



A STUDY ON PROBLEMS AND PROSPECTS OF INDUSTRIAL SECTOR IN TAMILNADU

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ABSTRACT

The development of industrial sector plays a pivotal role in economic uplift. It raises the productive capacity of the people and creates ever-increasing employment opportunities. The people thus can have more goods and service: leisure and better health denied the previous generations. Industrial development reduces dependence on agricultural exports to earn badly-needed foreign exchange. An industrialized nation is always economically stronger and thus capable of defending itself against any aggression. Tamilnadu is the most industrialized state of India with over 40,000 factories, the most for any state in India and have the country's largest industrial work force. Tamil Nadu has carved for itself a pride of place in the manufacture of a number of products like textiles & garments, leather products, automobiles and auto parts, light & heavy engineering including fabrication, electronic hardware, granite products, cement, sugar, etc apart from software development and IT enabled Services (ITES). Keep this in this view the aim of the study is to study the problems and prospects of industrial sector in Tamil Nadu. The study reveals that Even though the situation is good for the industrial health of Tamilnadu, it is not free from the lacking. Insufficient power supply to the industries is utmost important problem of Tamilnadu. It can be overcome by capacity addition through taking up new projects. In the modern scenario conventional energy will not be adequate for future projects. Government and the public should fetch the alternate energy sources to overcome the crisis of this sector.

Key Words: Industrial Sector, Problems, Prospects, Tamil Nadu

INTRODUCTION

Industry refers to that sector of economy which is related with manufacturing and production of different products. Industry is considered as a leading sector to economic development.

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Economies of scale can be assured by applying advanced technical knowhow, systematic management and division of labour. This results in increase in production, employment and simultaneous growth in capital formation and economic development. In the history of the world, it is shown that the economic development of advanced capital economies is because of the industrialisation and it also helped them to keep their national and per capita income in a growing manner. For instance, the share of industrial sector to national income was 26% and the per capita income in year 2000 was 36,240 dollar in USA.

Industrial sector will grow faster if there is such factors mediated with viz., skilled human resources sound economic and social infrastructures with organised banking sector for enabling the supply of financial facilities, good marketing facilities for the produced items, facilities of store houses to ensure supply in adequate times, competitiveness among the producers both in domestic and international market with the demands of the people. Tamil Nadu has emerged as the Second largest state economy following Maharashtra The economy of the state is relatively more modernized and diversified in comparison with most other states in the country in terms of industrialisation, urbanization, educational attainment and literacy, access to health care etc. Traditionally, Tamil Nadu has been one of the front-runners in the bandwagon of industrialized states. Tamil Nadu has carved for itself a pride of place in the manufacture of a number of products like textiles & garments, leather products, automobiles and auto parts, light & heavy engineering including fabrication, electronic hardware, granite products, cement, sugar, etc apart from software development and IT enabled Services (ITES). Tamil Nadu is ranked: First among the Indian states in terms of the number of Factories, First in terms of the number of workers employed in the factories Sector. Keeping this in view in this study an attempt has been made to study the prospects and problems of industrial sector in Tamil Nadu.

Prospectus of Industrial Sector in Tamil Nadu

Tamil Nadu, one of Top ten fastest growing states in India is situated in the southern most part of the Indian subcontinent covers a little over 130,060 sq. km, about 4 percent of India's geographical area. According to the 2011 census the population of Tamilnadu is 72 million. Today, Tamil Nadu has emerged as the Second largest state economy following Maharashtra which has a much larger area and population. The economy of the state is relatively more modernized and diversified in comparison with most other states in the country in terms of industrialisation, urbanization, educational attainment and literacy, access to health care etc. Traditionally, Tamil Nadu has been one of the front-runners in the bandwagon of industrialized states. Tamil Nadu has carved for itself a pride of place in the manufacture of a number of products like textiles & garments, leather products, automobiles and auto parts, light & heavy engineering including fabrication, electronic hardware, granite products, cement, sugar, etc apart from software development and IT enabled Services (ITES). Tamil Nadu continues to be a safe haven for the investors owing to ideal business climate & healthy



