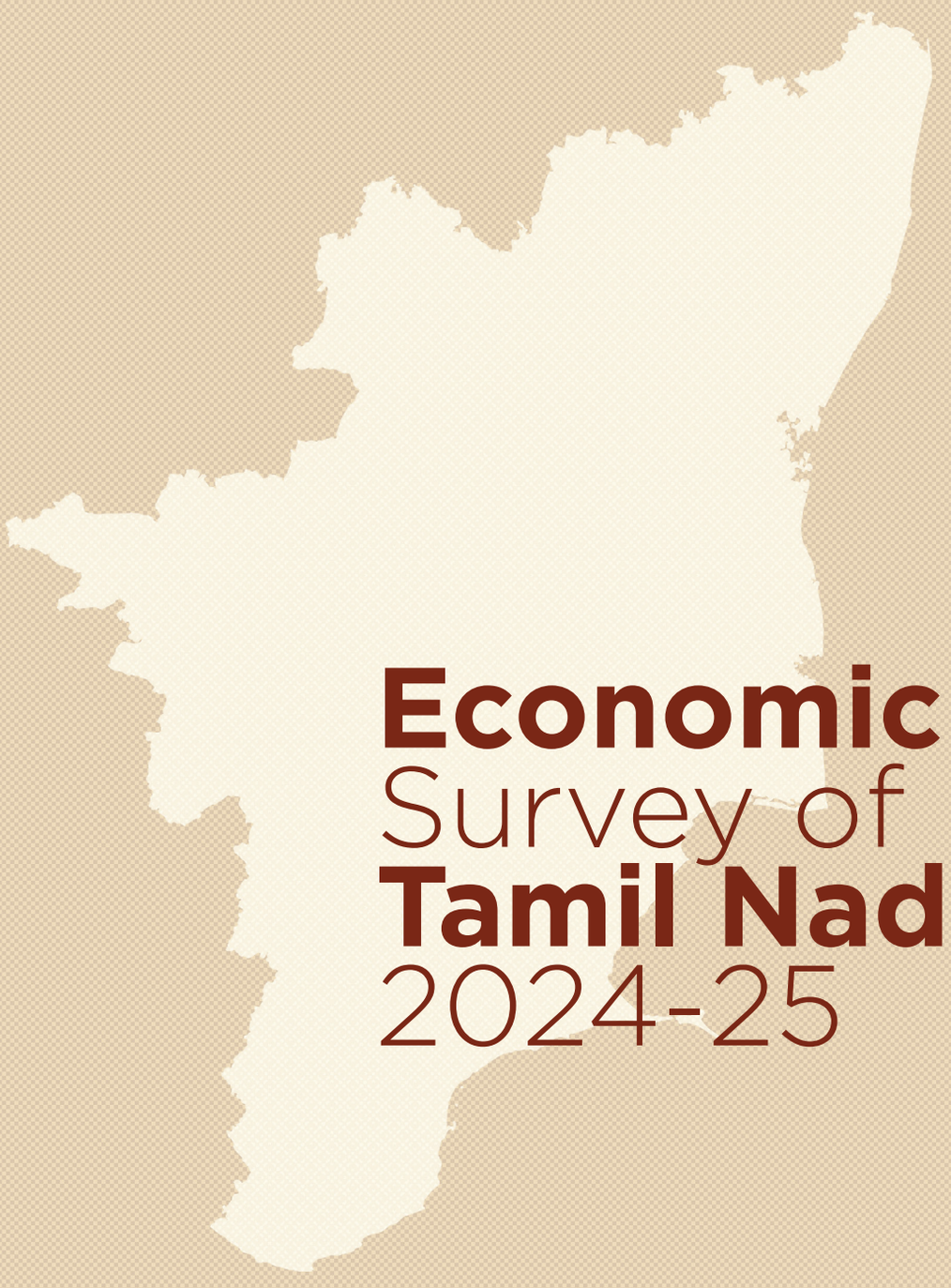
Government of Tamil Nadu
State Planning Commission



Economic Survey of Tamil Nadu 2024-25

Government of Tamil Nadu
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Foreword

This is the first Economic Survey of Tamil Nadu 2024-25 being presented to the people. Economic Survey improves transparency in public policy as it presents a report card on the state economy, narrating the developments in the recent past and suggests the pointers to develop policies for future.

