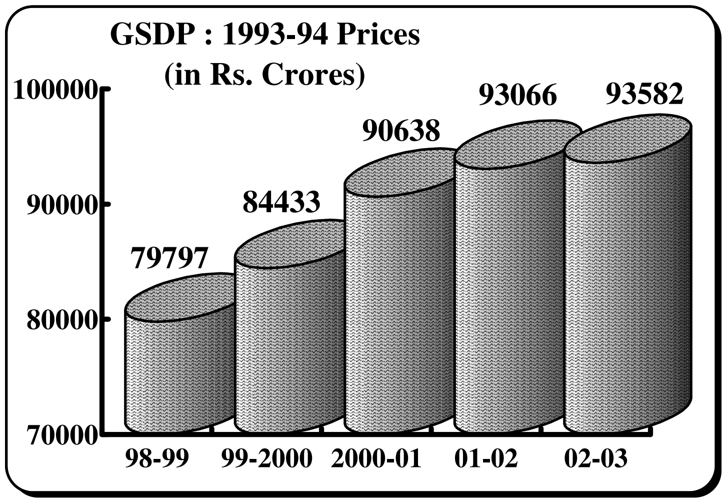
2. STATE INCOME

Gross State Domestic Product, stood at Rs.93582 crores by Industry of Origin at constant prices (1993-94) in 2002-03 modestly higher than Rs.93066 crores in 2001-02. It was Rs.90638 crores in 2000-01. Various factors have contributed to deceleration in the Gross State Domestic Product in the recent past: failure of monsoon on farm front for the second year in succession and consequent let-up in agricultural output. Added to this, the performance of industry had slowed down during this period due to demand recession, technological obsolescence, financial constraints and inadequate competitiveness of the products in the trade arena. Though tertiary sector has been a driver of growth, it could not fully compensate the loss suffered in the commodity-producing sectors. The growth rate of primary sector was at (-)12.28 per cent in 2002-03 against (-)2.04 per cent in 2001-02 and 4.56 per cent in 2000-01,while that for secondary sector during the corresponding period was at 0.16 per cent, (-) 0.19 per cent and 5.88 per cent. The tertiary sector posted growth rates of the order of 5.13 per cent in 2002-03, 6.36 per cent in 2001-02 and 9.45 per cent in 2000-01.



GSDP at current prices which includes price effect and is shrinking yardstick stood at Rs.153729 crores in 2002-03, compared to Rs.148585 crores in 2001-02 and Rs.141150 crores in 2000-01. The growth rate achieved at current prices was at 3.46 per cent in 2002-03, 5.27 per cent in 2001-02 and 11.58 per cent in 2000-01, respectively.

Table-1 : Sectoral Growth of Gross State Domestic Product (Rs.Crores)

Sector	At Current Prices					
	2000-01 (RE)		2001-02 (QE)		2002-03 (AE)	
	Income	%	Income	%	Income	%
Primary	23831	7.85	23660	(-) 0.72	21221	(-)10.31
Secondary	44430	10.23	45433	2.26	47055	3.57
Tertiary	72889	13.72	79492	9.06	85453	7.50
GSDP	**141150**	**11.58**	**148585**	**5.27**	**153729**	**3.46**
At Constant (1993-94) Prices						
Primary	16208	4.56	15876	(-) 2.04	13927	(-)12.28
Secondary	30125	5.88	30069	(-) 0.19	30116	0.16
Tertiary	44305	9.45	47121	6.36	49539	5.13
GSDP	**90638**	**7.35**	**93066**	**2.68**	**93582**	**0.55**

Note: R.E. - Revised Estimates; Q.E. - Quick Estimates; A.E. - Advanced Estimates.
Source: Commissioner of Economics and Statistics, Chennai-6.

Per capita income is a rough measure of economic welfare. The increase and size of the real per capita income is predicated by increasing population and improvement in the level of production. Per capita income at constant prices was at Rs.13003 in 2002-03 compared to Rs.13108 in 2001-02 and Rs.12944 in 2000-01. The growth rate was at (-) 0.76 per cent in 2002-03 compared to 1.27 per cent in 2001-02 and 6.59 per cent in 2000-01. At current prices the per capita income was at Rs.21738 in 2002-03 compared to Rs.21239 in 2000-01. The growth rate was at 2.35 per cent and 4.38 per cent, respectively.

