

1.STATE ECONOMY -

AN OVERVIEW

The Tamil Nadu economy has been witnessing a subtle structural shift in terms of inter-sectoral growth and development. The contribution of the primary sector to NSDP* has been witnessing a decline from 25.92 per cent in 1980-81 to 23.42 per cent in 1990-91 and to 15.97 per cent in 2002-03. During the 1990s the service sector has shown remarkable growth.

1.1 State Income:

The Tenth Five Year Plan envisages an annual growth rate of 8 per cent during 2002-07. Sectorally, 3.79 per cent was pitched for primary sector, 7.12 per cent for secondary sector and 9.7 per cent for tertiary sector.

The GSDP, value of all goods and services produced in a year, was at Rs.93582 crores in 2002-03 at 1993-94 prices compared to Rs.93066 crores in the preceding year, the growth being 0.55 per cent. This modest growth in GSDP was triggered off by a drastic fall of 12.28 per cent in the income from primary sector, low order growth of 0.16 per cent in the income from secondary sector and moderate growth of 5.13 per cent in the income of services sector in 2002-03.

The prevailing drought conditions for three years in succession which severely impacted upon the growth of the agricultural sector in terms of area, production and yield rate for major crops. The sub-group 'agriculture and allied activities' with a weight of 90 per cent within the primary sector had dipped by 13.92 per cent in 2002-03 compared to the decline of 2.80 per cent in 2001-02. The growth of the secondary sector was 0.16 per cent in 2002-2003. Sub-groups 'Manufacturing - Registered and Unregistered' are contributing more than three-fourths of the income of the secondary sector. 'Manufacturing - Registered' exhibited a low order growth of 1.33 per cent whereas the 'Manufacturing - Unregistered' notched a decline of 0.53 per cent. Turning to tertiary sector, it registered a growth rate of 5.13 per cent. The sub-group 'Real Estate, Ownership of Dwellings etc.' recorded a significant growth of 19.12 per cent, 'railways' 7.80 per cent and 'public administration' 8.71 per cent.

The economy had transformed from a predominantly agricultural-oriented one to an increasingly services-oriented one over a period of time. The structural transformation is concomitant of the differential growth rates and step-up in productivity of various sub-groups, changing life styles, consumption pattern and diversification of the economy. The share of primary sector in total NSDP declined from 43.51 per cent in 1960-61 to 15.97 per cent in 2002-03. By contrast, the share of tertiary sector increased from 36.22 per cent in 1960-61 to 54.32 per cent in 2002-03. With respect to secondary sector the share increased from 20.27 per cent in 1960-61 to 29.71 per cent in 2002-03 with slight variations during the interregnum. The emergence of services sector contributing one-half of the NSDP has somewhat made-up for the setbacks suffered by the agriculture sector.

* NSDP data are adopted for ensuring comparability over the years.

Accelerated economic growth is a function of rising Gross Fixed Capital Formation (GFCF). The ratio of Gross Fiscal Capital Formation to GSDP increased from 17.56 per cent in 1993-94 to 23.88 per cent in 1998-99. One of the challenges that is being addressed is the stepping-up in capital formation in general and public sector in particular to increase the momentum of growth.

1.2. Agriculture:

Agriculture continues to be the mainstay of the economy. Attainment of self-sufficiency in food production has provided a measure of food security to the population. A glance at the land use pattern shows that the proportion of net area sown in total geographical area has been declining over the years. Eventually, it engenders the process of marginalisation of small farmers and casualisation of agricultural labourers. It is found that there is asymmetry in the distribution of land holdings and ownership - 64.56 per cent of the marginal farmers possessed an area of 21.07 per cent in 1996-97.

