545731 (100.0)_
Virudhunagar	5.27	4.30	53.38	51.76	41.35	43.93	858966 (100.0)	1536096 (100.0)
Tirunelveli	10.56	7.23	36.73	37.27	52.7	55.5	969397 (100.0)	1722757 (100.0)
Thoothukudi	12.89	8.75	27.66	26.68	59.45	64.57	718280 (100.0)	1157382 (100.0)
Kanniyakumari	9.11	6.18	45.32	49.28	45.57	44.54	721813 (100.0)	1510534 (100.0)
State	**11.87**	**8.72**	**30.9**	**31.09**	**57.23**	**60.19**	**21900322 (100.0)**	**40331576* (100.0)**

Note - * Figures are as per quick estimates, which may vary from revised estimates of GSDP given for 2010-11 in other places in the chapter.
Source: Department of Economics and Statistics, Chennai-6.

Analysis of the share of sectoral income among the districts revealed that both primary and secondary sectors are losing their shares to tertiary sector in the State as a whole. It is imperative that intensification of technical know-how in the agricultural sector, creation of storage facilities, assured price for agricultural produce and concentrated efforts on ushering in of second green revolution are long-felt needs.

2.14. State Balanced Growth Fund -Tamil Nadu:

With a view to ironing out the asymmetries and imbalances prevalent across districts and blocks, the Tamil Nadu State Planning Commission has envisaged a multi-pronged strategy. The Twelfth Five Year Plan, Tamil Nadu 2012-17 documents observes; the State Balanced Growth Fund is envisaged to address the regional imbalances and backwardness in human development and gender parameters. 100 backward blocks including Urban Municipalities and slum areas of Corporations which are poor in per capita income, high incidence of poverty, unemployment, health, education and disparities in gender will be identified for addressing backwardness and disparities. In social and economic spheres focus will be on mounting an attack on growth-limiting factors and attaining equitable development of the State within the Plan period. An initial allocation of Rs.100 crore was made for implementation of the schemes during the first year 2012-13.

2.15. Objectives and Implementation Modalities:

The primary objective of the scheme is to reduce regional disparities in key measurable socio-economic development indicators, thereby improving the overall status of the State in Human Development Index (HDI). The secondary objective would be to create capacity in districts to monitor human development status at district and sub-district levels in order to achieve inclusive economic growth.

Criteria to be adopted for selection of target area could be: (i) incidence of poverty, (2) per capita income or income poverty, (3) unemployment, (4) health, (5) education and (6) gender related indicators. All the areas located are to be covered in a phased manner and in each area the project period will be five years. In order to enhance the efficacy of the project implementation a Perspective Plan will be prepared. In the back drop of the Perspective Plan the schemes will be implemented in a methodical manner. Convergence and dovetailing of projects and programmes will be ensured. Continuous monitoring and periodical evaluation studies will be carried out to assess the impact of the projects implemented and diagnose the dysfunctionalities that occur in the execution process.

2.16. Other Supplementary Measures for Economic Growth and Development:

Table – 2.13: District-wise HDI Value

District	**HDI value**			**District**	**HDI value**		
	2001	**2007**	**2011**		**2001**	**2007**	**2011**
Chennai	0.757	0.842	0.859	Thanjavur	0.630	0.714	0.754
Kanchipuram	0.712	0.778	0.809	Nagapattinam	0.654	0.738	0.777
Thiruvallur	0.654	0.767	0.801	Tiruvarur	0.637	0.719	0.743
Cuddalore	0.644	0.709	0.745	Pudukkottai	0.618	0.705	0.738
Villupuram	0.587	0.667	0.71	Madurai	0.661	0.759	0.777
Vellore	0.658	0.710	0.75	Theni	0.628	0.726	0.726
Thiruvannamalai	0.612	0.678	0.721	Dindigul	0.641	0.705	0.735
Salem	0.626	0.717	0.762	Ramanathapuram	0.629	0.703	0.737
Namakkal	0.636	0.715	0.764	Virudhunagar	0.651	0.737	0.773
Dharmapuri	0.584	0.656	0.706	Sivagangai	0.640	0.701	0.733
Erode	0.658	0.721	0.755	Tirunelveli	0.658	0.740	0.770
Coimbatore	0.699	0.775	0.807	Thoothukudi	0.703	0.791	0.802
The Nilgiris	0.685	0.745	0.767	Kanniyakumari	0.711	0.763	0.812
Tiruchirapalli	0.671	0.732	0.784	Krishnagiri	-	0.665	0.742
Karur	0.647	0.737	0.785				
Perambalur	0.596	0.697	0.703	**State**	**0.657**	**0.736**	**0.768**

Source: State Planning Commission, Chennai - 600 005.

Human Development Index is a summary measure of three basic components of human development ; longevity, knowledge, and standard of living. Longevity is measured by life expectancy; knowledge is measured by a combination of adult literacy (two-thirds weight) and mean years of schooling (one-third weight). Standard of living is measured by Purchasing Power Parity (PPP). The table below presents data on human development index at three point of time for the districts. The HDI has been showing improvement over a long span of time. HDI for Tamil Nadu was at 0.657 during 2001, it improved to 0.736 during 2007 and further to 0.768 during 2011. It is an obvious indication that the fruits of economic development have gradually been percolating down to the bottom of the economic pyramid. The government has to redouble its efforts to achieve the goal of universalization of health care services and inclusive education to improve the HDI.

