

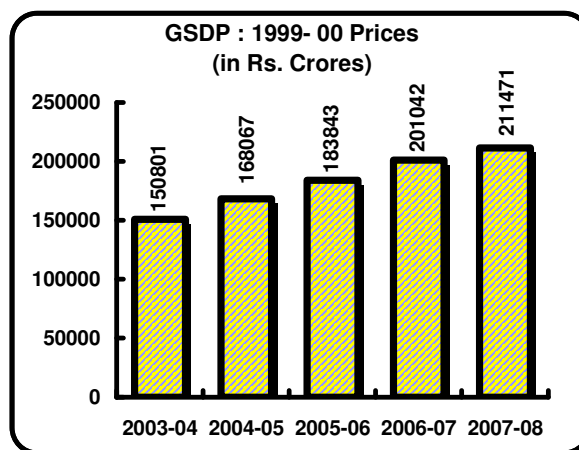
2. STATE INCOME

The economic development has been achieved over the years through the planning process which had created the growth trajectory in the State Economy. Emerging of large scale organised sector in the State Economy had boosted the capacity to mobilise resources from internal and external sources for further economic development. The stock of technological skills in various fields include men and machines and other resources which are available within the economy and have accelerated further growth profile. A diversified industrial and infrastructural base in the State has also been realised and is being built up from Ninth Plan onwards to strengthen the hope for industrialisation. The services sector which is the growth promoter and an engine of the growth in recent years has absorbed the unskilled human resources also. The task now is to utilise the human, material and financial resources optimally for a pattern of growth orientation which leads towards the goal of full employment and fulfillment of social aspirations and needs of masses through forward and backward linkages between the sectors. The development of IT and ITEs promotes employment and increases the income.

Growth Performance:

Gross State Domestic Product (GSDP) - 2006-07 & 2007-08:

The GSDP at factor cost at constant (1999-2000) prices in the State increased from Rs.183843 crore in 2005-06 to Rs.201042 crore in 2006-07 and registered a growth of 9.36 per cent which is more or less equal to that of the preceding year (9.39%). For the corresponding period, the GSDP measured at current prices increased from Rs.229543 crore to Rs.262692 crore which recorded a double digit growth of 14.44 per cent. The State witnessed positive and comfortable growth rates



in all the three sub sectors viz. primary, secondary and services sectors during the last three years. A conducive atmosphere prevailed in the development process of the State Economy and all the three sub sectors in the recent past yielded the desirable results. In real terms, the primary sector achieved a growth of 13.07 per cent, the secondary sector 7.49 per cent and the services sector recorded 9.45 per cent during 2006-07, which helped the State economy to achieve the overall growth of 9.36 per cent.

The State economy could not maintain the same tempo of growth rate during 2007-08. At constant prices, the Gross State Domestic Product for Tamil Nadu increased from Rs.201042 crore in 2006-07 to Rs.211471 crore for the year 2007-08 and registered a growth of 5.19 per cent which was lower than that recorded in the previous year (9.36%). While completing the first year in the development process of Eleventh Five Year Plan, the State Economy had achieved a growth of 5.19 per cent against the annual growth target of 9.0 per cent set for the plan period (GoTN). The negative growth of 6.73 per cent witnessed by the primary sector is a cause for concern. The growth in other two sectors viz. Secondary (4.81%) and Services Sector (8.28%) also

recorded a decelerated growth compared to the previous year. At current prices, the State income increased from Rs.262692 crore in 2006-07 to Rs.290286 crore in 2007-08 recording a growth of 10.50 per cent compared to 14.44 per cent in 2006-07.

At the national level, the Gross Domestic Product (GDP) at constant prices (1999-2000), increased from Rs.2616101 crore in 2005-06 to Rs.2871118 crore in 2006-07 and registered a growth of 9.75 per cent which was higher than the growth performance achieved in the State. The CSO estimated GDP at Rs.3129717 crore at constant prices and projected the growth by 9.01 per cent in 2007-08 which marginally decelerated from that of the previous year. At current prices, it increased from Rs.3282385 crore in 2005-06 to Rs.3779385 crore in 2006-07 witnessing a growth of 15.14 per cent and further estimated to increase at Rs.4320892 crore in 2007-08. However, it has witnessed a growth of 14.33 per cent which is lower than the previous year.