Ever since the new government took over the reigns of governance in May 2021, it has taken the state through successive years of high economic growth overcoming the onslaught of Pandemic in 2020 and 2021 and the natural disasters of cyclone and flooding in the three years thereafter. The Union government has not been co-operative in sharing financial resources that Tamil Nadu deserves, and limiting its growth through policy compulsions like NEET, NEP 2020 and fiscal caps on borrowings to name a few.

Tamil Nadu's economic growth is enviable for any state in India, while its social welfare programs serve as a model for others to follow. "Growth with Social Justice" is only one of its kind of development process. This development process has matured over a century in Tamil Nadu and it continues to yield greater results and will continue to do so in future.

The Tamil Nadu Economic Survey 2024-25 provides an overview of the state's economic progress across various sectors over the past five years. While overall economic growth is evident, different sectors have expanded at varying rates. The strong focus on the social sector, along with its significant share in public finance, highlights the state government's commitment to social justice as a fundamental pillar of its development policy.

The Economic Survey of Tamil Nadu 2024-25 does not shy away from listing the issues to be addressed and the development gaps to be bridged in Tamil Nadu.

This survey is a well researched and lucidly articulated report on the state of Tamil Nadu economy. It is a treasure house of economic information and carries a wealth of analysis. I commend the authors of this report for the excellent work and submit the survey to the people of Tamil Nadu.

Executive Vice Chairman
State Planning Commission

Acknowledgment

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Economic Survey of Tamil Nadu 2024-25.

EXECUTIVE SUMMARY

The Tamil Nadu economy in 2024-25 faced global headwinds with its innate economic strength. The pandemic, coupled with geopolitical tensions and extreme weather events, disrupted global supply chains and triggered crises in the energy and food sectors. The global economy posted a real growth rate of 3.33% in 2023. India's economy recorded 7.61% growth in 2022-23, 9.19% in 2023-24, and 6.48% in 2024-25. Building on a strong foundation of inclusive policies, Tamil Nadu has demonstrated remarkable economic resilience, consistently achieving growth rates of 8% or more since 2021-22. The state is expected to maintain a growth rate above 8% in 2024-25.

2. Tamil Nadu's progressive social policies, robust infrastructure facilities, and large skilled labor force have enabled the state to place itself on an elevated economic development trajectory. With just 4% of India's land area and 6% of the country's population, Tamil Nadu contributed 9.21% to the national GDP in 2023-24. Its Gross State Domestic Product (GSDP) at current prices reached ₹27.22 lakh crore in 2023-24, posting a nominal growth rate of 13.71% and a real growth rate of 8.33%.

3. As a major exporter of automobiles and auto components, textiles, and leather, the state's economy is responsive to global market trends, exhibiting a higher correlation with global economic fluctuations than India's growth pattern.

4. In 2022-23, Tamil Nadu's per capita income was ₹2.78 lakh, 1.6 times the national average of ₹1.69 lakh. It has consistently outpaced the national average over the years. This makes Tamil Nadu the fourth-largest state in per capita income. The state's per capita income is significantly above the national average.

5. Unlike states like Maharashtra, Karnataka, or West Bengal, where economic activity is concentrated around a single metropolitan hub, Tamil Nadu's economic development is more evenly distributed across multiple urban centers. Cities like Coimbatore, Madurai, Tirupur, Tiruchirappalli, and Salem contribute significantly to the state's economy, helping bridge the urban-rural divide.

6. In 2023-24, the services (tertiary) sector contributed 53.63% of the state's Gross State Value Added (GSVA), followed by the secondary sector (33.37%) and the primary sector (13%). As in developed economies, if the state's secondary sector share increases by about 5%, employment prospects will likely improve further.

7. As a highly industrialized and urbanized economy, Tamil Nadu aims to achieve a $1 trillion economy by 2030. With its existing strengths, Tamil Nadu shall accomplish this feat through strategic planning to address challenges like climate change, demographic shifts, technological disruptions, and changing employment landscapes. Tamil Nadu also

needs to concentrate on developing rural entrepreneurship to spread growth across all the districts of the state. The state should leverage its demographic advantage by increasing the skill endowment of the youth, encouraging women to participate in the workforce, and promoting high-value manufacturing and services, including frontier technologies. It is heartening to note that Tamil Nadu has already started on this growth path with policies for the semiconductor and advanced electronics industry, creating a business environment to expand sectors like electronics, IT and ITeS, logistics, and renewable energy.

