

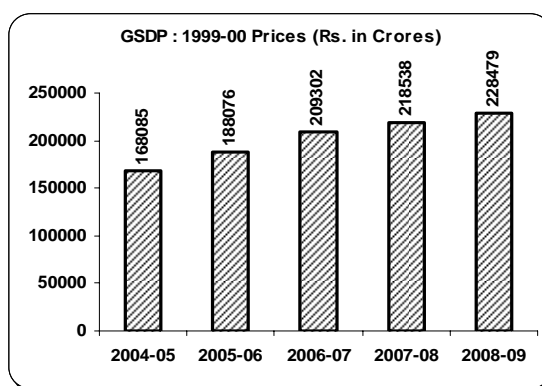
2. STATE INCOME

The overall growth rate achieved in the Tenth Plan proved that the State economy would sustain its performance in the long run also. However, the robust growth rates achieved during the years 2004-05, 2005-06 and 2006-07 could not be sustained in the first two years of the Eleventh Plan Period (2007-08 and 2008-09) due to some adverse shocks, realized by the State economy. During these two years, almost all the sectors viz. primary, secondary and services witnessed a lowest growth profile. Primary sector witnessed a negative growth whereas the secondary and services sectors experienced a deceleration in their performances.

Growth Performance:

Gross State Domestic Product (GSDP): 2008-09:

The overall growth performance of the State economy is measured by the Gross State Domestic Product (GSDP) at constant prices. The GSDP at factor cost at constant (1999-2000) prices in the State increased from Rs.218538 crore in 2007-08 to Rs.228479 crore in 2008-09 registering a growth of 4.55 per cent which is negligibly higher than that of 4.41 per cent achieved in the preceding year. Whereas the GSDP, at current prices had increased from Rs.304989 crore in 2007-08 to Rs.339212 crore in 2008-09, registering a robust growth of 11.22 per cent.



In real terms, the State was able to achieve a commendable growth of 11.45 per cent in 2004-05, 11.89 per cent in 2005-06 and 11.29 per cent in 2006-07. However, the State could not maintain the same tempo of growth in the succeeding years. The negative growth rate of 6.81 per cent in the primary sector during 2007-08 and moderate growth rate of 2.25 per cent in the secondary sector and decelerated growth rate in the services sector were the limiting factors for fall in the overall performance of the State economy during 2007-08. During 2008-09 also, all the three sub sectors had experienced a low growth profile when compared to the growth of previous year 2007-08. The State economy during 2008-09 witnessed a low growth rate of 1 per cent in the secondary sector and 7.62 per cent in the services sector, which decelerated by 2.25 percentage points achieved in 2007-08. The primary sector witnessed a negative growth of 1.92 per cent during 2008-09, which was condensed from the previous year's negative growth of 6.81 per cent and it is a brief relief for the primary sector.

**Table – 1: Sectoral Growth of Gross State Domestic Product at
Factor Cost –Tamil Nadu (1999-2000 New Series)**

(Rs. Crore)

Year	At Constant (1999-2000) Prices							
	Primary		Secondary		Tertiary		GSDP	
	Income	Growth Rate (%)	Income	Growth Rate (%)	Income	Growth Rate (%)	Income	Growth Rate (%)
2002-03	19236	(-)19.68	41674	9.90	81385	4.38	142295	1.75
2003-04	18971	(-)1.38	44438	6.63	87406	7.40	150815	5.99
2004-05	22227	17.16	49750	11.95	96107	9.95	168085	11.45
2005-06	24675	11.01	57126	14.83	106275	10.58	188076	11.89
2006-07 (RE)	27793	12.64	62527	9.45	118982	11.96	209302	11.29
2007-08(QE)	25899	(-)6.81	63936	2.25	128703	8.17	218538	4.41
2008-09(AE)	25401	(-)1.92	64572	1.00	138506	7.62	228479	4.55
	At Current Prices							
2002-03	20927	(-)15.17	45796	13.80	91432	8.91	158155	6.24
2003-04	21584	3.14	51510	12.48	102277	11.86	175371	10.89
2004-05	26905	24.65	61544	19.36	113924	11.39	202374	15.40
2005-06	32463	20.65	74399	20.09	127975	12.33	234837	16.04
2006-07(RE)	39447	21.51	86546	16.32	150924	17.93	276917	17.92
2007-08(QE)	43454	10.16	94510	9.20	167025	10.67	304989	10.14
2008-09(RE)	42998	(-)1.05	103843	9.88	192371	15.17	339212	11.22

Note: RE-Revised Estimates, QE - Quick Estimates; AE - Advanced Estimates.

Source: Directorate of Economics and Statistics, Chennai - 6.

National Income Vs State Income:

At the National level, the Central Statistical Organisation (CSO) estimated that the Gross Domestic Product (GDP) at factor cost and at constant prices (1999-2000), would increase from Rs.3129717 crore in 2007-08 to Rs.3339375 crore in 2008-09 registering a growth of 6.70 per cent, which is higher than the growth performance achieved by the State (4.55%) for the corresponding period.