A good spatio-temporal distribution of rainfall is a pre-requisite for conducive growth of the agricultural sector. Drought occurred in the State for three years in succession - the deficit of actual rainfall against the normal rainfall was 24.2 per cent in 2002-03, 18.4 per cent in 2001-02 and 19.8 per cent in 2000-01. The shortfall in the quantum of precipitation of north-east monsoon got reflected in the overall deficit of rainfall during the three years, coupled with the intransigence on the part of the Government of Karnataka and its failure to honour the interim award of Cauvery Water Tribunal. Since drought conditions hit the farm front, the gross cropped area had been on the decline - 63.4 lakh hectares in 2000-01, 62.3 lakh hectares in 2001-02 and 51.9 lakh hectares in 2002-03.

In view of successive droughts, the area under total foodgrains recorded a fall in terms of area, production and yield rate during 2002-03. Area under total foodgrains decreased from 34.52 lakh hectares in 2001-02 to 27.92 lakh hectares in 2002-03. Total foodgrains production declined sharply from 76.89 lakh tonnes in 2001-02 to 44.59 lakh tonnes in 2002-03. The yield rate of foodgrains decreased from 2228 kgs. to 1597 kgs. the area under paddy crop had declined from 20.60 lakh hectares in 2001-02 to 15.71 lakh hectares in 2002-03. The total paddy production drastically tumbled from 35.77 lakh tonnes in 2002-03 to 65.84 lakh tonnes in 2001-02 the decline being 45.6 per cent. In sympathy with decline in area and production, the yield rate of paddy had also dipped by 26.2 per cent from 3196 kgs. in 2001-02 to 2359 kgs. in 2002-03.

Development of horticulture figures prominently in the State's development strategy in view of its value addition and export earnings. The area brought under horticulture has been on the increase because of implementation of area development programmes such as Integrated Wasteland Programme, DPAP, Comprehensive Wasteland Development Programme, etc. However, there was a moderate reduction in the total area under horticulture in 2002-03 at 7.77 lakh hectares compared to 8.52 lakh hectares in 2001-02 mainly due to the failure of monsoon. Following this, there was a dip in production of horticulture crop - 117.13 lakh tonnes in 2001-02 to 112.71 lakh tonnes in 2002-03. Yield rate showed an improvement at 1375 kgs. in 2001-02 and 1453 kgs. in 2002-03.

1.3. Animal Husbandry, Fisheries and Forestry:

As per the latest quinquennial Census, as on 2001, the cattle population was estimated at 91.82 lakhs and the buffalo population at 27.08 lakhs. Poultry population increased from 182.84 lakhs in 1982 to 359.41 lakhs in 2001. Indigenous cattle and buffalo dominated the scene. In order to improve the quality of buffalo and cattle, the State is according top priority on development of hybrid cattle and buffalo population through adopting pro-active breeding policies. The percentage of upgraded cattle and buffalo constituted 20 per cent of the total population of 117.88 lakhs.

Milk production declined by 7.3 per cent from 49.88 lakh tonnes in 2001-02 to 46.22 lakh tonnes in 2002-03 due to severe drought conditions. The State is also expanding the veterinary infrastructural facilities to cater to the health care needs of the animals.

The State has a coastal line of 1000 kms. Fishery sector provides employment to about 6.9 lakh people. Total fish production was estimated at 4.81 lakh tonnes in 2002-03 compared to 4.88 lakh tonnes in 2001-02. With respect to inland fish production, it declined by 10.5 per cent from 1.14 lakh tonnes in 2001-02 to 1.02 lakh tonnes in 2002-03. Marine fish production has increased by 1.3 per cent from 3.74 lakh tonnes in 2001-02 and 3.79 lakh tonnes in 2002-03. Marine products brought in significant export earnings to the State.

1.4. Industry:

Tamil Nadu has a strong and diversified manufacturing base. The new Industrial Policy, 2003 was unveiled to give a fillip to industrial development in the State. In 2002-03 industrial growth, as measured by the Index of Industrial Production was moderate at 2.4 per cent. Manufacturing sub-group with a weight of 92.01 per cent recorded a growth rate of 2.4 per cent, electricity with a weight of 6.72 per cent rose by 0.3 per cent and mining with a weight of 1.27 increased by 6.3 per cent. Results of Annual Survey of Industries show that number of factories had declined by 1.27 per cent from 20478 in 1998-99 to 20217 in 1999-2000. The net value added increased by 20.02 per cent from Rs.12321 crores in 1998-99 to Rs.14788 crores in 1999-2000. The technical co-efficient and structural ratios obtaining for Tamil Nadu were satisfactory.