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	41673	9.90	81376	4.37	142285	1.75
2003-04	18971	(-)1.38	44437	6.63	87393	7.39	150801	5.99
2004-05	22227	17.18	49750	11.95	96090	9.95	168067	11.45
2005-06(RE)	24652	10.91	54493	9.53	104698	8.96	183843	9.39
2006-07(QE)	27874	13.07	58573	7.49	114595	9.45	201042	9.36
AAGR		4.02		9.10		8.03		7.59
2007-08(AE)	25998	(-)6.73	61387	4.81	124086	8.28	211471	5.19
	At Current Prices							
2002-03	20927	(-)15.16	45796	13.80	91421	8.90	158144	6.24
2003-04	21584	3.14	51510	12.48	102261	11.86	175355	10.88
2004-05	26905	24.66	61544	19.48	113903	11.38	202352	15.40
2005-06(RE)	32439	20.57	71097	15.52	126007	10.63	229543	13.44
2006-07(QE)	38529	18.78	81091	14.06	143072	13.54	262692	14.44
AAGR		10.40		15.07		11.26		12.08
2007-08(AE)	39107	1.50	90453	11.54	160726	12.34	290286	10.50

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

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

Review of State Economy in the Tenth Five Year Plan Period (2002-2007):

Strategy of the Tenth Five Year Plan:

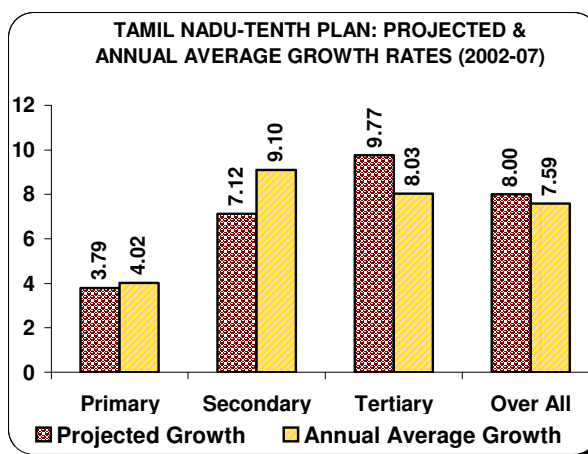
At the national level, the Tenth Plan strategy was based on the recognition that the economy was in the middle of cyclical slowdown and that the public investment in infrastructure would be the key to accelerate the recovery process. The existence of large unutilized capacities in the manufacturing sector created an opportunity to accelerate its growth without corresponding investment. Agriculture was seen as the key sector of the economy for two important reasons at the national level, to generate adequate employment opportunities and thereby to reduce poverty and to provide the necessary level of domestic demand support for sustaining the high level of growth in the longer term. The same strategy was adopted at the State level also to set the overall annual target of 8 per cent growth in GSDP in the Tenth Plan period though it was an ambitious one.

Backdrop of the Tenth Five Year Plan:

The Tenth Five Year Plan (2002-07) set a target for the growth of Gross Domestic Product (GSDP) at 8 per cent per annum with a sub target growth of 3.79 per cent for agriculture and allied activities, 7.12 per cent for the secondary sector and 9.77 per cent for the services sector. The targets were set against the backdrop of 5.46 per cent of overall GSDP growth, 2.28 per cent in the agriculture and allied activities, 4.71 per cent in the secondary sector and 7.41 per cent in the services sector registered on an average during the Ninth Five Year Plan Period.

Sectoral Performance of GSDP during the Tenth Five Year Plan:

During the Tenth Plan period, the State achieved an overall growth of 7.59 per cent as against the targeted growth of 8 per cent due to slippage in the services sector, which achieved an overall growth of 8.03 per cent against the target of 9.77 per cent. Whereas, both primary and secondary sector surpassed the plan target of 3.79 per cent and 7.12 per cent by registering a growth of 4.02 per cent and 9.10 per cent respectively.



The State economy surpassed the plan target (8% per annum) in three occasions, i.e. 11.45 per cent in 2004-05, 9.39 per cent in 2005-06 and 9.36 per cent in 2006-07. This was made possible due to adequate growth rates achieved in all the three sub-sectors. In the first year of the Tenth Plan period, the State witnessed only a subdued growth of 1.75 per cent in 2002-03 owing to negative performance in the primary sector. However, in the subsequent year i.e. 2003-04, the State witnessed an overall growth of 6 per cent though the primary sector achieved a negative growth of 1.36 per cent which was compensated by both secondary and services sectors.

Table-2:Tenth Five Year Plan - Sectoral and Sub-Sectoral Target Growth Rates and Annual Growth Rates - Tamil Nadu