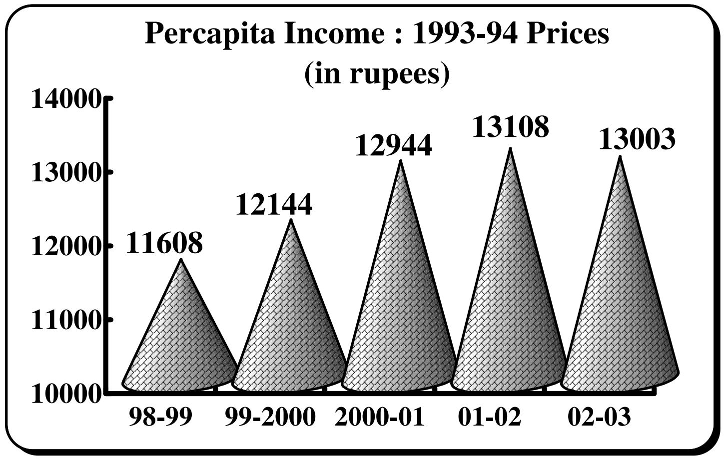


Table -2: Per Capita Income at Current and Constant (1993-94) Prices

(In Rupees)

Year	At Current Prices		At Constant Prices	
	Per Capita Income	Growth Rate (%)	Per Capita Income	Growth Rate (%)
1998-99	17394	13.0	11608	3.5
1999-2000	18367	5.59	12144	4.62
2000 - 01(RE)	20367	10.89	12944	6.59
2001-02 (QE)	21239	4.28	13108	1.27
2002-03 (AE)	21738	2.35	13003	(-)0.76

Note: R.E. - Revised Estimates;
Q.E. - Quick Estimates,
A.E. - Advanced Estimates.
Source: Department of Economics and Statistics, Chennai - 6.

Since per capita income reflects only the materialistic dimension of human welfare, it does not disclose the physical quality of life or human development in its roundness. In order to overcome this serious shortcoming, the alternative measures of economic welfare viz., life expectancy at birth, mean years of schooling, infant mortality rate, education, health, measure of freedom and value of leisure are being supplemented with real per capita income.

2.1. Tenth Five Year Plan - Growth Projections:

The Tenth Five Year Plan aims at achieving an annual growth rate of 8 per cent during 2002-07. Sector-wise the annual growth rate is pitched at 3.79 per cent for primary sector, 7.12 per cent for secondary sector and 9.77 per cent for tertiary sector. Box-1 presents growth rate for sectors and sub-sectors during the Tenth Five Year Plan.

Box - 1
Tenth Five Year Plan: Sectoral and Sub-Sectoral Projected Growth Rates

Sector	***Projected Growth Rate (%)***
I. Primary Sector	***3.79***
Agriculture & Allied Activities	*4.00*
Forestry and Logging	*3.00*
Fishing	*1.50*
Mining & Quarrying	*0.46*
II. Secondary Sector	***7.12***
Manufacturing - Registered	*8.00*
Manufacturing - Unregistered	*2.50*
Electricity, Gas and Water Supply	*6.00*
Construction	*10.50*
III. Tertiary Sector	***9.77***
Trade, Hotels and Restaurants	*6.50*
Railways	*6.00*
Transport by other means	*10.00*
Storage,	*2.00*
Communication,	*11.15*
Banking & Insurance	*14.00*
Business Services	*9.30*
Public administration	*10.00*
Other services	*9.50*
Gross State Domestic Product	***8.00***

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

2.2. Sectoral Analysis

2.2.1. Primary Sector:

Agriculture is a backbone of the State economy. Among the four sub-groups, `Agriculture and Allied Activities' is by far the largest component within the primary sector, with the result that the fortunes the agriculture sector reflect in the level of overall income generation in the primary sector. Dip in growth rate of agriculture and allied activities was (-)13.92 per cent in 2002-03 compared to (-)2.80 per cent in 2001-02. Supply shocks were a trigger for sagging performance of the farm sector. It may be noted that the water storage in the Mettur and other major reservoirs fell short of the normal level due to asymmetry in the spatio-temporal distribution of rainfall and intransigence of the Karnataka Government to comply with the interim award given by the Cauvery Water Authority and implement ***"distress formula"*** on water sharing between Tamil Nadu and Karnataka.