The State has become a favoured destination for Foreign Direct Investment. In total Foreign Direct Investment, Tamil Nadu accounted for 8.55 per cent of the total FDI of Rs.289518 crores in the country for the 12 year periods ending October 2003. Total approvals numbered 2487. Penetration of Information Technology and IT-enabled services and Business Processing Outsourcing (BPO) had been making rapid strides in the State. Tamil Nadu occupied second slot in development of IT next only to Karnataka. The number of software industry which has been on the increase stood at 934 in 2002-03. In perfect tune with increasing number of software industries, the value of exports had increased from Rs.5223 crores in 2001-02 to Rs.6315.51 crores in 2002-03. Recognising the importance of IT, Government has taken initiatives to usher in good governance through E-Governance.

1.5. Monetary and Banking Development:

The total number of banks in Tamil Nadu stood at 4746 in 2002-03. Population served per bank was at 13258. Total bank deposits stood at Rs.8634338 lakhs in 2002-03. The gross bank credit was to the tune of Rs.7458743 lakhs in 2002-03. Credit per bank amounted to Rs.1571.59 lakhs. Though the quantum of deposits mobilised and credit advanced have been on a steady increase, there is a vast divide between urban metropolitan and semi-urban banks vis-a-vis rural banks in terms of deposit mobilisation and disbursement of credit. It may be noted that the Credit-Deposit Ratio in Tamil Nadu stood at 86.38 in 2002-03 and the State outperformed several other States in this respect.

In 2002-03 total credit deployed was of the order of Rs.12825.31 crores. Agricultural sector absorbed a sum of Rs.5960.43 crores (44%), industries Rs.4099.70 crores (33%) and services Rs.2767.18 crores (23%) out of the total amount of Rs.12825.31 crores. In addition to this, the Apex Tamil Nadu Co-operative Bank is playing a vital role in financing agriculture by extending short term, medium and long term credit through a sound network of Primary Agricultural Cooperative Societies, District Cooperative Banks, etc.

1.6. Transport and Communication:

Infrastructure development is a priority sector. Tamil Nadu has an extensive road network. Out of the total road length of 179783 kms, the village panchayats accounted for a large share of 46.09 per cent, followed by district roads 27 per cent, others 20.76 per cent, the State Highways 4.01 per cent and the National Highways 2.14 per cent. The share of Tamil Nadu in the Golden Quadrilateral is about 1000 kms. which is under various stages of construction.

A total length of railway route in the State is 4176.63 km. Out of which broad gauge and metre gauge shared equally. Gauge conversion, electrification, doubling, new routes, etc. were being given needed thrust. A sound communication net work had been created in the State to a great extent. There were 27.80 lakh exchange lines accounting for 7.37 per cent of national exchange lines. Despite this, a vast dichotomy is noticed in the distribution of communication net work between the rural and urban areas. There is an ubiquity of the mass media catering to the requirements of millions of the people.

1.7. Energy:

There was moderate gain during 2002-03, both in building power generating capacity and also in power availability. Even though there was a set back in hydel generation due to consecutive failure of monsoon, to meet the increasing demand the TNEB resorted to higher level of purchases during the year and ensured unrestricted supply to all the category of consumers. The per capita consumption of power increased from 567 units in 2001-02 to 586 units in 2002-03. As usual, power consumption is dominated by three sectors viz. domestic, agriculture and industry. Of late, commercial category of consumption is increasing at a faster rate.

Tamil Nadu is the leading State in India in promoting and harnessing renewable sources of energy, particularly, wind and biomass. The total installed capacity under non-conventional energy sources is estimated at 1000 MW as on 31.3.2002 which formed

about 13 per cent of the total TNEB grid capacity. A major share of this comes from wind energy, followed by baggase co-generation plants in sugar industry.