Sector	Ninth Plan(1997-02)		Tenth Plan (2002-07)	
	Projected Growth	Annual Average Growth Rate Achieved	Projected Growth	Annual Average Growth Rate Achieved
1. Primary Sector	4.49	2.28	3.79	4.02
Agriculture and Allied Activities	4.50	2.30	4.00	4.37
Forestry and Logging	3.00	2.90	3.00	0.75
Fishing	3.00	0.90	1.50	4.46
Mining and quarrying	6.00	4.43	0.40	6.66
2. Secondary Sector	6.73	4.71	7.12	9.10
Manufacturing -Registered	8.00	1.54	8.00	8.89
Un- Registered	4.00	3.37	2.50	7.31
Electricity, Gas and Water Supply	10.00	8.64	6.00	11.87
Construction	5.00	13.85	10.50	11.93
3. Tertiary Sector	8.12	7.41	9.77	8.03
Trade, Hotels and Restaurants	5.50	6.08	6.50	8.85
Railways	8.00	7.47	6.00	5.73
Transport by other means	10.00	5.27	10.00	6.37
Storage	4.00	3.49	2.00	3.37
Communication	5.00	13.40	11.15	16.91
Banking and Insurance	12.00	4.38	14.00	11.41
Business Services	9.50	12.06	9.30	8.22
Public Administration	10.00	9.47	10.00	2.02
Other Services	7.50	8.95	9.50	5.65
Overall GSDP	6.98 or 7.00	5.46	8.00	7.59

Source: 1. Tenth Five Year Plan - Tamil Nadu State Planning Commission.
2. Directorate of Economics and Statistics, Chennai.

A Comparison of Growth Rates of GSDP (Tamil Nadu) and GDP (All- India) during the Tenth Plan Period (2002-07):

The Tenth Plan target could not be achieved both at the State and at the national level. The annual average growth rate of State income in real terms worked out to 7.59 per cent as against the target of 8 per cent. At the national level, the GDP achieved an annual growth of 7.77 per cent which was higher than the State's average. The nation had registered a growth of more than the targeted growth of 8 per cent in three occasions viz. 8.52 per cent in 2003-04, 9.40 per cent in 2005-06 and the highest growth of 9.62 per cent in 2006-07. The State also witnessed higher growth rates surpassing the target in three occasions.

Table-3:Growth Rates of GSDP and GDP

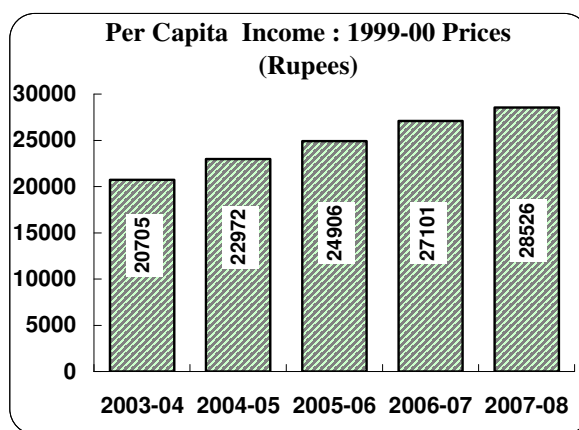
(Per cent)

Year	Tamil Nadu		All India	
	At Current Prices	At Constant Prices	At Current Prices	At Constant Prices
2002-03	6.24	1.75	7.80	3.84
2003-04	10.88	5.99	12.24	8.52
2004-05	15.40	11.45	13.38	7.45
2005-06	13.44	9.39	13.83	9.40
2006-07	14.44	9.36	15.70	9.62
AAGR	12.08	7.59	12.59	7.77
2007-08	10.50	5.19	13.55	9.03

Source: Directorate of Economics and Statistics, Chennai. 2. CSO, New Delhi

Per Capita Income – Tamil Nadu vis-à-vis All India:

Per capita income mirrors the standard of living. In the State, it increased from Rs.24906 in 2005-06 to Rs.27101 in 2006-07 at constant prices registering a growth of 8.81 per cent which was marginally higher than the previous year level of 8.42 per cent. It further increased to Rs.28526 in 2007-08 registering a growth of 5.26 per cent. At current prices, it increased from Rs.30847 to Rs.35134 for the corresponding period and registered a robust growth of 13.90 per cent. Further it increased to Rs.38573 in 2007-08 and recorded a growth of 9.79 per cent. It was noted that the per capita income for the nation during 2006-07 stood at Rs.22580 at constant prices and at Rs.29524 at current prices which was lower than that of the State and registered a growth of 8.20 per cent and 13.54 per cent respectively. In the year 2007-08, it increased to Rs.33283 at current prices and Rs.24295 at constant prices which was also lower than that of the State.



During the Tenth Plan period (2002-07), the annual average growth of per capita income for the State was at 6.61 per cent at constant prices and 10.97 per cent at current prices. At the all India level, it was marginally lower than the State registering an annual average growth of 6.15 per cent at constant prices and 10.70 per cent at current prices.

Table – 4 : 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	21828	4.24	19660	(-)0.44	18885	6.20	17109	2.02
2003-04	24084	10.34	20705	5.32	20871	10.52	18301	6.97
2004-05	27509	14.22	22972	10.95	23198	11.15	19331	5.62
2005-06	30847	12.13	24906	8.42	26003	12.09	20868	7.95
2006-07	35134	13.90	27101	8.81	29524	13.54	22580	8.20
AAGR		10.97		6.61		10.70		6.15
2007-08	38573	9.79	28526	5.26	33283	12.73	24295	7.60

Source : 1. Directorate of Economics and Statistics, Chennai – 6.
2. Central Statistical Organisation, New Delhi.