It stands out that other sub-groups viz. `*Forestry and Logging*', `*Fishing*' and '*Mining and Quarrying*' which are minor contributors within the primary sector showed insignificant growth rate in 2002-03 and 2001-02.

Table -3: Primary Sector : Growth of Sub-Sectoral Income (GSDP) at Constant (1993-94) Prices

(Rs. in Crores)

Sl. No.	Sub-Sector	2000-01 (RE)		2001-02 (QE)		2002-03 (AE)	
		Income	Growth Rate (%)	Income	Growth Rate (%)	Income	Growth Rate (%)
1.	Agriculture & Allied Activities	14582	4.70	14173	(-) 2.80	12201	(-) 13.92
2.	Forestry & Logging	441	(-) 7.41	449	1.66	456	1.69
3.	Fishing	664	0.94	673	1.34	681	1.32
4.	Mining & Quarrying	521	18.38	582	11.75	589	1.18
	Primary Sector	**16208**	**4.56**	**15877**	**(-) 2.04**	**13927**	**(-) 12.28**

Note: R.E. - Revised Estimates;
Q.E. - Quick Estimates;
A.E. - Advanced Estimates.
Source: Department of Economics and Statistics, Chennai -6.

2.2.2. Secondary Sector:

Secondary sector consists of four subgroups viz. `Manufacturing Registered', `Manufacturing Unregistered', `Electricity, Gas and Water Supply' and `Construction'. `Manufacturing Registered and Unregistered' put together accounted for about three-fourths of the income contributed to the State income by the secondary sector. Thus these two sub-groups are a major determinants of the growth in the income of the secondary sector. Failure of monsoon impinged upon the performance of secondary sector in that agriculture plays a crucial role of market, product and factor contributions which produce beneficial impact on industry. The growth of `Manufacturing Registered' was as low as 1.33 per cent in 2002-03 compared to 1.14 per cent in 2001-02 and 6.58 per cent in 2000-01. In the case of `Manufacturing Unregistered', the growth rate was negative at 0.53 per cent in 2002-03, (-)0.37 per cent in 2001-02 and 9.65 per cent in 2000-01. Since these two sub-groups performed poorly in 2002-03 and 2001-02, it pulled down the overall growth rate in the income of secondary sector by (-)0.19 per cent in 2001-02 by virtue of having relatively a higher weight. Taken together, the secondary sector displayed an insignificant growth of 0.16 per cent in 2002-03 and phenomenal growth rate of 5.88 per cent in 2000-01. It may be noted that the construction activities had suffered a setback (-3.34%) in 2002-03 due to slackness in construction activities.

Table -4: Secondary Sector
Growth of Sub-Sectoral Income (GSDP)
at Constant (1993-94) Prices

(Rs. in Crores)

Sl. No.	Sub-Sector	2000-01 (R.E)		2001-02 (Q.E)		2002-03 (A.E.)	
		Income	Growth Rate (%)	Income	Growth Rate (%)	Income	Growth Rate (%)
1.	Manufacturing - Registered	13641	6.58	13797	1.14	13981	1.33
2.	Manufacturing - Unregistered	8219	9.65	8189	(-) 0.37	8145	(-)0.53
3.	Electricity, Gas & Water Supply	2758	8.23	2892	4.86	2973	2.79
4.	Construction	5507	(-)1.82	5191	(-) 5.75	5017	(-)3.34
Secondary Sector		**30125**	**5.88**	**30069**	**(-) 0.19**	**30116**	**0.16**

Note: R.E. - Revised Estimates;
Q.E. - Quick Estimates;
A.E. - Advanced Estimates.
Source: Department of Economics and Statistics, Chennai - 6.