However, at the national level also, the growth rate of GDP at 6.70 per cent in real terms during 2008-09 decelerated from 9.01 per cent of growth rate achieved in the previous year. The CSO had downward the revision in the GDP growth than anticipated mainly on account of witnessing lower performances in almost all the sub sectors except construction and community, social and personal services.

Table-2 : State Income Vs. National Income :Growth Rates

(Rs. Crore)

Year	Tamil Nadu		All India	
	At Current Prices	At Constant Prices	At Current Prices	At Constant Prices
2002-03	158155 (6.24)	142295 (1.75)	2261415 (7.80)	2048286 (3.84)
2003-04	175371 (10.89)	150815 (5.99)	2538170 (12.24)	2222758 (8.52)
2004-05	202374 (15.40)	168085 (11.45)	287770 (13.38)	2388768 (7.47)
2005-06	234837 (16.04)	188076 (11.89)	3282385 (14.06)	2616101 (9.52)
2006-07	276917 (17.92)	209302 (11.29)	3779385 (15.14)	2871118 (9.75)
2007-08	304989 (10.14)	218538 (4.41)	4320892 (14.33)	3129717 (9.01)
2008-09	339212 (11.22)	228479 (4.55)	4933183 (14.17)	3339375 (6.70)

Note: Figures in brackets are Growth Rates for corresponding period.

Source: Directorate of Economics and Statistics, Chennai & CSO, New Delhi.

Economic Slowdown:

The 'Ratchet Growth' both at national and State levels could not be sustained during 2007-08 and 2008-09 due to fall in agricultural income and worldwide 'Economic Slowdown' since October 2008. The meltdown in the financial sector in USA spread to European and to Asian countries had resulted in the 'Economic Slowdown' in the international markets. The 'Global Liquidity Crunch' had affected the Indian economy also. The origin and dimension of crisis in the developed countries termed as 'worst' since the Great Depression affected the developing countries in varying degrees including India. The increasing cost of production due to increasing raw material costs, power interruptions not only lowered down the production of export goods like textiles, engineering goods but also led to massive job losses in the country. The Indian rupee depreciated sharply vis-à-vis the US dollar since April 2008, which had affected the export prospects on Indian industries. The positive impact of the rupee depreciation had been washed away due to recession around the world especially in USA, European Union, Japan and Korea. The State was not exceptional from the effects of 'Global Slowdown'

Overview of Earlier Slow Down in Growths in Tamil Nadu :

It may be useful to compare the slowdown in growth experienced in 2008-09 with that of earlier slowdowns in 1991-92, 1997-98 and 2002-03. The earlier slowdowns in growths of GSDP at factor cost were the sharpest in 1991-92 and 2002-03 than 1997-98. The GSDP of agriculture and allied activities decelerated from 11.42 per cent in 1991-92 to 9.79 per cent in 1997-98 and witnessed negative growth rates during 2002-03 and 2008-09. The growth rate of manufacturing GSDP was better in 2008-09 slowdown period when compared to negative growth witnessed during 1991-92 and 1997-98 barring 2002-03.

Table -3: Growth of GSDP and Select Sectors - Tamil Nadu (Per cent)

Parameters	1991-92	1997-98	2002-03	2008-09
GSDP (at Factor Cost)	2.95	8.20	1.75	4.55
GSDP (Agriculture & Allied Activities)	11.42	9.79	(-) 23.17	(-) 2.65
GSDP (Manufacturing)	(-) 7.44	(-) 1.42	3.83	1.97

Source: Various Issues of Tamil Nadu Economic Appraisals.

Eleventh Five -Year Plan:

Objectives:

‘The broad objective of the Eleventh Plan is to achieve steady and sustainable growth of the economy, coupled with social justice. Safeguarding the livelihood of the people through providing adequate educational and employment opportunities is a major thrust area for the Eleventh Plan. In addition, the Eleventh Plan aims to upgrade the quality of life of the urban and rural population by providing essential infrastructure, thereby ensuring and enhancing the delivery of basic civic services such as water supply and sanitation. The State has adopted a targeted overall growth rate of 9 per cent on par with the recommendations of the National Development Council for the Indian economy’. (Eleventh Five-Year Plan Document , 2007-12)

Strategies:

‘The strategies for the Eleventh Plan are drawn up based on past development experience in the backdrop of the prevailing economic environment in the country and particularly in the State. The public expenditure during the Eleventh Plan periods aims at facilitating the achievement of the objectives with focus on revival of the primary sector, improvement of civic amenities, training for skill development and employment generation. The main philosophy of the Eleventh Plan is ‘Inclusive Growth’, which brings the vulnerable and marginalized groups within the Social Security Net. Private sector is to be made an effective partner in the State’s economic progress with its investments being channelised towards the priority sectors, where they are economically productive and socially relevant.’ (Eleventh Five -Year Plan Document 2007-12)

Mid Term Appraisal of Eleventh Plan (2007-2009):

During the Mid Term Eleventh Plan Periods viz. 2007-08 and 2008-09, the overall growth of the State Economy is registered at 6.09 per cent as against the overall target growth of 9 per cent per annum. On an average, the State economy has to grow at a rate of 13 per cent per annum in the remaining three years so as to witness the target growth of 9 per cent in the Eleventh Plan period. The primary sector posted a negative growth of 4.37 per cent against the target growth of 4.0 per cent per annum in the mid term period while both secondary (1.63%) and services sector (7.90%) experienced lower growth rates against the respective target growth rates of 9.2 per cent and 10.1 per cent.