Sectoral Performances:

Primary Sector:

The overall GSDP in the primary sector at constant prices increased from Rs.24652 crore in 2005-06 to Rs.27874 crore in 2006-07 and registered a growth of 13.07 per cent compared to a higher growth of 17.16 per cent in 2004-05 and 10.91 per cent in 2005-06. Despite the agriculture and allied activities, the largest contributor to the primary sector achieving a growth of 15.29 per cent in 2006-07, the negative growth rate in forestry and logging (7.68%) and low growth in fishing (1.97%) had pulled down the overall growth to 13.07 per cent in the primary sector. It was noted that, the primary sector recorded a negative growth of 19.68 per cent in 2002-03 and 1.38 per cent in 2003-04 due to monsoon failure. The overall growth rate in this sector witnessed a negative growth of 6.73 per cent during 2007-08, the first year of Eleventh Plan which was due to the negative growth of agriculture and allied activities (8.31%).

The overall growth of primary sector during the Tenth Plan Period is 4.02 per cent, which surpassed the target of 3.79 per cent. Going by the growth rate of sub sector in the primary sector, agriculture and allied activities contributed more than 80 per cent to primary sector and achieved an annual average growth of 4.37 per cent against the target set at 4.00 per cent. The primary sector registered a negative growth rate in two out of five years of the plan period. Due to monsoon failure in the first year and setback in the subsequent years, it recorded a negative growth of 19.68 per cent in 2002-03 and 1.38 per cent in 2003-04. It dragged down the growth rate of agriculture against the target in these years and however was compensated by the hefty growth in the succeeding years. It was also witnessed that agriculture and allied activities recorded a negative growth of 19.68 per cent in 2002-03 due to decline in the major food crop production and another positive extreme growth of 17.16 per cent in 2004-05 followed by increased major food crop production.

Forestry and logging achieved an annual average growth of 0.75 per cent against the target of 3 per cent during the Tenth Plan period for the reason that its GSDP decreased from Rs.633 crore in 2002-03 to Rs.583 crore in 2006-07 and recorded a negative growth in two years. The reason for this decline was that change in the consumption pattern of fuelwood in rural and urban areas which formed the major part of this sub sectors' gross value of output.

Though the fishing sub sector registered an annual average growth of 4.46 per cent against the Tenth Plan target of 1.50 per cent, it witnessed a negative growth rate in the first three years. Erratic growth rates in 2002-03 and 2003-04, steep decrease in 2004-05, an abnormal increase in 2005-06 and again decrease in 2006-07 showed the fluctuations in marine and inland fish production. The unprecedented tsunami in 25th December 2004, almost halted the marine fishing activities in the State during December 2004 and January, February of 2005. The excess achievement over the target in production during 2005-06 and increase in prices were the reasons for abnormal growth in this period. In 2006-07, both inland and marine fish production again increased.

Mining and quarrying sub sector achieved an annual average growth of 6.66 per cent in the Tenth Plan period against the target of 0.40 per cent. Again, high fluctuations were noticed in this sector also. A high growth rate of 22.46 per cent during 2003-04 was due to the sudden increase in the production of lignite and natural gas.

Inspite of all the fluctuating in the sub-sectors of this sector, the primary sector in the Tenth Plan period achieved the growth of 4.02 per cent as against the target of 3.79 per cent is appreciable.

Table – 5 : Primary Sector : Growth Rate of Sub-Sectoral Income (GSDP) at Constant (1999-2000) Prices - State Economy

(Rs. Crore)

Sub-Sector	Tenth Plan Target	AAGR Tenth Plan (2002-07)	2002-03	2003-04	2004-05	2005-06 (RE)	2006-07(QE)	2007-08(AE)
Agriculture & Allied Activities	4.00	4.37	15844 (-23.17)	15485 (-2.27)	18971 (22.51)	20770 (9.48)	23946 (15.29)	21958 (-8.31)
Forestry & Logging	3.00	0.75	633 (11.39)	599 (-5.33)	629 (4.92)	632 (0.44)	583 (-7.68)	597 (2.42)
Fishing	1.50	4.46	1949 (-2.58)	1895 (-2.76)	1618 (-14.64)	2270 (40.33)	2315 (1.97)	2364 (2.14)
Mining & Quarrying	0.40	6.66	809 (6.78)	991 (22.46)	1010 (1.87)	981 (-2.87)	1030 (5.03)	1078 (4.70)
Primary Sector	3.79	4.02	19236 (-19.68)	18971 (-1.38)	22227 (17.16)	24652 (10.91)	27874 (13.07)	25998 (-6.73)