1.8. Prices:

Ultimate objective of the Government is to ensure price stability. The overall price situation was stable during 2002-03, as in all-India. The Wholesale Price Index on an annual average basis rose only by 2.7 per cent. For most part of the year, the inflation rate was very modest. The Consumer Price Index for Industrial Workers was also within comfortable limits. However, CPI for Agricultural Labourers registered an increase compared to other categories. Average prices of most of the essential commodities except edible oils also remained stable.

1.9. Employment:

As per the Census 2001, total workers in the State were estimated at 278.12 lakhs against 241.94 in 1991, the average rate of growth being 1.4 per cent per annum. There is an improvement in the Work Participation Rate both in rural and urban areas. However, there was decline in the number of cultivators and significant increase in the marginal workers. The magnitude of employment and unemployment situation in the State is better captured by the quinquennial surveys conducted by the NSSO. As per the latest survey (1999-2000), deceleration in the growth of employment is evident between 1993-94 and 1999-2000 (0.24 per cent per annum compared to 1.74 per cent in 1983-94). The growth of employment fell short of the growth in the labour force. Among the different sectors, there was a steep fall in the employment in the agriculture sector. Tertiary sector is the only one to register a positive growth. Further, proportion of self-employed category also fell and there is an increase in the proportion of casual employment. A shortfall in the organised sector employment is also evident. Both the public sector and private organised sector registered reduction in employment during 2002-03, mainly due to right sizing of industry in quest of attaining global competitiveness.

1.10. Rural Development:

Of the a total population of 6.21 crores as of 2001 Population Census, rural population constituted 56 per cent. There are 385 Panchayat Unions and 12619 village Panchayats. As per the estimates made by the Director of Rural Development, the poverty ratio worked out to 35 per cent of the rural population in 1999. The village panchayats have a resource mobilisation constraint. The Second State Finance Commission recommended resources to the rural Local Bodies. In 2002-03, a sum of Rs.830.60 crores was devolved to the rural panchayats to overcome this constraint..

A sum of Rs.48456 lakhs was spent on implementation of poverty alleviation programmes. The Centrally-sponsored scheme Swarna Jayanthi Rozgar Yojana, 1999, is a self-employment programme which aims at formation of Self Help Groups, capacity-building, provision of Revolving Fund and tie-up arrangement for flow of credit with the financial institutions. In 2002-03, 3510 Women SHGs were formed covering 1511 individuals involving an expenditure of Rs.50.69 crores. Under wage employment, Sampoorna Grama Rozgar Yojana, 2000- 01, assets of durable nature are being created. In 2002-03, 79225 works were executed at the cost of Rs.247.67 crores. The poverty

alleviation schemes had generated employment to the tune of 491.979 man-days - 251.114 lakhs under SGRY - I and 240.865 man-days under SGRY - II.

Regarding Rural Water Supply, the goal of providing 40 lpcd to rural population is a challenge. In 2002-03, out of 80421 habitations 28623 were fully covered with drinking water supply, 51294 habitations were partially covered and the remaining had no reliable source of water supply. With respect to Rural Housing, the Taluk Housing Cooperative Societies are meeting the housing requirements of rural areas in addition to the housing stock created under the Indra Awaas Yojana. Total housing stock of 710684 was created cumulatively by the Taluk Housing Cooperative Societies.

Area development schemes such as DPAP, Integrated Wasteland Development Programme, etc. are being implemented in the State through *Watershed approach*. In order to streamline the implementation of the schemes, new Guidelines for *Hariyali* were issued on 27th Jan. 2003. The objective being enhancing the efficacy of the implementation process with active participation and involvement of the local people by release of funds to the Presidents of Committees directly.

Provision of Urban Facilities in Rural Areas (PURA) is being considered as a development strategy. Its objective is to equip rural areas with high quality amenities. Substantial non-farm employment would be at urban wage levels, thereby relieving pressure on land.