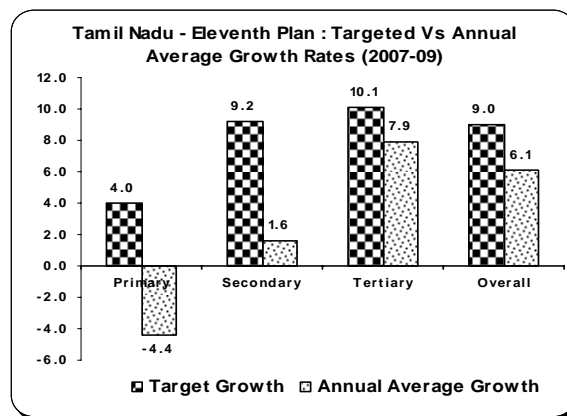


Table-4: Tenth Five Year Plan - Sectoral and Sub-Sectoral Target Growth Rates and Annual Growth Rates - Tamil Nadu

Sector	Tenth Plan (2002-07)		Eleventh Plan (2007-12)	
	Projected Growth	Annual Average Growth Rate Achieved	Target Growth Rate	Annual Average Growth (2007-09)
1. Primary Sector	3.79	4.02	4.0	(-)4.37
Agriculture and Allied Activities	4.00	4.37	4.0	(-)4.94
Forestry and Logging	3.00	0.75	0.6	1.00
Fishing	1.50	4.46	1.5	(-)2.50
Mining and quarrying	0.40	6.66	2.0	1.15
2. Secondary Sector	7.12	9.10	9.2	1.63
Manufacturing -Registered	8.00	8.89		
Un- Registered	2.50	7.31	9.9	3.35
Electricity, Gas and Water Supply	6.00	11.87	5.7	(-)41.89
Construction	10.50	11.93	8.5	2.77
3. Tertiary Sector	9.77	8.03	10.1	7.90
Trade, Hotels and Restaurants	6.50	8.85	7.7	7.00
Transport, Storage & Communications			11.5	11.31
Railways	6.00	5.73	4.3	7.14
Transport by other means	10.00	6.37	5.5	5.44
Storage	2.00	3.37	4.5	0.69
Communication	11.15	16.91	19.3	19.48
Banking and Insurance	14.00	11.41		6.94
Real Estate ownership of Business Services	9.30	8.22	10.5	4.74
Community, Social & Personal Services			12.0	14.05
Public Administration	10.00	2.02		9.11
Other Services	9.50	5.65		8.66
Overall GSDP	8.00	7.59	9.00	6.09

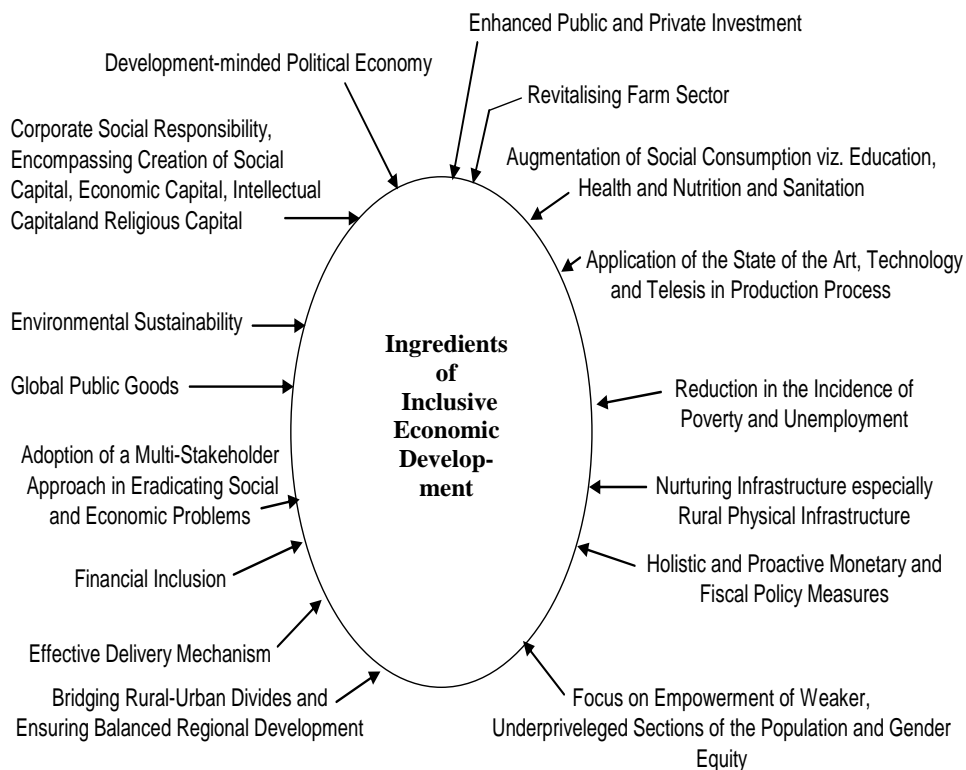
Source: 1. Tenth Five Year Plan - Tamil Nadu State Planning Commission.