2.17. Gross Fixed Capital Formation (GFCF):

Capital formation means capital investments in acquisition of assets. Capital formation is a critical ingredient in raising productive capacity of the economy and total factor productivity. Investments made by the Government for creating infrastructural facilities in various sectors like irrigation, roads, transport and communication, industries, energy etc. help to build up production potential in them and in turn it will induce investment from private sector in various spheres. Therefore, massive investment of the Government is necessary for the judicious allocation of scarce resources among sectors in a balanced manner. Public investment is bound to generate **crowding in impact** in the private sector.

Table - 2.14: Incremental Capital Output Ratio-Tamil Nadu

Year	GFCF (Rs. Crore)	GSDP (at Current Price) (Rs. Crore)	GIR [1]	Growth Rate of GSDP at Constant Prices	ICOR [2]
2004-05	58434	219003	26.68	-	-
2005-06	72719	257833	28.20	13.96	2.02
2006-07	84092	310526	27.08	15.21	1.78
2007-08	105185	350819	29.98	6.13	4.89
2008-09	93343	401336	23.26	5.45	4.27
2009-10	108708	479733	22.66	10.83	2.09
2010-11	129055	584896	22.06	13.12	1.68
2011-12(RE)	141937	667201	21.27	7.39	2.88
2012-13(QE)	161127*	744859	21.63	3.39	6.38
2013-14(AE)	182911*	854238	21.41	7.29	2.94
			Average GIR	**AAGR of GDSP at Constant Prices**	**Average ICOR**
2005-06 to 2012-13			24.19	8.51	3.24
2005-06 to 2013-14			24.53	9.19	3.21
2007-08 to 2011-12			23.84	8.58	3.16
2011-12 to 2013-14			21.43	6.02	4.07

Note- * Estimated By DEAR Using CAGR of 13.52 %.
Source: Directorate of Economics and Statistics.

Gross Fixed Capital Formation (GFCF) is the acquisition of fixed assets by resident industries, producers of government services and private non-profit services to households. Simply, it is capital investments in acquisition of assets. There is a positive relationship between the changes in the Gross Capital Formation and the changes in Gross State Domestic Product (GSDP). Economic growth is inextricably linked to the quantum of aggregate investment and the Incremental Capital Output Ratio (ICOR).

Three findings stand out from the above table.

- The GFCF in the State increased from Rs.58,434 crore to Rs.1,82,911 crore between 2004-05 and 2013-14.
- The GIR rose from 26.68 per cent in 2004-05 to 29.98 per cent during 2007-08 and then it declined to 21.27 per cent in 2011-12. In the year 2012-13, it increased to 21.63 per cent and subsequently it came down to 21.41 per cent in 2013-14.
- There was a wide fluctuation in ICOR during the period 2004-05 and 2013-14. The annual average ICOR for the long period from 2005-06 to 2012-13 stood at 2.54. For the Eleventh Plan Period (2007-08 to 2011-12) it was at 3.16.

[1] Gross Investment Rate (GIR) is the proportion of Gross Fixed Capital Formation (GFCF) at Current Prices as a proportion of Gross State Domestic Product (GSDP) at market prices.

[2] The ICOR is the ratio of the GIR to the growth rate of GSDP at Constant price.

During the period 2011-12 to 2013-14, the GIR was at 21.43 per cent. For achieving the desired growth rate of the State, the rate of investment may be hiked or ICOR may be reduced further or both.

For realizing a diminution in ICOR, the following three efficiencies are to be accomplished: **(i) allocative efficiency** (involves the production of the right combination of goods, using the right combination of inputs); **(ii) technical efficiency** (involves producing the most with the smallest quantity of inputs feasible while working at a reasonable pace) and **(iii) dynamic efficiency** (involves encouraging rapid innovations in the form of new products and new cost-cutting techniques).

2.18. Looking Ahead:

Acceleration in economic growth is indispensable for various reasons. In recent years, the pace of economic growth is slowing down in all the three sectors – frequent occurrence of droughts on farm front wrecked havoc on the fortunes of agriculture. Manufacturing recession is visible both at all India and in the State. Tertiary sector which was the main spring of aggregate economic growth has been manifesting an insipid growth in recent couple of years which has incapacitated the tertiary sector to prop up the economy in the event of agriculture having not fared well. The economy has metamorphosed into tertiary's-led one from primary-producing one.

Vast variations and discrepancies are noticed across the districts and sectors, as seen through the prism of district income and per capita real income. These angularities need to be ironed out. Districts of Ariyalur, Perambalur, Dharmapuri, Cuddalore and Villupuram merit special focus in development planning.

Improvements in Human Development Index reveal that the fruits of economic development have reached out to the people at the bottom rungs of the economic ladder. Allocative efficiency, technical efficiency and dynamic efficiency are to be accomplished to make marked improvements in the ICOR.