1.11. Urban Development:

Rising urbanisation is a distinctive feature of the State economy. The rate of urbanisation increased from 27 per cent in 1961 to 43.86 per cent in 2001. The urban poverty was estimated at 22.11 per cent in 1999-2000. The 74th Constitutional Amendment paved the way for the constitution of State Finance Commission which recommends devolution of resources to the Urban Local Bodies viz. Corporations, Municipalities and Town Panchayats. In 2002-03, the Corporations and Municipalities spent a sum of Rs.390.95 crores and Rs.618.00 crores respectively. The major proportion of the cost had gone to formation of roads.

1.12. Social Infrastructure:

Social infrastructure is critical to sustaining growth process. In view of this, the State is scaling up the quantum of resources for social services. Due to the intervention of the Government, the poverty ratio has come down from 54.94 per cent in 1973-74 to 21.12 per cent in 1999-2000. In terms of Human Development Index, the State moved from a seventh position to third position - the Human Development Index, as measured by the Union Planning Commission being 0.343 in 1981 and 0.531 in 2001.

The overall literacy rate in the State was at 73.47 per cent in 2000-01. It was 67 per cent in rural areas and 82 per cent in urban areas. The State is aiming at universalisation of primary education. The Article of 21-A of the Indian Constitution was suitably amended to make primary education a compulsory one and the State is enjoined to implement it. The Centrally-sponsored Sarvasiksha Abhiyan is being implemented to improve the enrolment rate, retention rate and reducing the drop out rate.

The State is implementing a host of schemes extending inducements and concessions in the form of free supply of text books, note books, boarding facilities, special coaching classes to SC/ST girl pupils. For coping with the growing requirements of technical education, the State established 239 Engineering Colleges including five Deemed Universities with a student strength of 72235 in 2002-03. There were 203 polytechniques having a student strength of 50309 in 2002-03. All technical institutions were brought under the umbrella of a single authority of Anna University.

Health Indices such as Birth Rate, Death Rate and Infant Mortality Rate have been showing remarkable improvement which points to the success of the Health Policy. Death Rate decreased from 14.4 in 1971 and to 7.7 in 2002. Birth Rate dwindled from 31.4 in 1971 to 18.5 in 2002. The Infant Mortality Rate decreased from 113 in 1971 to 44 in 2002. Live Expectancy at Birth has improved from 39.24 years in 1951-61 to 69.75 years in 2000-2006 for female. It was 41.09 years in 1951-61 and 67 years in 2006. The State has built adequate health infrastructure to take care of the health needs of the people, thereby reducing the incidence of morbidity and mortality. On family welfare front, the State had already achieved a replacement level of fertility, viz., total fertility rate of 2.1. Tamil Nadu has been a pioneer in the field of providing adequate nutrition support to school children. Tamil Nadu has a goal of making the State '*Malnutrition Free*'.

1.13. State Finance:

The Government presented a Medium Term Fiscal Plan (MTFP) along with the Budget in accordance with the Tamil Nadu Fiscal Responsibility Act, 2003. The Budget 2002-03 unveiled the Chief Minister's 15-Point Programme. In 2002-03 the State's total revenue receipts stood at Rs.20,83,674 lakhs against Rs.18,81,803 lakhs in 2001-02. The State's own tax revenue at Rs.1434171 lakh accounted for 69 per cent of total revenue receipts during 2002-03. Revenue expenditure was at Rs.2568770 lakhs in 2002-03 compared to Rs.2155697 lakhs in 2001-02.

Out of the total expenditure of Rs.2568770 lakhs, the development expenditure accounted for 55.42 per cent. Social services formed 56 per cent and economic services 44 per cent within the development expenditure. There is a wide gap between the receipts and expenditure because the sagging buoyancy of the State taxes. Besides, the relative share of devolution of funds from the Centre is decreasing, following the recommendations of the 11th Central Finance Commission. Gross Fiscal Deficit, which was at 3.95 percent of State Domestic Products in 1990-91 rose to 4.22 per cent in 1999-2000 and further to 4.39 per cent in 2002-03. The causative factors for rising GSD are increasing pension and interest payments, swelling subsidy, growing payments of wages and salaries, inadequate recovery of user charges.