2. Directorate of Economics and Statistics, Chennai

Box-1 Inclusive Growth

National and State economy have registered an annual growth rate of 9 per cent in the recent years. However, it is witnessed that the economic benefits achieved in the subsequent plans have not fully reached out to the target groups. Growth without adequate employment, lack of food security, increasing poverty, imbalanced regional development etc. are the continuing problems. To overcome the lop-sided development, the present 11th Five Year Plan focuses on achieving of “Inclusive Economic Development”. The Economic inclusiveness implies excluding nobody but involving everybody in the growth process. The essence of economic inclusive growth is that it aims at putting more people in productive and sustainable jobs.

The Eleventh Plan Approach Paper has the title, “Towards Faster and More Inclusive Growth”. It revealed a strategy that aims at creating physical assets, human capital and capabilities and opportunities for productive employment, especially for the lower –middle class and the poor, will help in achieving sustainable and inclusive growth. Economic Reforms in India since 1991 and acceleration in the globalization process in the recent years have created new political classes and changed the policy space.



Source: *Anatomy of Research Design in Economics*, S.MANICKAM.(Former DD, E&AR Dept.,Chennai-108.)

There are seven key components in the Strategy of Inclusive Growth Viz.

- Stepping up investment in rural areas and agriculture;
- Increasing credit availability of farmers;
- Increasing public spending on education, health care and strengthening the mid-day meal scheme;
- Investing in urban renewal;
- Empowering the SC and ST and other backward classes, minorities, women and children, socially and economically and educationally; and
- Ensuring that through public investment in the growth process spreads to backward regions and districts.

The Strategy of Inclusive Growth combines empowerment with entitlement and investment. Education empowers, improved health care empowers, employment guarantee entitles and fulfilling quota confers entitlements. Conferring entitlement, ensuring empowerment and stepping investment are considered as a winning combination.

The new elements of the new architecture of Inclusive Growth are,

- Bharat Nirman;
- Mahatma Gandhi Rural Employment Guarantee Scheme;
- The Rural Health Mission;
- The Strengthened and extended Sarva Shiksha Abhiyan;
- The Mid-day Meal and ICDS Programmes; and
- The Jawaharlal Nehru National Urban Renewal Mission

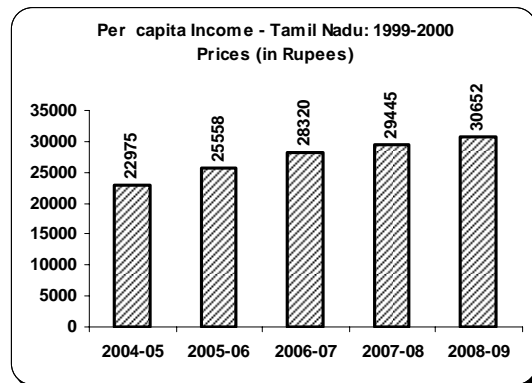
The Inclusive Growth strategy aims at including the excluded. To attain the goal of Inclusive Economic Development, multi-stakeholders of the economy such as Government, NGOs, Public Private Partnership and in the rural areas, the tribal and the vulnerable sectors must be equal participants in the development process.

Source: Abstract from "Inclusive Economic Growth – An Emerging Economic Philosophy (S.Manickam Former DD DEAR).

Per capita Income: Tamil Nadu vis-à-vis All India:

The standard of living of the people is reflected through the per capita income earned by them in the respective year. In the State, the per capita income in real terms increased from Rs.29445/- in 2007-08 to Rs.30652/- in 2008-09 and registered a growth of 4.10 per cent, which is marginally higher than 3.97 per cent recorded in the previous year. But, however, the growth rate is decelerated from 11.24 per cent achieved in 2005-06.

It is noted that at National level, the per capita income both at current and constant prices is comparatively lower than at the State level. All India per capita income increased from



Rs.24295/- in 2007-08 to Rs.25474/- in real terms and recorded a growth of 4.94 per cent which decelerated from 7.60 per cent achieved in 2007-08. However, it is noticed that during the first two years of the Eleventh Plan period, in real terms, the Annual Average Growth Rate of State per capita income is 4.04 per cent which is lower than 6.27 per cent at national level.