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 increased from Rs.54493 crore in 2005-06 to Rs.58573 crore in 2006-07 registering a growth of 7.49 per cent which was less than the growth of 9.53 per cent achieved in 2005-06. All the sub groups in this sector achieved a positive growth in 2006-07 except electricity, gas and water supply which recorded a negative growth of 7.44 per cent. During 2007-08, the first year of Eleventh Plan, the GSDP of secondary sector increased to Rs.61387 crore but registered a decelerated growth of 4.81 per cent. It witnessed that all the sub-sectors registered a decelerated growth compared to the previous year. The manufacturing group which is the main contributor of secondary sector registered a robust growth of 10.15 per cent in 2006-07 and decelerated to 7.60 per cent reflecting the lowest growth rates of the manufacturing registered and manufacturing unregistered sub-sectors compared to previous year. The electricity, gas and water supply registered a negative growth of 7.44 per cent in 2006-07 and 25.92 per cent in 2007-08. The growth rate of the construction sub-group decelerated from 23.33 per cent in 2004-05 to 14.65 per cent in 2005-06 and further declined to 3.51 per cent in 2007-08 .

The secondary sector registered an annual average growth of 9.10 per cent which moderately exceeded the Tenth Plan target of 7.12 per cent. All the sub groups in the secondary sector recorded a higher growth and also exceeded the target. The manufacturing sub group which is the largest component of the secondary sector includes 'manufacturing registered' and 'manufacturing un-registered'. Manufacturing sub-group achieved an annual growth rate of 8.29 per cent during the Tenth Plan period.

Manufacturing registered industries recorded a highest growth rate of 15.79 per cent in 2003-04 due to the increase in the production of certain manufacturing items such

as cotton ginning, other textiles, knitted and crocheted fabrics and articles, paper and paper products, publishing and printing activities, coke oven products, rubber products, glass and glass products, motor vehicles, building and repair works of ships and boats. However, the growth rate declined to 8.57 per cent in 2007-08 . The average annual growth rate for the Tenth Plan period worked to 8.89 per cent in the manufacturing registered in industries.

Manufacturing un-registered industries which played a crucial role in the recent past for their contribution to GSDP, registered an annual average growth of 7.31 per cent in the Tenth Five Plan Period compared to the target of 2.50 per cent and recorded a positive growth rate over and above the target in all the five years of the Tenth Plan.

‘Electricity, gas and water supply’ is another important sub-group in the secondary sector which had registered a robust growth of 11.67 per cent per annum against the target of 6 per cent for the Tenth Plan. This sub-sector witnessed an abnormal growth of 85.18 per cent in 2002-03 and a negative growth of 28.52 per cent in 2003-04 and the oscillating growth rates in the following years were due to the ups and downs in the performance of cost and revenue aspects of this sub-sector.

‘Construction’ sub-group registered an annual average growth of 11.93 per cent in the Tenth Plan period against the target of 10.50 per cent and it was noted that this group exceeded the plan target in two years of the plan period. The growth performance in this sector decelerated from 2004-05 onwards.

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

(Rs. Crore)

Sub-Sector	Tenth Plan Target	AAGR Tenth Plan (2002-07)	2002-03	2003-04	2004-05	2005-06 (RE)	2006-07 (QE)	2007-08 (AE)
Manufacturing		8.29	26968 (3.83)	30055 (11.45)	32327 (7.56)	35059 (8.45)	38617 (10.15)	41551 (7.60)
Manufacturing Registered	8.00	8.89	16891 (2.78)	19558 (15.79)	20980 (7.27)	22890 (9.11)	25062 (9.49)	27210 (8.57)
Manufacturing Un-registered	2.50	7.31	10077 (5.64)	10496 (4.17)	11347 (8.11)	12169 (7.24)	13555 (11.39)	14341 (5.80)
Electricity, Gas & Water Supply	6.00	11.67	3872 (85.18)	2768 (-28.52)	3098 (11.95)	3010 (-2.83)	2786 (-7.44)	2064 (-25.92)
Construction	10.50	11.93	10834 (9.93)	11615 (7.21)	14324 (23.33)	16423 (14.65)	17170 (4.55)	17773 (3.51)
Secondary Sector	7.12	9.10	41673 (9.90)	44437 (6.63)	49750 (11.95)	54493 (9.53)	58573 (7.49)	61387 (4.81)

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

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

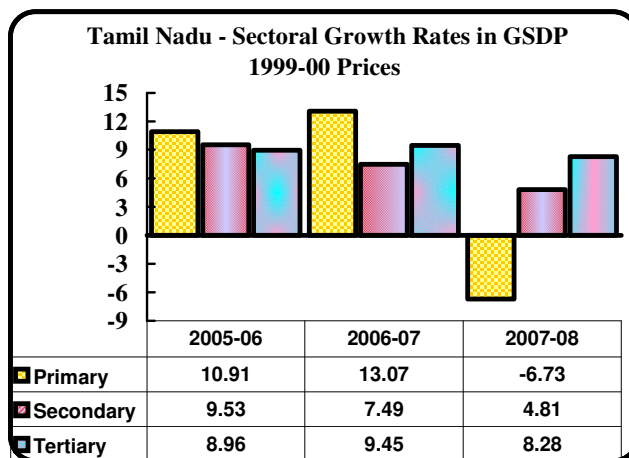
Source: Directorate of Economics and Statistics, Chennai-6.