2.2.3. Tertiary Sector:

Tertiary sector consists of nine heterogeneous and omni bus categories like `Trade, Hotel and Restaurants', Railways', `Transport by other means', `Storage', `Communication', `Banking and Insurance' etc. Within tertiary sector, the sub-group `Real Estate' exhibited an unprecedented growth of 19.10 per cent in 2002-03. The rate of growth was robust in `Railways' (7.80%), `Transport and other means' (8.15%), `Public Administration' (8.71%). One noticeable feature is that the sub-group `Trade, Hotel and Restaurant', `Storage' displayed negative growth of 2.91 per cent in 2002-03 as in the preceding year (-0.53%). Sub-group Trade, Hotels and Restaurants is instrumental in influencing the determination of tertiary sector income by virtue of its higher weight.

The penetration of Information Technology and IT-enabled-Services, Business Process Out-sourcing and Communication are responsible for posting substantial growth in the income of service sector. Since there is a close backward and forward linkages between the primary and secondary sector, the repercussions of falling agriculture and industrial production set off a chain reactions in income generation of the service sector.

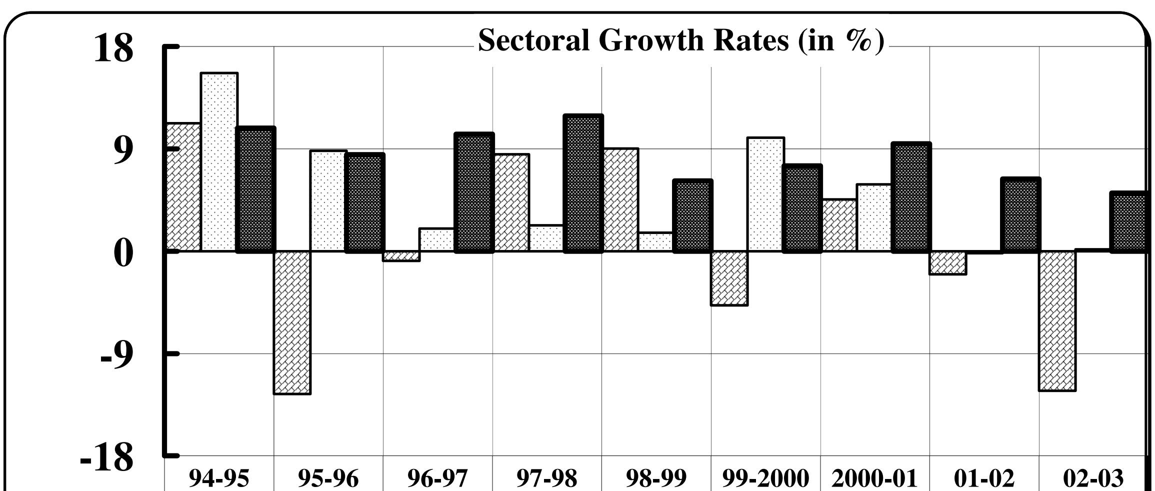
Table -5: Tertiary Sector : Growth of Sub-Sectoral Income (GSDP) at Constant (1993-94) Prices (Rs. in Crores)

Sl. No.	Sub-Sector	2000-01 (RE)		2001 -02(QE)		2002-03 (AE)	
		In-come	**Growth Rate (%)**	**In-come**	**Growth Rate (%)**	**In-come**	**Growth Rate (%)**
1.	Trade, Hotel & Restaurants	14605	14.80	14529	(-) 0.53	14106	(-)2.91
2.	Railways	488	(-) 10.72	517	6.00	558	7.80
3.	Transport by other means	4283	10.30	4584	7.04	4958	8.15
4.	Storage	74	2.10	73	(-) 1.12	72	(-) 0.92
5.	Communication	2718	22.52	3181	17.00	3428	7.80
6.	Banking & Insurance	6836	0.15	7069	3.40	7528	6.50
7.	Real Estate, Owner-ship of Dwelling & Business Services	5267	13.19	6104	15.91	7271	19.10
8.	Public Administration	4362	1.64	4629	6.13	5032	8.71
9.	Other Services	5673	7.69	6435	13.45	6585	2.33
	Tertiary Sector	**44305**	**9.45**	**47121**	**6.36**	**49538**	**5.13**

Note: R.E. - Revised Estimates; Q.E. - Quick Estimates; A.E. - Advanced Estimates.
Source: Department of Economics and Statistics, Chennai-6.