Table – 5 : Per Capita Income (1999-2000 Series)

Year	Tamil Nadu				All- India			
	At Current Prices		At Constant Prices		At Current Prices		At Constant Prices	
	Income (Rupees)	Growth Rate (%)	Income (Rupees)	Growth Rate (%)	Income (Rupees)	Growth Rate (%)	Income (Rupees)	Growth Rate (%)
2002-03	21830	4.24	19662	(-)0.44	18885	6.20	17109	2.03
2003-04	24087	10.34	20707	5.31	20871	10.52	18301	6.97
2004-05	27512	14.22	22975	10.95	23198	11.15	19331	5.63
2005-06	31663	15.09	25558	11.24	26003	12.09	20868	7.95
2006-07	37190	17.46	28320	10.81	29524	13.54	22580	8.20
2007-08	40757	9.59	29445	3.97	33283	12.73	24295	7.60
2008-09	45058	10.55	30652	4.10	37490	12.64	25494	4.94
Eleventh Plan Period AAGR		10.07		4.04		12.69		6.27

Source: 1. Directorate of Economics and Statistics, Chennai – 6.

2. Central Statistical Organisation, New Delhi.

Sectoral Performance:

Primary Sector:

The overall performance of the primary sector during 2008-09 did not fare well as it recorded a negative growth of 1.92 per cent. At constant prices, the GSDP of primary sector decreased from Rs.25899 crore in 2007-08 to Rs.25401 crore in 2008-09. The agriculture and allied activities, which is contributing about 85 per cent to total GSDP of primary sector, did not perform well during 2008-09. The income from this sub-sector decelerated from Rs.22116 crore in 2007-08 to Rs.21530 crore in 2008-09 and thereby registered a negative growth of 2.65 per cent. However, the negative growth in this sub group in 2008-09 has been reduced when compared to 2007-08. Income originated from the fishing sub-sector is substantially high after ‘Tsunami’ (December 2004), which witnessed a negative growth of 2.91 per cent in 2008-09 when compared to 40.30 per cent in 2005-06. However, the other two sub-sectors, viz. forestry and logging (1.16%), and mining and quarrying (1.81%) registered positive growths which had helped in narrowing down the overall negative growth of primary sector during the review period.

Table – 6 : Primary Sector : Growth Rate of Sub-Sectoral Income (GSDP) at Constant (1999-2000) Prices - State Economy

Sub-Sector	(Rs. Crore)							
	2002-03	2003-04	2004-05	2005-06	2006-07 (RE)	2007-08 (QE)	2008-09 (AE)	XI Plan (2007-09)
Agriculture & Allied Activities	15844 (-23.17)	15485 (-2.27)	18971 (22.51)	20791 (9.59)	23837 (14.65)	22116 (-7.22)	21530 (-2.65)	(-) 4.94
Forestry & Logging	633 (11.44)	599 (-5.37)	629 (5.01)	632 (0.48)	596 (-5.70)	601 (0.84)	608 (1.16)	1.00
Fishing	1949 (-2.60)	1895 (-2.77)	1618 (-14.62)	2270 (40.30)	2315 (1.98)	2312 (-7.90)	2194 (-2.91)	(-)2.50
Mining & Quarrying	809 (6.73)	991 (22.50)	1009 (1.82)	982 (-2.68)	1045 (6.42)	1050 (0.48)	1069 (1.81)	1.15
Primary Sector	19236 (-19.68)	18971 (-1.38)	22227 (17.16)	24675 (11.01)	27793 (12.64)	25899 (-6.81)	25401 (-1.92)	(-) 4.37)

Note: 1. Figures in brackets indicate percentage change over the previous year.

2. RE - Revised Estimates, QE - Quick Estimates, AE - Advanced Estimates.

Source: Directorate of Economics and Statistics, Chennai-6.

Secondary Sector:

The GSDP in the secondary sector had increased from Rs.63936 crore in 2007-08 to Rs.64572 crore in 2008-09 and thereby registered a meager growth of 1 per cent which decelerated from 2.25 per cent recorded in the preceding year. The main contributor of this sector viz. manufacturing sub-group heavily suffered from 'Global Recession'. The manufacturing industries such as textiles, readymade garment apparels, leather and wood products, publishing and printing materials, coke and petroleum products, chemical products, basic metals, non metallic mineral products, computing machineries and communication equipments have declined sharply in their production which had pulled down the overall GSDP in this sub-group. The export orders of these products were either cancelled or reduced considerably due to 'World Recession'. The manufacturing unregistered industries also reduced their production due to lower demand from the registered manufacturing industries. The survivals of unregistered manufacturing industries depend on the larger industries whose export was declined due to 'Global Financial Crunch'. During 2008-09, the gross domestic product of 'electricity, gas and water supply' is almost halved when compared to the previous year. It declined from Rs.1744 crore in 2007-08 to Rs.902 crore in 2008-09 and recorded an astonished negative growth of 48.27 per cent due to increasing cost of production of electricity and gas and lower revenue realized and involvement of subsidy.