8. Global inflation increased due to geopolitical tensions and climate change, reaching 8.6% in 2022 and 6.7% in 2023. India's retail inflation (CPI) was 6.7% in 2022-23, 5.4% in 2023-24, and 4.9% in 2024-25 (till Jan 2025). Tamil Nadu experienced a similar downward trend, with retail inflation declining from 6% in 2022-23 to 5.4% in 2023-24 and further to 4.8% in 2024-25 (as of January 2025). While the state's average inflation rate was 5.7% between 2019-20 and 2023-24—higher than India's average of 4.85%—this trend reversed in 2021-22, with Tamil Nadu's retail inflation dropping significantly. Notably, in 2023-24, Tamil Nadu recorded the 8th lowest retail inflation among 20 major Indian states.

9. Urban inflation in Tamil Nadu decreased from 6% in 2019-20 to 4.5% in 2024-25 (till Jan 2025), while rural inflation remained at 5.4% . Thus, rural inflation drives the overall inflation in the state. Among various groups, food and miscellaneous items contribute significantly to rural inflation.

10. While inflation is largely a monetary phenomenon, its impact on people is real,as it erodes their purchasing power. The Tamil Nadu government intervenes to limit this erosion through mechanisms like subsidized supplies of select cereals, pulses, and edible oil, electricity, and income support schemes such as the *Kalaignar Mahalir Urimai Thittam*.

11. Tamil Nadu's agriculture heavily depends on monsoons. Agriculture contributes ₹1.5 lakh crore (6% of GSVA) and ranks as the fifth largest sector. Food grains, including paddy, maize, jowar, bajra, ragi, and millets, make up around 62% of the total cropped area, while non-food crops such as oilseeds, sugarcane, and cotton account for the remaining 38%. Paddy continues to dominate the cropping pattern, with its share in the total cropped area increasing from 32.1% in 2019-20 to 34.4% in 2023-24.

12. According to the Agricultural Statistics at a Glance (2024), Tamil Nadu ranked first in the productivity of oilseeds, groundnut, and sugarcane, second in maize productivity, and third in paddy productivity. The expansion of commercial agriculture and the rise in the productivity of key crops in Tamil Nadu have been largely driven by extensive use of chemical fertilizers and groundwater. The state's consumption of fertilizers increased from 9.65 lakh metric tonnes in 2019-20 to 10.68 lakh metric tonnes in 2023-24. Agricultural power consumption rose from 13,811 million units to 17,957 million units.

13. Agricultural credit serves as a crucial support system for farmers in Tamil Nadu. The credit disbursed through scheduled commercial banks has steadily increased from ₹1.83 lakh crore in 2019-20 to ₹3.58 lakh crore in 2023-24, making Tamil Nadu the leading state in agricultural credit disbursed by commercial banks. In addition to prevailing market

prices, the Tamil Nadu government provides an extra incentive of ₹105 per quintal for paddy and ₹215 per tonne for sugarcane. Agriculture insurance safeguards farmers by offering financial support in case of crop loss due to unexpected natural disasters. To facilitate agricultural trade and storage, the government has established 284 regulated markets, 525 storage godowns, 395 transaction sheds, 421 drying yards, 863 traders' shops, and 268 cold storage units with a combined capacity of 19,856 metric tonnes.

14. Horticulture has become a key driver of agricultural development in Tamil Nadu, driven by the increasing demand for fruits, vegetables, plantation crops, ornamental plants, and medicinal crops. In 2023-24, the total area dedicated to horticulture reached 16.3 lakh hectares. The state also has abundant livestock and poultry resources, providing a crucial livelihood for small and marginal farmers and landless laborers. The Gross State Value Added (GSVA) from the livestock sector stood at ₹1.35 lakh crore in 2023-24, contributing 5.41% to Tamil Nadu's total GSVA. The state ranks second in egg production and sixth in meat production in India. While fishing and aquaculture contribute less than 1% to GSVA, Tamil Nadu exported 1.34 lakh tonnes of fish products, generating ₹6,854 crore in foreign exchange in 2023-24.

15. Accelerated growth in agriculture and allied sectors is achievable if TamilNadu addresses challenges such as groundwater depletion and climate change. Implementing climate-smart practices, mechanization, and post-harvest value addition can significantly boost income in these sectors.

16. Tamil Nadu is an industrial powerhouse, contributing 11.90% to India's manufacturing GDP and leading the nation in the number of factories. With 35.56 lakh Udyam-registered Micro, Small, and Medium Enterprises (MSMEs), Tamil Nadu ranked second nationally in 2023-24. Dubbed the "Detroit of India," the state houses over 1,500 factories producing automobiles and auto components. Additionally, Tamil Nadu is a major hub for textiles, leather goods, and electronics production. The state ranks first in motor vehicle production, wearing apparel, and leather products and second in textiles, machinery, and electronic products. It also leads the country in exporting engineering goods, electronics, ready-made garments, cotton yarn, handloom products, and leather goods. In 2023-24, 33.31% of Tamil Nadu's total workforce was engaged in industrial activities, with 15.97% in manufacturing and 17.2% in construction.