2.3. Trend Analysis:

A ten-year period (1993-94 and 2002-03) is taken into account for analysing growth trends in the growth performance of primary, secondary and tertiary sectors.



	94-95	95-96	96-97	97-98	98-99	99-2000	2000-01	01-02	02-03
Primary	**11.25**	**-12.56**	**-0.84**	**8.51**	**9.04**	**-4.77**	**4.56**	**-2.04**	**-12.28**
Secondary	**15.66**	**8.83**	**1.99**	**2.26**	**1.61**	**10.00**	**5.88**	**-0.19**	**0.16**
Tertiary	**10.82**	**8.50**	**10.29**	**11.90**	**6.19**	**7.51**	**9.45**	**6.36**	**5.13**

During this ten-year period, Gross State Domestic Product accelerated at 5.6 per cent. In the case of service sector, it has been growing at a substantial growth rate of 8.46 per cent. However, in the case of secondary sector, it has been growing by 5.13 per cent.

By contrast, the growth rate in the primary sector is found to be as low as 0.10 per cent due to oscillations in the production levels obtaining in the primary sector. Growth trends in agricultural sector is featured by a chequered pattern depicted below.

The income originating in the primary sector had witnessed set backs on five occasions out of ten years - 1995-96 (-12.56%), 1996-97 (- 0.84%), 1999-2000 (-4.77%), 2001-02 (-2.04%) and 2002-03 (-12.28%). Agriculture continues to be a gamble in monsoon. It indicates that the acceleration in the growth process is hampered by the stagnation in the growth rate of primary sector and sluggishness in the growth performance of secondary sector.

Table - 6
Growth in Gross Domestic Product (1993-94) Prices -
A Trend Analysis

(Percentage change)

Year	Primary Sector	Secondary Sector	Tertiary Sector	GSDP
1994-95	11.25	15.66	10.82	12.56
1995-96	(-) 12.56	8.83	8.50	3.45
1996-97	(-) 0.84	1.99	10.29	4.96
1997-98	8.51	2.26	11.90	7.82
1998-99	9.04	1.61	6.19	5.21
1999- 2000	(-) 4.77	10.00	7.51	5.81
2000-01 (RE)	4.56	5.88	9.45	7.35
2001-02 (QE)	(-) 2.04	(-) 0.19	6.36	2.68
2002-03 (AE)	(-) 12.28	0.16	5.13	0.55
AAGR	0.10	5.13	8.46	5.60

Note: R.E. - Revised Estimates;
Q.E. - Quick Estimates;
A.E. - Advanced Estimates.
Source: Department of Economics and Statistics, Chennai - 6.

At the National level, the Gross Domestic Product grew by 6 per cent vis-a-vis 5.6 per cent in Tamil Nadu.

In per capita terms, it increased by 3.97 per cent at the National level whereas it was at 4.29 per cent in Tamil Nadu during the ten-year period ending 2002-03.

Table - 7 : Comparative Position - National Income (GDP), State Income (GSDP) and Per capita Income at Constant (1993-94) Prices

Year	All-India		Tamil Nadu	
	GDP (Rs. Crores)	Per Capita (Rupees)	GSDP (Rs. Crores)	Per Capita (Rupees)
1993-94	781345	7698	57549	8955
1994-95	838031 (7.25)	8088 (5.07)	64777 (12.56)	9931 (10.90)
1995-96	899563 (7.34)	8499 (5.08)	67014 (3.45)	10146 (2.16)
1996-97	970083 (7.84)	9036 (6.32)	70340 (4.96)	10452 (3.02)
1997-98	1016266 (4.76)	9288 (2.79)	75842 (7.82)	11216 (7.31)
1998-99	1083047 (6.57)	9733 (4.79)	79797 (5.21)	11608 (3.50)
1999-2000	1151991 (6.37)	10306 (5.39)	84433 (5.81)	12144 (4.62)
2000-01	1198685 (4.05)	10754 (4.35)	90638 (7.35)	12944 (6.59)
2001-02	1267833 (5.76)	10774 (0.19)	93066 (2.68)	13108 (1.27)
2002-03	1318321 (3.98)	10964 (1.76)	93582 (0.55)	13003 (-)0.80
AAGR	**6.00**	**3.97**	**5.60**	**4.29**

Note: Figures in brackets indicate percentage change over the preceding year.
Source: 1. National Accounts Statistics and Press Notes, CSO, New Delhi.
2.Department of Economics and Statistics, Chennai-6.