socio-economic reforms. One of Top five FDI destinations in India, the State has witnessed impressive growth and development of industries with the dismantling of licensing restrictions as part of economic liberalization launched in July 1991. From here onwards Indian States started aggressively competing with each other in attracting investments. Tamil Nadu was one of the few States to seize the initiative in attracting substantial investments into manufacturing. To achieve No.1 position in industrialisation in India the state is following pragmatic and far sighted industrial policy from 1992 and revised it in 2003 with a number of innovative features. This policy equipped then to compete with its rivals in this field. These policies laid the stones for both automobile and electronic revolution in Tamilnadu by attracting the international giants of industries such as Ford, Hyundai, Nokia, Foxconn, Flextronics, etc. Among these industrial ventures the Nokia project in Chennai has become the world's largest mobile handsets manufacturing facility. Chennai has become the leader in India in both automobiles and Electronic hardware manufacturing. This success bears ample testimony to the efficacy of the Industrial Policies 1992 and 2003 introduced by the State Government.

Tamil Nadu's has the second largest economy in India with a current Gross State Domestic Product (GSDP) of Rs 18802 billion and the per capita GDP of US \$3000 in the year 2014-15, the third highest in India. The global economy is still reeling under recessionary conditions. According to the World Global Economic Prospects published in June 2014, the world economy registered only a modest real GDP growth of 2.40% in 2013. The manufacturing sector in Tamil Nadu is highly export-intensive, as industries like textiles & garments, leather goods, automobiles and parts, other engineering goods, etc depend on export markets. Notwithstanding these global recessionary trends, Tamil Nadu has recorded higher growth during 2013-14. According to Union Planning Commission's provisional estimates, in 2013-14, the economy of Tamil Nadu grew at 6.13%, which is higher than the All India average growth rate of 4.74%. At present, Tamil Nadu is in the vanguard of Industrialization among Indian states and has become one of most favoured investment destinations in India. The State is ranked as one of the Top Three states in terms of a number of parameters.

According to the Annual Survey of Industries 2011-12 recently published by the Central Statistical Organisation (CSO) of Government of India, Tamil Nadu is ranked: First among the Indian states in terms of the number of Factories, First in terms of the number of workers employed in the factories Sector, Third in terms of Gross Value of Industrial output, Third in terms of Net Value-Added in Factories sector.

According to FDI Statistics published by the Department of Industrial Policy & Promotion (DIPP), Ministry of Commerce and Industry, Government of India, Tamil Nadu is ranked Third among Indian States in terms of foreign investment inflows during the period April 2000 to March 2014. During this period, Tamil Nadu received Rs. 65,406 crores (US\$ 13,197