Select Economic Indicators : Tamil Nadu and All-India

Sector / Indicator	Tamil Nadu		All-India	
	2001-02	2002-03	2001-02	2002-03
1.Population: (Million) (Census 2001)	62.42	62.92	1037	1055
2. State/National Income:				
2.1.GDP / GSDP (Rs. Crores)				
2.1.1 . At Current Prices	148585	153729	2090957	2249493
2.1.2. At 1993-94 Prices	93066	93582	1267833	1318321
2.2. NSDP/NDP(Rs.Crores)				
2.2.1. At Current Prices	132567	136781	1873203	2014450
2.2.2. At 1993-94 Prices	81813	81818	1125286	1168224
2.3. Per Capita Income (in Rs.) at Current Prices	21239	21738	17947	18912
2.4. Per Capita Income (in Rs.) at Constant Prices	13108	13003	10774	10964
3. Agriculture: Production of Major Crops:				
3.1. Rice (lakh tonnes)	65.84	35.77	93.1 (Million tonnes)	77.7
3.2. Millets (lakh tones)	8.34	6.81	33.9	25..1
3.3. Pulses (lakh tonnes)	2.71	2.00	13.2	11.5
3.4. Total Foodgrains (lakh tonnes)	76.89	63.45	212.0	183.2
3.5. Sugarcane (lakh tonnes) (cane)	32.61	27.24	300.1	285.4
3.6. Cotton (lakh bales)	2.30	1.53	10.1	8.9
3.7. Groundnut (lakh tonnes)	12.50	10.11	6.9	4.7
4. Industry:				
4.1. Industrial Production (Index Base:1993-94=100)	127.3	130.3	167.0	176.6
4.2. No. of Registered Factories**	20478	20.217	131706	131558
4.3. Productive Capital (Rs.Crores)**	44120	45999	493892	505649
4.4. Value of Output (Rs.Crores)**	73996	94549	783771	897938
5. Banking:				
5. 1. No. of Branches	4748	4746	66355	66692
5.2. Deposits Mobilised (Rs. Crores)	76707	86343	1147930	1295993
5.3. Credit extended (Rs. Crores)	62323	74587	660538	739226
6. Power (Electricity)				
6.1. Total Installed Capacity (MW)	7924	8268	121000	N.A.
6.2. Power Generation (mu)	25562	24929	573.20 (Billion Units)	N.A.
6.3. Power Consumption within State (Net Power Availability) (mu)	35202	36347	N.A.	N.A.
7. Prices(Percentage Over Previous Year)				
7.1. Wholesale Price Index	0.5 \$	7.25	1.6 #	5.99
7.2. Consumer Price Index for Industrial Workers (1982=100)	6.0	5.7	5.2	4.1
7.3. Consumer Price Index for Agriculture Labourers (1986-87 =100)	5.4	13.8	3.0	4.9
8. Organised Sector Employment: (lakh persons)	25.16	24.02	277.89	N.A.
9. Social Sector				
9.1. Infant Mortality Rate	51 ***	44	68 ***	64
9.2. Death Rate	7.9 ***	7.7	8.5 ***	8.1
9.3. Birth Rate	19.3 ***	18.5	25.8 ***	25.0
9.4. Life Expectancy at Birth (Years)				
- Male	67.00	67.00	63.87	63.87
- Female	69.75	69.75	66.91	66.91

Life Expectancy - 2001-06. ; *-Second Advanced Estimate

** - Relates to 1998-99 and 1999-2000; *** - Pertain to 2000

. \$ - Base year 1970-71 = 100; # - Base year 1993-94 = 100.

Sources: 1. Directorate of Economics and Statistics, Chennai-6. 2. Tamil Nadu Electricity Board, Chennai-2.
3. Economic Survey, 2002-03, Government of India. 4. Fertiliser Statistics, 1995-96.