2.4. GSDP and Per Capita Real Income in Tamil Nadu and Vis-a-vis Major States:

A Compound Annual Growth Rate (CAGR) has been worked out for GSDP and Real Per Capita Income for a nine-year period ending 2001-02. Finding that emerged from the trend analysis reveals that Tamil Nadu finished fourth in CAGR next to Rajasthan, Karnataka and West Bengal. In terms of CAGR of real per capita income Tamil Nadu occupied third position next to West Bengal and Karnataka. The relative position of Tamil Nadu among the fourteen major States stands out vividly.

Table-8: CAGR - GSDP and Per Capita Income at 1993-94 Prices

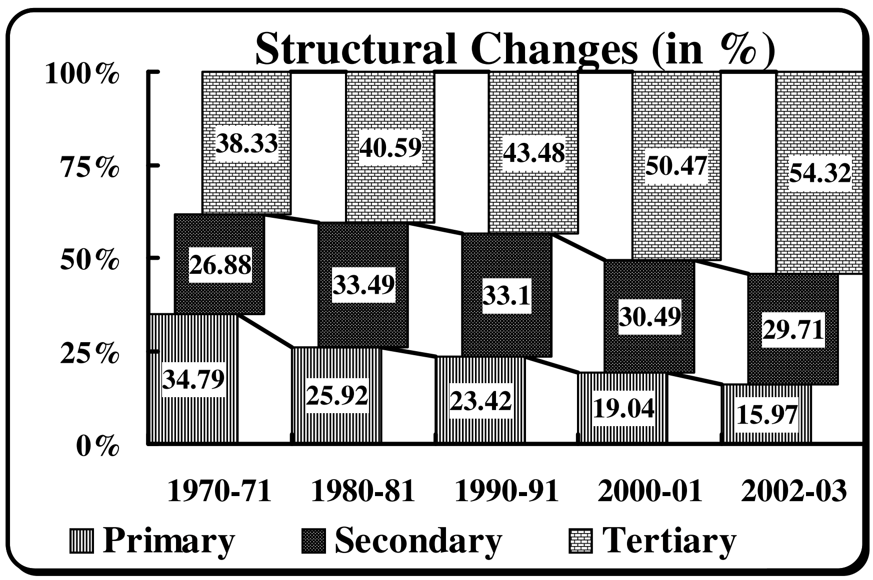
Sl. No.	State	**GSDP** (Rs. in crores)			**Per capita NSDP** (Rupees)		
		1993-94	2001-02 (QE)	CAGR	1993-94	2001-02 (QE)	CAGR
1.	Andhra Pradesh	57867	88765	5.5	7447	10313	4.2
2.	Assam	15143	18157	2.3	5715	5989	0.6
3.	Bihar	22812	31656	4.2	3037	3399	1.4
4.	Gujarat	49194	83537	6.8	9796	14102	4.7
5.	Haryana	22131	34800	5.8	11079	14075	3.0
6.	Karnataka	41079	70558	7.0	7838	11745	5.2
7.	Kerala	26326	40298	5.5	7938	11046	4.2
8.	Madhya Pradesh	37971	53179	4.3	6584	7635	1.9
9.	Maharashtra	113320	166516	4.9	12183	15070	2.7
10.	Orissa	18537	26022	4.3	4896	6105	2.8
11.	Punjab	30248	45026	5.1	12710	15255	2.3
12.	Rajasthan	32970	57379	7.2	6182	8819	4.5
13.	Tamil Nadu	57549	93066	6.2	8955	1310 8	4.9
14.	Uttar Pradesh	80451	NA		5050	NA	
15.	West Bengal	53424	91976	7.0	6756	10376	5.5
	All-India	**781345**	**1265429**	**6.2**	**7690**	**10754**	**4.3**

Source: Central Statistical Organisation/DOES.