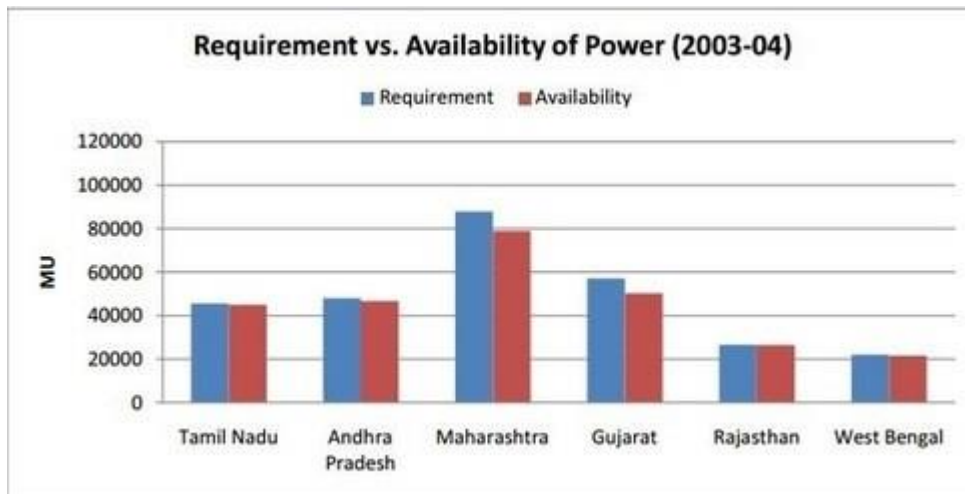
million) foreign investment. Tamil Nadu's position follows Maharashtra and New Delhi. During the period April 2013 to March 2014, Tamil Nadu is ranked Third with an FDI inflow of Rs.12595.40 crores (US \$ 2116.24 million). According to the Centre for Monitoring Indian Economy (CMIE), at the end of March 2014, "Total cumulative investments in pipeline" in Tamil Nadu was Rs.9,61,522.22 crores; whereas in March 2011, it was Rs.7,38,918.83 crores. During the last three year period (up to March 2014), according to CMIE, Tamil Nadu attracted an incremental investment of Rs.2,22,603.39 crores. Apart from CMIE, the data published by the DIPP, Government of India in its publication titled "Secretariat for Industrial Assistance (SIA)/Statistics" also indicates that Tamil Nadu is one of the most preferred states for making investment. According to DIPP, at the end of April 2014, the total cumulative investments committed in Tamil Nadu in the Industrial Entrepreneur Memorandum (IEM) and Letter of Intent (LoI) as well as Industrial Licence (IL) proposals was Rs.4,48,334 crores; whereas the cumulative investments committed in Tamil Nadu at the end of April 2011 was Rs.3,33,010 crores. The incremental investment attracted by Tamil Nadu during May 2011 to April 2014 was Rs.1,15,324 crores. Data published by CMIE as well as DIPP, Govt of India bear ample testimony to the buoyant investment climate prevailing in the State. During the last 3 years, the State Government had signed 33 MoUs with an aggregate investment of Rs.31,706 crores. Apart from this, Guidance Bureau under Industries department has attracted an additional investment of Rs.14,896.72 crores in 35 projects through Single window facilitation. In total, in the last 3 years, total investments attracted in 68 projects was Rs.46,602.72 crores.

Problems of Industrial Sector in Tamil Nadu

The problems faced by the industrial sector of Tamil Nadu are discussed below with utmost stress on problem of **shortage of power supply** which is the most important problem because of the:

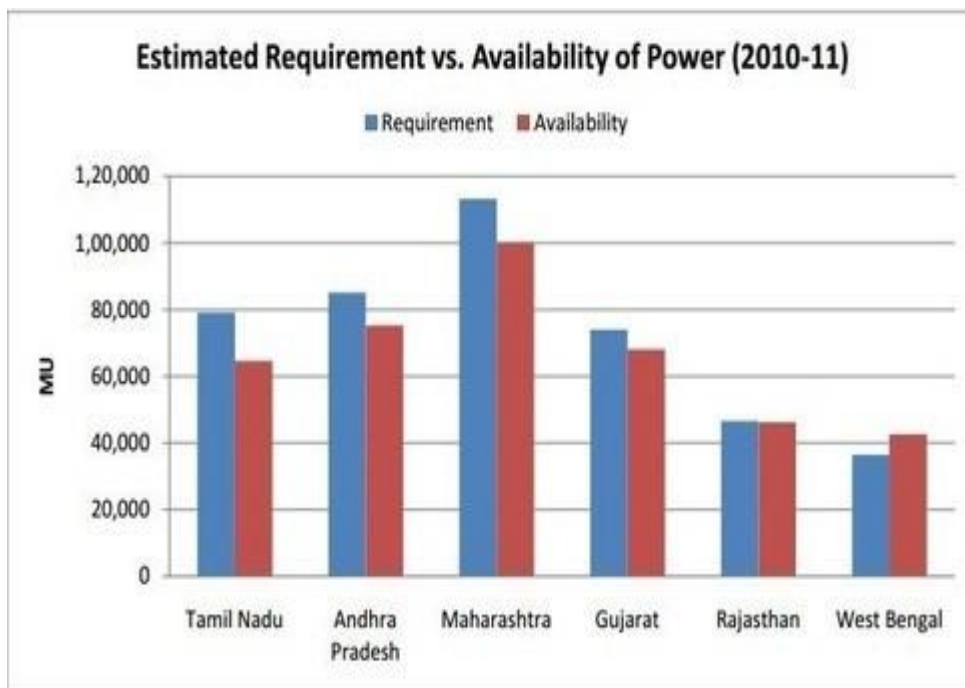
1. Lack of long term vision.