Services Sector:

The services sector is the driver of the overall growth in the economy. The GSDP in the services sector during the year 2006-07 increased to Rs.114595 crore from Rs.104698 crore in 2005-06 and registered a higher rate of growth of 9.45 per cent as compared to that of the previous year (8.96%). All the sub-groups of the services sector achieved positive growth rates: 'Trade, hotels and restaurants' (7.02%), 'communication' (16.59%), 'banking and insurance' (20.12%), 'real estates, ownership of dwellings & business services' (5.71%), 'public administration' (9.75%) and 'other services' (8.39%).

The overall annual average growth rate of tertiary sector during the Tenth Five Year Plan was 8.03 per cent against the target of 9.77 per cent. The communication sub-group which steeply penetrated into the State registered a hefty growth of 16.91 per cent compared to the target of 11.15 per cent. 'Trade, hotels and restaurants' registered a growth of 8.85 per cent over and above the target of 6.50 per cent.

'Transport by other means' achieved a growth rate of 6.37 per cent only against the target of 10 per cent. 'Banking and insurance' with 11.41 per cent growth also fell short of the target (14%) 'public administration' achieved a growth rate of 2.02 per cent only against the target of 10 per cent. The 'other services' registered 5.65 per cent as against the target of 9.50 per cent.



The tertiary sector which absorbed a large number of unskilled labour force from rural and urban areas which increased its GSDP at constant prices from Rs.114595 crore in 2006-07 to Rs.124086 crore in 2007-08 and registered a growth at 8.28 per cent. All the sub groups in this sector witnessed a positive growth in the review year, of which 'trade, hotels and restaurants' (6.96%), 'transport, storage and communication' (11.92%) sub-sectors recorded a consistent growth in 2007-08. The higher growth rates in 'transport by other means' (7.14%), communication (19.33%) and 'Community social and personal services' (9.86%) had contributed to the growth of the services sector during 2007-08.

- The uninterrupted income originating from the 'trade, hotels and restaurants, transport by other means', unprecedented development in the 'communication' segment, booming in the real estate business due to urbanization and ever lending hands of banking activities for all the sectors are attributed as the reasons for the increase in the income of the services sector on the whole which in turn helps to increase the overall GSDP of the State. The services sector contributes more than 50 per cent to the State income and is able to withstand and to absorb the reverse shocks if any in the other two core sectors viz. primary and secondary.

**Table - 7 : Tertiary Sector : Growth of Sub-Sectoral Income (GSDP)
at Constant (1999-00) Prices - State Economy**

(Rs. Crore)

Sub-Sector	Tenth Plan Target	AAGR Tenth Plan (2002-07)	2002-03	2003-04	2004-05	2005-06 (RE)	2006-07 (QE)	2007-08 (AE)
1. Trade, Hotel & Restaurants	6.50	8.85	22395 (1.97)	25423 (13.52)	28620 (12.57)	31239 (9.15)	33432 (7.02)	35758 (6.96)
2. Transport, Storage & Communication		9.80	14610 (4.73)	16544 (13.24)	18437 (11.44)	20337 (10.30)	22220 (9.26)	24868 (11.92)
2.1. Railways	6.00	5.73	1580 (0.84)	1640 (3.83)	1800 (9.72)	1894 (5.25)	2065 (9.01)	494 (6.27)
2.2. Transport by other means	10.00	6.37	8324 (1.32)	9131 (9.69)	10031 (9.86)	10719 (6.86)	11161 (4.12)	11958 (7.14)
2.3 Storage	2.00	3.37	77 (-12.75)	78 (1.84)	91 (16.89)	97 (5.80)	101 (5.04)	105 (2.19)
2.4 Communication	11.15	16.91	4629 (13.48)	5695 (23.03)	6515 (14.40)	7627 (17.07)	8893 (16.59)	10612 (19.33)
3. Financing, Insurance, Real Estates & Bussiness Services		9.73	22185 (10.54)	23595 (6.36)	24970 (5.82)	28232 (13.07)	31857 (12.84)	33703 (5.79)
3.1. Banking & Insurance	14.00	11.41	11487 (16.07)	12041 (4.83)	12028 (-0.11)	13969 (16.13)	16779 (20.12)	17946 (6.95)
3.2. Real Estate, Ownership of Dwellings & Business Services	9.30	8.22	10698 (5.16)	11554 (8.00)	12941 (12.01)	14264 (10.22)	15078 (5.71)	15757 (4.50)
4. Community, Social & Personal Services		4.36	22186 (0.91)	21830 (-1.60)	24063 (10.23)	24890 (3.43)	27085 (8.82)	29757 (9.86)
4.1. Public Administration	10.00	2.02	7348 (-7.06)	7469 (1.65)	7765 (3.96)	7906 (1.81)	8677 (9.75)	9721 (12.03)
4.2. Other Services	9.50	5.65	14838 (5.39)	14361 (-3.21)	16298 (13.49)	16984 (4.21)	18409 (8.39)	20036 (8.84)
Tertiary Sector	9.77	8.03	81376 (4.37)	87393 (7.39)	96090 (9.95)	104698 (8.96)	114595 (9.45)	124086 (8.28)