2.5. Structural Transformation:

Economic development is reflective of ***"evolution"*** taking place in the State economy besides focusing on qualitative dimension of economic development. Differential growth rates and income bases for various sub-sectors of the economy are a trigger for economic transformation. To begin with, increase in the real per capita income is a spark which is bringing out shifts in structural composition of income. When the real per capita income has increased, it brought about changes in the consumption pattern, followed by changes in the structure of labour force and changes in the structure of production.

Over a period of time, the economy has metamorphosised into a tertiarised one from being primary sector-oriented one. In 1960-61 the share of primary sector in State income was at 43.51 per cent. It declined to 23.42 per cent in 1990-91 and further to 15.97 per cent in 2002-03. Since the sub-group `Agriculture and Allied Activities' has a larger weight within primary sector, the overall shift in share of agriculture was engendered through the shifting share of sub-group `Agriculture and Allied Activities'. Though the share of primary sector is getting increasingly reduced, tertiary sector, the work force depending on agriculture for their livelihood was still around 60 per cent. The spread between the share of primary sector in State Income and the share of agriculture in total employment is a pointer to the low productivity in agriculture. Since the performance of agriculture has been oscillating or unstable, those who depend on agriculture for livelihood are forced to migrate from rural areas to urban areas in pursuit of employment avenues due to operation of ***`push'*** and ***`pull'*** factors.



Turning to secondary sector, the share has improved from 20.27 per cent in 1960-61 to 34.84 per cent in 1995-96. However, its share had declined to 29.71 per cent in 2002-03. The causative factor for the diminishing share of secondary sector is poor performance of `Manufacturing - Registered and Unregistered'. A combination of factors attributable to the slackening is: lack of competitiveness, competition, inadequate capital formation, infrastructure bottlenecks, slow pace of modernisation in the manufacturing process, etc., notwithstanding the strong manufacturing base of the State.

Adverting to tertiary sector, the share had increased from 36.22 per cent in 1960-61 to 54.32 per cent in 2002-03 by leaps and bounds. It is to be noted that there was steady increase in the share of tertiary sector over the years. The fast growing tertiary sector is attributable to large out turn of technical and skilled personnel, deeper penetration of Information Technology, IT-enabled Services and Business Process Out-sourcing and Communication. Within the service sector, Banking and Insurance, Communication, Trade, Hotel and Restaurant and Public Administration are considered to be trial blazers that facilitate quickening pace of tertiarisation.

Table -9: State Economy : Structural Changes

Sl. No.	Sectors	Share in NSDP*						
		1960-61	**1970-71**	**1980-81**	**1990-91**	**1995-96**	**2000-01**	**2002-03**
1.	**Primary Sector**	**43.51**	**34.79**	**25.92**	**23.42**	**21.90**	**19.04**	**15.97**
1.1.	Agri. & Allied Activities	42.46	32.78	24.56	21.85	19.84	17.39	14.25
1.2.	Forestry & Logging	0.54	0.62	0.24	0.73	0.66	0.52	0.52
1.3.	Fishing	0.38	0.57	0.63	0.31	0.88	0.62	0.63
1.4.	Mining & Quarrying	0.13	0.82	0.49	0.53	0.52	0.51	0.56
2.	**Secondary Sector**	**20.27**	**26.88**	**33.49**	**33.10**	**34.84**	**30.49**	**29.71**
2.1.	Manufacturing - Registered.	6.85	9.68	14.95	16.22	17.79	12.73	12.78
2.2.	Manufacturing – Unregistered	7.91	10.16	12.47	7.95	9.94	8.89	8.63
2.3.	Electricity, Gas and Water Supply	0.17	0.31	0.43	2.03	1.69	2.33	2.46
2.4.	Construction	5.34	6.73	5.64	6.90	5.42	6.54	5.48
3.	**Tertiary Sector**	**36.22**	**38.33**	**40.59**	**43.48**	**43.27**	**50.47**	**54.32**
3.1.	Trade, Hotels and Restaurants	16.55	15.81	16.87	16.51	16.36	17.98	17.01
3.2.	Railways	0.20	0.27	0.35	0.37	0.40	0.29	0.32
3.3.	Transport by other means	2.49	4.16	4.40	4.31	4.12	4.03	4.58
3.4.	Storage	--	--	0.13	0.08	0.10	0.08	0.08
3.5.	Communication	0.35	0.64	0.95	0.93	1.90	2.92	3.61
3.6.	Banking & Insurance	1.56	2.11	3.25	5.77	6.07	8.04	8.67
3.7.	Real Estate and Business Services	3.96	4.02	4.99	5.53	4.59	5.60	7.58
3.8.	Public Administration.	0.97	1.66	3.56	4.26	3.37	4.84	4.88
3.9.	Other Services	10.14	9.66	6.09	5.72	6.36	6.67	7.59
	Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