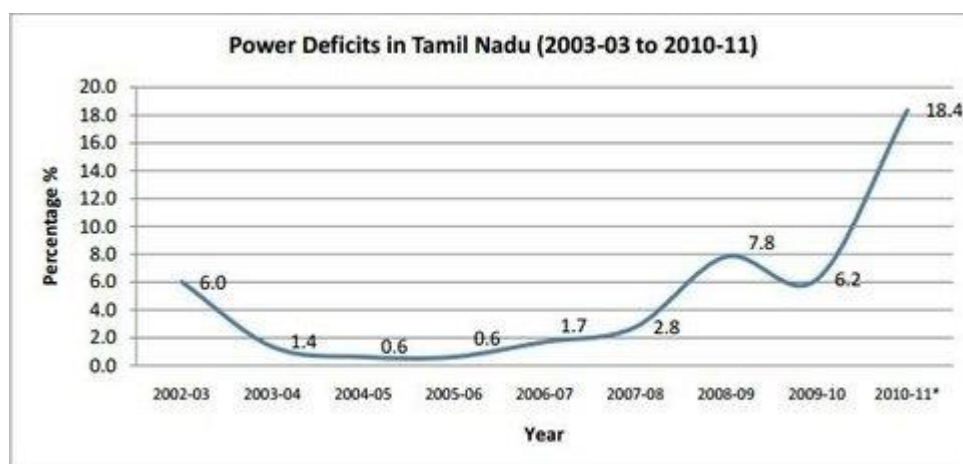
The following status demonstrates how the gap between requirement and availability of power in Tamil Nadu has altered significantly in comparison with other industrialized states between 2003-04 and 2010-11



Source: Consumer Electronics Association (CEA) TNEB

Comparing this with the situation in 2003-04, it can be seen that the status of deficits in most of the states was the same, except in Tamil Nadu and Andhra Pradesh. Tamil Nadu, in particular, only had a deficit of around 1% in 2003-04. This deficit has been increasing rapidly, especially in the last five years as can be seen from the graph below:



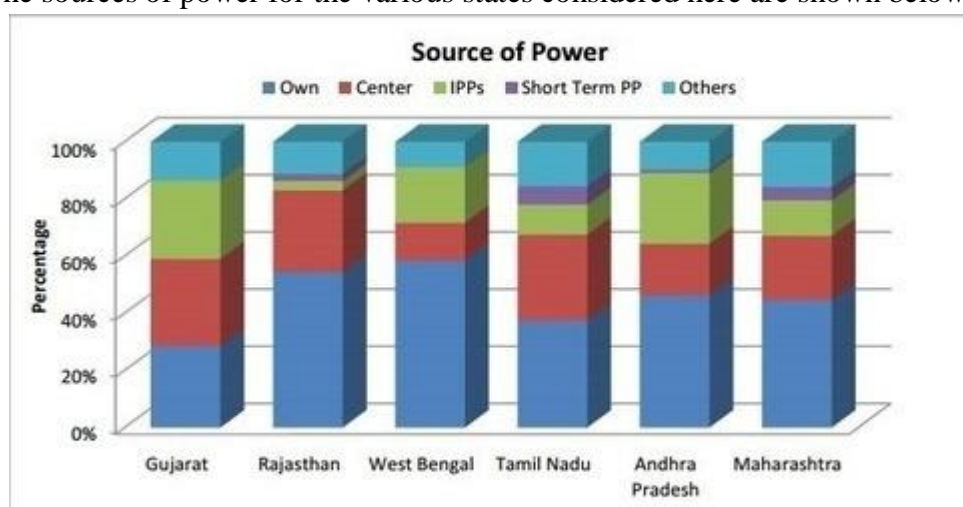


Source: Consumer Electronics Association (CEA) TNEB

Anticipating a huge increase in demand, driven by economic growth, states such as Maharashtra, Gujarat and Andhra Pradesh put in added efforts to increase the availability of power. This was done both by increasing own capacity and by encouraging private investment in power generation. On the contrary, such a long term vision to increase availability of power was absent in Tamil Nadu. Further, installed capacity in Tamil Nadu increased from around 13,000 MW at the end of the 10th plan to around 14,700 MW in 2010-11, representing an increase of around 12%. This represents the least capacity addition among all the states in this period.