The growth rates achieved by the construction industries during 2004-05, 2005-06 and 2006-07 could not be sustained during 2007-08 and 2008-09. The 'construction' sub-group is not free from the economic slow down. Though this sub group registered an accelerated growth of 3.36 per cent in 2008-09 compared to the previous year could not help the secondary sector to boost up the overall growth.

Table – 7 : Secondary Sector : Growth Rate of Sub-Sectoral Income (GSDP) at Constant (1999-2000) Prices State Economy

(Rs. Crore)								
Sub-Sector	2002-03	2003-04	2004-05	2005-06	2006-07 (RE)	2007-08 (QE)	2008-09 (AE)	XI Plan (2007-09)
Manu- facturing	26968 (3.83)	30055 (11.45)	32327 (7.56)	37644 (16.45)	41913 (11.34)	43894 (4.73)	44758 (1.97)	3.35
Manu. Registered	16891 (2.78)	19559 (15.80)	20980 (7.27)	25463 (21.37)	28377 (11.44)	29523 (4.04)	30104 (1.97)	3.01
Manu.Un- registered	10077 (5.64)	10496 (4.16)	11347 (8.11)	12181 (7.35)	13536 (11.12)	14371 (6.32)	14654 (1.83)	4.08
Electricity, Gas & Water Supply	3872 (85.17)	2768 (-28.51)	3098 (11.92)	3012 (-2.78)	2704 (-10.23)	1744 (-35.50)	902 (-48.27)	(-41.89)
Construc- tion	10834 (9.93)	11615 (7.21)	14324 (23.32)	16470 (14.98)	17909 (8.74)	18298 (2.17)	18912 (3.36)	2.77
Secondary Sector	41674 (9.90)	44438 (6.63)	49750 (11.95)	57126 (14.83)	62527 (9.45)	63936 (2.25)	64572 (1.00)	1.63

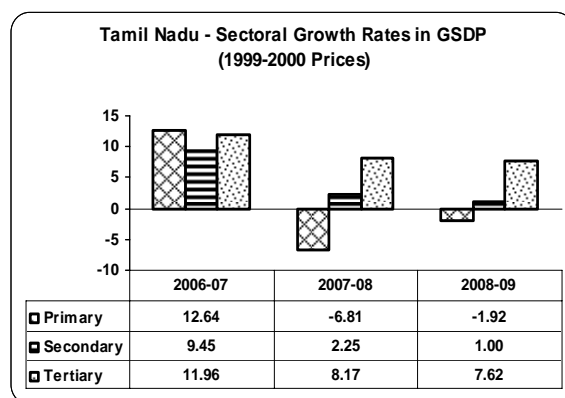
Note: 1. Figures in brackets indicate percentage change over the previous year.

2. RE - Revised Estimates, QE - Quick Estimates, AE - Advanced Estimates.

Source: Directorate of Economics and Statistics, Chennai-6.

Services Sector:

The overall GSDP of the Services Sector increased from Rs.128703 crore in 2007-08 to Rs.138506 crore in 2008-09 and witnessed a growth of 7.62 per cent, which, decelerated from 8.17 per cent achieved in the previous year. Almost all the sub-groups of this sector registered a positive growth during 2008-09, except storage, which showed a negative growth of 0.90 per cent though negligible. All the broad sub-groups in this sector viz. 'trade, hotels and restaurants', 'transport, storage and communication' and 'financing, insurance, real estates and business services' registered positive growths however, they are witnessing the deceleration in their growth during the review year.



'Trade, hotels & restaurants' which is directly linked with tourism had heavily decelerated in its growth from 10.80 per cent achieved in 2007-08 to 3.20 per cent in 2008-09. The 'Global Economic Slowdown' affected the international and domestic tourist arrivals in the State which in turn reduced the revenue of this sub sector considerably. It is noted that the growth rates of real estate sub-sector had continuously decelerated from 12 per cent in 2004-05 to 2.84 per cent in 2008-09. The real estate business had also experienced a lower demand from the commercial and residential buyers due to low purchasing power and high bank rates. However, the 'communication' sub sector is not affected by the economic slowdown and is flourishing well in the State owing to alarming increase in the number of mobile users and lower user charges competitively imposed by the service providers.

Banking and insurance sub sector realized a growth of 6.25 per cent. 'Community, Social and Personal Services' is another sub-group of services sector which recorded a robust growth of 14.05 per cent during 2008-09 as compared to 3.51 per cent in 2007-08 on account of the implementation of Sixth Pay Commission in the State.