** - NSDP data adopted for ensuring comparability over the years.*
Note: 1960-61 to 1990-91 computation is based on 1980-81 prices. 1995-96,2000-01 and 2002-03 is based on 1993-94 prices.
Source: Department of Economics and Statistics, Chennai - 6.

Ascendancy of service sector has important policy implications. It indicates gains in productivity in agriculture and industrial sectors which involves shift of labour away from non-service sector to services- producing sector and sign of greater degree of diversification of the State economy. It provides necessary cushion, resilience and vibrancy to the economy in the event of agriculture having fared adversely. The emergence of service sector is a potential area for additional revenue mobilisation by means of taxing service taxes.

Inspite of the fact that the economy has undergone significant economic structural transformation during the last 5 decadal period, there are certain constraints and bottlenecks that impede the faster pace of economic transformation as indicated below: high cost of capital the presence of large number of low quality unskilled labour, dearth of effective entrepreneurs (who sees the opportunities for introducing a new product, changing management organisation, exploiting a new market, finding a new source of raw-materials, cutting the cost of production or motivating the labour force), technological break-through and global competition.

2.6. Gross Fixed Capital Formation:

Additional capital formation is required to make allowance for increasing population, coping with depreciation and obsolescence and introduction of technological improvements (which include increase in knowhow, creation of new ideas and an increase in economic efficiency. They transform inputs into welfare-enhancing production). Thus, capital formation is indispensable for increasing the productive capacity of the economy. It is bound to accelerate the growth process through means of operation of multiplier and accelerator. The ratio of Gross Fixed Capital Formation to GSDP increased from 17.56 per cent in 1993-94 to 23.88 per cent in 1998-99. There was dip in the ratio in 1997-98.

Table – 10: Ratio of Gross Fixed Capital Formation of GSDP By Industry of Use (Rs. Lakhs)

Year	GSDP	Gross Fixed Capital Formation (Current Prices)			Ratio of GFCF to GSDP
	Current Prices	Public Sector	Private Sector	Total	
1993-94	5748201	339737 (33.66)	669730 (66.34)	1009467	17.56
1994-95	6875332	599382 (46.97)	676581 (53.03)	1275963	18.56
1995-96	7848611	624003 (39.88)	940597 (60.12)	1564600	19.93
1996-97	8949331	533549 (25.46)	1562234 (74.54)	2095783	23.42
1997-98	10365398	509257 (22.16)	1788909 (77.84)	2298166	22.17
1998-99	11907964	725106 (25.51)	2117866 (74.49)	2842972	23.88

Note: Figures in brackets indicate percentage to total.
Source: Directorate of Economics and Statistics, Chennai - 6.

In total Gross Fixed Capital Formation, private sector shared 74.49 per cent and the remaining by public sector. It indicates that public investment needs to be enhanced through streamlining the working of the public sector undertakings and commitment of increased expenditure for capital expenditure in various sectors of the economy through fiscal correction and prudence and improved productiveness of public expenditure. Apart from this, the efficiency with which the capital is being used is to be enhanced specifically the total factor productivity i.e. the difference or residual between the average growth rate of the factors of production and growth rate of real output needs to be improved upon.