2. Overdependence on external sources.

There are five main sources of power in a state – own generation, central allocation, power purchased from IPPs, short term power from the exchange and other sources (including wind mills). The sources of power for the various states considered here are shown below:

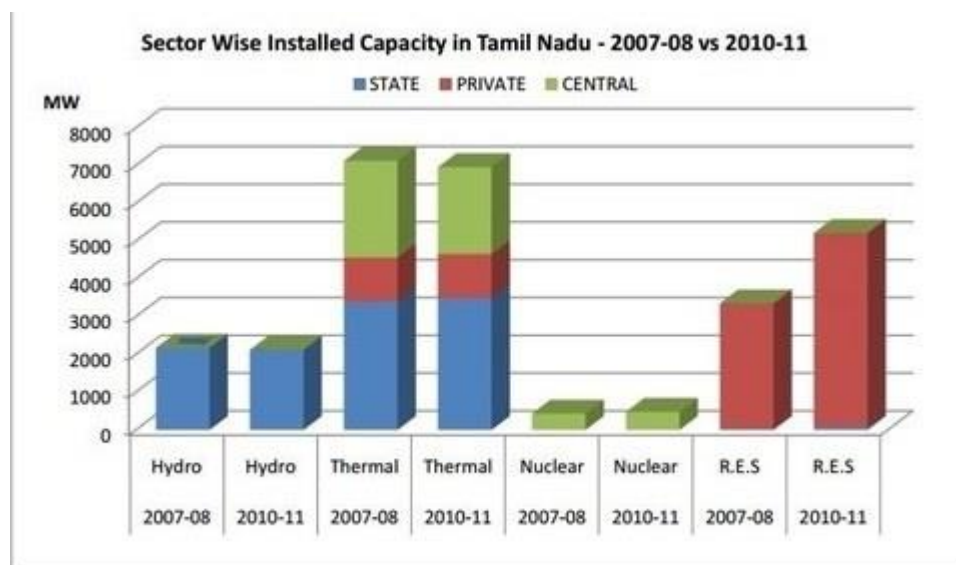


Source: Consumer Electronics Association (CEA) TNEB

As can be seen from the above graph, among all the states, Tamil Nadu is the most dependent on outside sources.

3. Overdependence on wind energy.

All the capacity additions in Tamil Nadu were in private wind generation (R.E.S), which, as mentioned before, is highly seasonal. This can be seen from the graph below, which shows sector wise capacity additions over the last three years:



Source: Consumer Electronics Association (CEA) TNEB

4. Failure to reduce Transmission and Distribution losses.

Tamil Nadu also has relatively low T&D and AT&C losses of 18% and 19.5% respectively. Even though these values are relatively low, they have remained at these levels for the past ten years. Tamil Nadu is the only state which has not reduced its T&D losses and improved the system over the years. The main problem faced by Tamil Nadu in transmission is with respect to congestion in the Southern grid.

Other Problems

Under utilization of existing capacity is another major problem which is due to lack of raw material and demand. Industry has developed elite oriented pattern. Concentration of economic power in the hands of few, regional imbalances, sickness of industries, loss in public sector industries, unsatisfactory labour relations, lack of capital and industrial raw materials, changing policy of the government, and defective licensing policy are some of the problems which are hindering the overall industrial development in Tamil Nadu.



CONCLUSION

Industry is the production of goods or related services within an economy. In every economy, one of the major sources of revenue is its industrial sector which develops in accordance with the policy measures taken by the government and the sophisticated infrastructure developed by the combined effort of the government and the general public. Manufacturing industry became a key sector of economic development. Tamilnadu is the most industrialized state of India with over 40,000 factories, the most for any state in India and have the country's largest industrial work force and Tamil people are industrially the most successful people of India. Even though the situation is good for the industrial health of Tamilnadu, it is not free from the lacking. Insufficient power supply to the industries is utmost important problem of Tamilnadu. It can be overcome by capacity addition through taking up new projects. In the modern scenario conventional energy will not be adequate for future projects. Government and the public should fetch the alternate energy sources to overcome the crisis of this sector.

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