**Table - 8: Tertiary Sector : Growth of Sub-Sectoral Income (GSDP)
at Constant (1999-00) Prices - State Economy (Rs. Crore)**

Sub-Sector	2002-03	2003-04	2004-05	2005-06	2006-07 (RE)	2007-08 (QE)	2008-09 (AE)	XI Plan (2007-09)
1. Trade, Hotel & Restaurants	22395 (1.97)	25423 (13.52)	28620 (12.58)	32591 (13.87)	36666 (12.50)	40625 (10.80)	41925 (3.20)	7.00
2. Transport, Storage & Communication	14610 (4.73)	16544 (13.24)	18437 (11.44)	20580 (11.62)	22552 (9.58)	25157 (11.56)	27941 (11.06)	11.31
2.1. Railways	1580 (0.83)	1640 (3.80)	1800 (9.76)	1894 (5.22)	2065 (9.03)	2194 (6.25)	2370 (8.02)	7.14
2.2. Transport by other means	8325 (1.33)	9131 (9.68)	10031 (9.86)	10962 (9.28)	11487 (4.79)	12241 (6.57)	12767 (4.30)	5.44
2.3 Storage	77 (-12.75)	78 (1.30)	91 (16.67)	97 (6.59)	108 (11.34)	111 (2.28)	110 (-0.90)	0.69
2.4 Communication	4629 (13.48)	5695 (23.03)	6515 (14.40)	7627 (17.07)	8893 (16.60)	10612 (19.33)	12694 (19.62)	19.48
3. Financing, Insurance, Real Estates & Business Services	22185 (10.54)	23595 (6.36)	24970 (5.83)	28238 (13.09)	32221 (14.11)	34409 (6.79)	36123 (4.98)	5.89
3.1. Banking & Insurance	11487 (16.08)	12041 (4.82)	12028 (-0.11)	13969 (16.14)	16779 (20.12)	17942 (6.93)	19189 (6.25)	6.94
3.2. Real Estate, Ownership of Dwellings & Business Services	10699 (5.17)	11554 (7.99)	12941 (12.00)	14270 (10.27)	15441 (8.21)	16467 (6.64)	16934 (2.84)	4.74
4. Community, Social & Personal Services	22195 (0.92)	21843 (-1.59)	24081 (10.25)	24866 (3.26)	27543 (10.77)	28511 (3.51)	32516 (14.05)	8.78
4.1. Public Administration	7348 (-7.07)	7469 (1.65)	7765 (3.96)	7847 (1.06)	9141 (16.49)	9199 (0.63)	10816 (17.58)	9.11
4.2. Other Services	14847 (5.41)	14374 (-3.19)	16315 (13.50)	17019 (4.32)	18403 (8.13)	19312 (4.94)	21700 (12.37)	8.66
Tertiary Sector	81385 (4.38)	87406 (7.40)	96107 (9.95)	106275 (10.58)	118982 (11.96)	128703 (8.17)	138506 (7.62)	7.90

Note: 1. Figures in brackets indicate percentage change over the previous year.

2. RE - Revised Estimates, QE - Quick Estimates, AE - Advanced Estimates.

Source: Directorate of Economics and Statistics, Chennai-6.

Structural Transformation:

The structural transformation among the sectors is an indispensable characteristic feature in the development process of the State economy. It showed that the contribution of primary sector which was 43.51 per cent of total GSDP in 1960-61 decelerated continuously and reached 25.92 per cent in 1980-81 and further decelerated to 11.12 per cent in 2008-09 whereas the contribution of secondary sector increased from 20.27 per

cent in 1960-61 to 33.49 per cent in 1980-81 and then decelerated to 28.26 per cent in 2008-09 giving way to the services sector. The services sector is gaining momentum in the development process of the economy and its contribution had accelerated from 36.22 per cent in 1960-61 to 40.59 per cent in 1980-81 and then boomed at 60.62 per cent in 2008-09. The rapid growth of services sector is leapfrog from the primary sector skipping the middle of secondary sector in the State economy.

Table-9: State Economy: Structural Changes

		(Per cent)						
Sl. No.	Sectors	1960-61	1970-71	1980-81	1990-91	1999-00	2006-07	2008-09
1.	Primary Sector	43.51	34.79	25.92	23.42	17.37	13.28	11.12
2.	Secondary Sector	20.27	26.88	33.49	33.10	29.57	29.87	28.26
3.	Tertiary Sector	36.22	38.33	40.59	43.48	53.06	56.85	60.62
	Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Note: 1960-61 to 1990-91 computation is based on 1980-81 prices. 1999-00, 2006-07 and 2008-09 are based on 1999-2000 prices.

Source: Department of Economics and Statistics, Chennai

Gross State Domestic Product and Per capita Income- Major States:

The Compound Annual Growth Rates (CAGR) for the period from 1999-00 to 2007-08 in real terms for 15 major States representing nearly 90 per cent of population in the country was computed for the respective State Domestic Products with new base year (1999-2000) as per the data provided by the Central Statistical Organisation. The Gross State Domestic Product at constant prices in Tamil Nadu increased from Rs.134185 crore in 1999-2000 to Rs.228479 crore in 2008-09 which was fairly high in absolute value when compared to Haryana where it increased from Rs.51391 crore to Rs.112543 crore for the respective period. However, Haryana occupied the first position with an annual compound growth rate of 9.10 per cent whereas Tamil Nadu was ranked seventh with 6.09 per cent whereas it was 7.20 per cent at the national level. It is noted that the CAGR for Bihar (7.78%) and Orissa (6.93%) is higher than Tamil Nadu (6.09%). The World Bank cited three reasons viz. fiscal, infrastructure and human resources development for the existence of different rates of growth between the States.