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 income in 1960-61 decelerated continuously and reached 25.92 per cent in 1980-81 and further decreased to 12.29 per

cent in 2007-08 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 29.03 per cent in 2007-08 giving way to the services sector. The services sector which is gaining momentum in the development process of the economy and its contribution had increased from 36.22 per cent in 1960-61 to 40.59 per cent in 1980-81 and then boomed at 58.68 per cent in 2007-08. The rapid growth of services sector is a leaf from the primary sector skipping the middle of secondary sector in the State economy.

Table-8:State Economy : Structural Changes

(Per cent)

Sl. No.	Sectors	1960-61	1970-71	1980-81	1990-91	1999-2000	2002-03	2007-08
1.	Primary Sector	43.51	34.79	25.92	23.42	17.37	13.52	12.29
2.	Secondary Sector	20.27	26.88	33.49	33.10	29.57	29.29	29.03
3.	Tertiary Sector	36.22	38.33	40.59	43.48	53.06	57.19	58.68
	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, 2002-03 and 2007-08 are based on 1999-00 prices.

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

Gross Domestic Products- Inter District:

The District Domestic Products are imperative for inter-district comparison of growth and for formulating district plan. The sector-wise attainment of income at district level helps investors in decision making in the planning process to identify the profitable sectors to invest. An analysis of the District Domestic Product of the districts in the State during 2006-07 in real terms revealed that Coimbatore district was the highest income earner of Rs.18206 crore followed by Chennai with Rs. 16671 crore. It was noted that Perambalur district was placed at the bottom with Rs.1528 crore only (i.e.) about 12 times lower than that of Coimbatore district.

As per the sectoral income, Erode district was endowed with Rs.1650 crore which stood first in the income of primary sector due to the highest contribution of agriculture and allied activities whereas Coimbatore district was with the highest contribution of the secondary sector having an income of Rs.6878 crore mainly from the sub-sectors of manufacturing registered and unregistered industries. Chennai district was placed first in the services sector with Rs.13116 crore which was yielded from the sub sectors viz. 'trade, hotels and restaurants', 'real estate, ownership of dwelling and business services' 'banking and insurance' 'transport by other means' and 'communication'. It was also pointed out that, Karur district stood with lowest level of income in the primary sector barring Chennai and Perambalur districts. Perambalur district was the lowest earner in the secondary as well as in the services sector.

**Table-9: District-wise Gross Domestic Product in Tamil Nadu – 2006-07
(At 1999-2000 Prices)**

District	Primary (Rs. Lakh)	Secondary (Rs. Lakh)	Tertiary (Rs.Lakh)	District Domestic Product (Rs. Lakh)	Per Capita Income (Rupees)	Rank of Per Capita Income
Chennai	24641	330817	1311598	1667056	31728	5
Kancheepuram	58656	330059	659442	1048157	28855	10
Thiruvallore	67592	405833	630578	1104003	30206	6
Vellore	104265	334211	595869	1034345	24477	17
Thiruvannamalai	101378	97198	232852	431428	17447	28
Cuddalore	153027	98083	343936	595046	22512	18
Villupuram	125481	93656	292882	512019	15254	29
Thanjavur	103143	78915	361755	543813	21584	21
Nagapattinam	104237	45099	178366	327702	19173	26
Thiruvaur	52333	25115	135652	213100	16205	28
Salem	119522	335717	491599	946838	25703	15
Namakkal	147080	132742	262622	542444	29439	7
Dharmapuri	82518	91125	175548	349191	22102	19
Krishnagiri	60803	116105	228711	405619	21226	22
The Nilgris	42876	63802	125914	232592	25708	14
Tiruchirapalli	83020	160885	592168	836073	29420	8
Karur	40734	83117	179518	303369	28000	11
Perambalur	62562	20466	69799	152827	11104	30
Pudukottai	83224	67623	182297	333144	19617	25
Coimbatore	160133	687766	972655	1820554	33182	3
Erode	164960	240665	492078	897703	29324	9
Madurai	67180	190560	567113	824853	27883	12
Theni	69163	35301	139293	243757	19931	24
Dindigul	106021	148382	299993	554396	24652	16
Ramnad	83320	48085	159091	290496	21844	20
Sivagangai	40171	56348	174314	270833	20843	23
Virudhunagar	50123	413029	325990	789142	36078	1
Thirunelveli	94704	272959	462622	830285	26100	13
Thoothukudi	112143	159135	341604	612882	33205	2
Kanniyakumari	70127	258014	298585	626726	33001	4