The per capita Net State Domestic Product (NSDP) in real terms also exhibits significant variations between the States. The highest per capita income is noticed in Haryana where it increased from Rs.23229/- in 1999-2000 to Rs.42267/- in 2008-09 with an Annual Compound Growth Rate of 6.88 per cent compared to 6.41 per cent in Andhra Pradesh. Whereas in Tamil Nadu, it increased from Rs.19432/- to Rs.30652/- which is higher than that of all India but registered a lower annual compound growth rate of 5.19 per cent. States like Gujarat (6.74%), Andhra Pradesh (6.41%), Kerala (6.81%), Orissa (5.39%), Uttar Pradesh (7.13%) had a higher growth rate in per capita income when compared to Tamil Nadu and other States. The disparity in the growth rate of per capita income between the States is due to differences in private investment and public expenditure, differences in the distribution of State Governments' expenditure, State policies, implementation of welfare schemes, etc.

**Table - 10 : Gross State Domestic Product and Per Capita Income –
Major States (At 1999-2000 Prices)**

State	GSDP (Rs. Crore)			Per Capita Income (Rupees)		
	1999-00	2008-09	CAGR	1999-00	2008-09	CAGR
Andhra Pradesh	128797	252318	7.76	15427	26983	6.41
Assam	34833	54477	5.09	12282	16597	3.40
Bihar	50174	98393	7.78	5786	9586	5.77
Gujarat*	109861	213674	8.67	18864	31780	6.74
Haryana	51391	112543	9.10	23229	42267	6.88
Karnataka	101247	181338	6.69	17502	27385	5.10
Kerala*	69168	126453	5.17	19461	32961	6.81
Madhya Pradesh*	80132	103503	3.25	12384	13299	0.90
Maharashtra	247830	416248	5.93	23011	33302	4.19
Orissa	42910	78410	6.93	10567	16945	5.39
Punjab	67162	103415	4.91	25631	33153	2.90
Rajasthan	82720	140523	6.06	13619	19079	3.82
Tamil Nadu	134185	228479	6.09	19432	30652	5.19
Uttar Pradesh	175159	270850	4.96	13516	25114	7.13
West Bengal*	135376	220198	6.27	15888	23229	4.86
All India	1786526	3339375	7.20	15881	25494	5.40

*Note – * Up to 2007-08. Source: Central Statistical Organisation, New Delhi.*

Gross Fixed Capital Formation (GFCF):

GFCF is defined as the total value of additions to fixed assets during an accounting period. Normally, these are tangible assets, but sometimes they are intangible assets also, (eg.) intellectual property and software.

The targets fixed for the Eleventh Five Year Plan were, a growth rate of 9 Per cent, an Incremental Capital Output Ratio (ICOR) of 3.6 per cent and a saving ratio of about 30 per cent of Gross State Domestic Product (GSDP). The savings are from three sources viz. households, corporate sectors and governments. The savings accrued from the Governments were very meager and inadequate. However, the functioning of Public Sector Undertakings in the State had resulted in earning profit, which increased their savings satisfactorily in the recent past. The savings from the household sectors were up to the mark, whereas the savings from the corporate sectors were not up to expectation. The share of GFCF in public sector increased from 33.90 per cent in 1999-2000 to 35.28 per cent in 2001-02 whereas the share of private sector had increased from 60.19 per cent to 64.72 per cent for the corresponding period. This trend was reversed during 2004-05 since the share of GFCF for public sector and private sector was in the ratio of 24:76 respectively.

**Table - 11: Gross State Domestic Product and Gross Fixed Capital Formation
in Tamil Nadu**

(Value Rs. Lakh)

Year	GSDP at Current Prices	Gross Fixed Capital Formation (Current Prices)			Ratio of GFCF to GSDP
		Public Sector	Private Sector	Total	
1999-00	13418520	732684 (33.90)	1428835 (60.19)	2161519	16.12
2000-01	14679594	743834 (30.80)	1670951 (69.20)	2414785	16.45
2001-02	14886119	878420 (35.28)	1611095 (64.72)	2489515	16.72
2002-03	15815525	961795 (32.63)	1985564 (67.37)	2947359	18.64
2003-04	17537080	1050263 (30.20)	2427206 (69.80)	3477469	19.83
2004-05	20237357	976833 (24.37)	3031754 (75.63)	4008587	19.81

Note: Figures in brackets indicate percentage share to total.

Sources: Department of Economics and Statistics, Chennai-6.

It was observed that, booming Foreign Direct Investment (FDI) into the State had established a new platform for the investment oriented growth in GSDP. Increase in investment in the industrial sector would increase the growth of fixed capital in the State so as to accelerate the overall growth rate in the planning process. In the State, the ratio of Gross Fixed Capital Formation to Gross State Domestic Product at current prices slowly increased from 16.12 per cent in 1999-2000 and reached 19.83 per cent in 2003-04 and then marginally declined to 19.81 per cent in 2004-05.