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

A look into the per capita income of the districts during 2006-07 showed that Virudhunagar district stood first with Rs.36078 in real terms and Perambalur district was at the lower stratum with Rs.11104. A wide disparity in domestic product and their per capita income was seen between the districts which was due to the lop-sided development of different sectors at the district level. The unbalanced growth was due to the high prevalence of heterogeneity in income determinants of districts viz. land use pattern, change in cropping pattern, cropping and irrigation intensity, concentration of large and small industries, adoption and application of modern technical know-how in the various production function of agriculture and industries, availability of wage earned employment to rural landless labourers, level of benefits attained from government welfare schemes, distribution of population, literacy level migration for seeking employment for higher income and financial assistance from banking sector.

Gross State Domestic Product - Major States:

The Annual Compound Growth Rates (ACGR) for the period of 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 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.134187 crore in 1999-2000 to Rs.209436 crore in 2007-08 which was fairly high in absolute value when compared to Haryana where it increased from Rs.51278 crore to Rs.101319 crore for the respective period. However, Haryana occupied the first position with an annual compound growth rate of 8.89 per cent whereas Tamil Nadu was ranked seventh with 5.72 per cent and compared to 6.98 per cent at the national level. 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.23121 in 1999-2000 to Rs.35779 in 2007-08 with an Annual Compound Growth Rate of 5.61 per cent compared to 6.17 per cent for Andhra Pradesh. Whereas it increased from Rs.19378 to Rs.25898 in Tamil Nadu higher than that of all India but registered an annual compound growth of 3.69 per cent only. States like Gujarat (5.27%), Andhra Pradesh (6.17%), Karnataka (3.97%), Kerala (4.43%), Orissa (4.56%), West Bengal (4.18%) 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 Government expenditure, State policies, implementation of welfare schemes, etc.

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

State	GSDP (Rs. Crore)			Per Capita Income (Rupees)		
	1999-00	2007-08	ACGR	1999-00	2007-08	ACGR
Andhra Pradesh	129403	230023	7.46	15507	25044	6.17
Assam	34833	53823	5.59	12282	16624	3.86
Bihar	50200	80994	6.16	5789	7928	4.01
Gujarat*	109861	185802	7.80	18864	27027	5.27
Haryana	51278	101319	8.89	23121	35779	5.61
Karnataka*	97303	151926	5.73	16703	21931	3.97
Kerala	68617	106833	6.53	19294	27284	4.43
Madhya Pradesh*	80132	96254	2.65	12384	12577	0.19
Maharashtra	247830	376783	5.38	23011	30750	4.23
Orissa	42910	73542	6.97	10567	15096	4.56
Punjab	67176	97179	4.72	25611	30158	2.06
Rajasthan	82720	125146	5.31	13619	16401	2.35
Tamil Nadu	134187	209436	5.72	19378	25898	3.69
Uttar Pradesh	175160	236070	3.80	9719	11188	1.78
West Bengal	135182	206570	5.44	15826	20953	4.18
All India*	1786525	2864309*	6.98	15881	22553	5.14

Note – * Upto 2006-07. 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 Tenth Five Year Plan were, 8 per cent growth, an Incremental Capital Output Ratio (ICOR) of 3.8 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 upto expectation. The share of GFCF of public sector increased from 35.07 per cent in 1999-2000 to 39.78 per cent in 2001-02 whereas the share of private sector declined from 64.93 per cent to 60.22 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 27:73 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	737477 (35.07)	1365555 (64.93)	2103032	15.67
2000-01	14679287	778729 (32.74)	1599568 (67.26)	2378297	16.10
2001-02	14885454	1001611 (39.78)	1516054 (60.22)	2517665	16.91
2002-03	15814416	1064748 (35.37)	1945704 (64.63)	3010452	19.04
2003-04	17535461	1208948 (33.59)	2390440 (66.41)	3599388	20.53
2004-05	20235239	1101758 (27.09)	2965279 (72.91)	4067037	20.10

Note: Figures in brackets indicate percentage 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 15.67 per cent in 1999-2000 and reached 20.53 per cent in 2003-04 and then marginally declined to 20.10 per cent in 2004-05.