17. Between 2021-22 and 2023-24, the manufacturing sector grew at 8.33%, while the construction sector expanded by 9.03%. Several sub-sectors, including transport equipment, rubber and plastic products, motor vehicles, trailers, semi-trailers, and chemicals, recorded double-digit growth.

18. The Global Investors Meet 2024 secured investments worth ₹6.64 lakh crore, expected to create 14.55 lakh jobs. To sustain industrial growth, Tamil Nadu must prepare its workforce by suitably reskilling to match the adoption of Industry 4.0 technologies.

19. From 2019-20 to 2023-24, total credit to Tamil Nadu's industry through scheduled commercial banks increased from ₹2.5 lakh crore to ₹3.01 lakh crore, while Foreign Direct Investment (FDI) rose from ₹5,909 crore to ₹20,157 crore.

20. Tamil Nadu's service sector is diverse, encompassing trade, repair, hotels and restaurants, transport, storage, communication, financial services, real estate, and more. The state is particularly known for its dynamic IT and IT-enabled services, education, healthcare, finance, tourism, hospitality, and entertainment industries. Rapid urbanization drives demand for infrastructure services such as transportation, housing, sanitation, and utilities. In 2023-24, 54.63% of Tamil Nadu's urban workforce was employed in the service sector, close to the national average of 58.07%. Among them, 16.28% were engaged in trade and motor vehicle repair, 7.53% in transport and storage, 6.28% in information and communication, 5% in education, 4.86% in accommodation and food services, 2.84% in financial and insurance services, and 11.84% in other services.

21. The service sector in Tamil Nadu has demonstrated strong recovery post-pandemic. Between 2021-22 and 2023-24, the sector grew at 7.97%, driven by rapid expansion in real estate (9.41%), trade, repair, hotels, and restaurants (7.98%), and transport and storage (7.67%).

22. Among major states, Tamil Nadu consistently ranks among the top three in the Credit-Deposit Ratio (CDR), reflecting its high economic activity. The state's CDR increased from 109.2% in 2019-20 to 117.7% in 2023-24, compared to India's rise from 76.5% to 79.6%. Credit to the service sector through scheduled commercial banks grew from ₹2.86 lakh crore in 2019-20 to ₹4.46 lakh crore in 2023-24.

23. Tamil Nadu leads the country in banking networks, with 24,390 ATMs. The rise of digital banking and UPI adoption has transformed the state's financial landscape, ensured fast and seamless transactions and driving financial inclusion in both rural and urban areas.

24. Employment generation is crucial for economic growth and social stability. In 2019-20, Tamil Nadu's Labor Force Participation Rate (LFPR) for individuals aged 15-59 years was 63.3%, compared to the all-India average of 56.9%. By 2023-24, it had risen to 64.6%, surpassing the national average of 64.3%.

25. Tamil Nadu ranks among the top three states in multiple social indicators. It holds the top position in the Social Progress Index (SPI) and Gross Enrolment Ratio (GER) in higher education and ranks second in low infant mortality, low birth rate, and low poverty levels. The state also ranks third in the Sustainable Development Goals (SDG) Index and the Health Index.

26. The Tamil Nadu government has steadily increased its social sector expenditure, which rose from ₹79,859 crore in 2019-20 to ₹1.16 lakh crore in 2023-24. Key initiatives include the Chief Minister's Breakfast Scheme to improve school attendance and nutrition as well as various programs empowering women, such as the *Kalaignar Mahalir Urimai Thittam* and the *Mahalir Vidiyal Payanam Thittam*.

27. Between 2005-06 and 2022-23, Tamil Nadu's poverty rate (Headcount Ratio) decreased significantly, from 36.54% to just 1.43%, while India's HCR declined from 55.34% to 11.28%. In 2023-24, Tamil Nadu ranked fourth among major states in terms of average monthly per capita consumption expenditure for both rural and urban areas, consistent with its position as the fourth highest in annual per capita income.

28. Tamil Nadu is one of the most literate states in India, consistently excelling in elementary, secondary, and higher education enrolment. Several initiatives, including the distribution of free school supplies, bicycles, the Noon Meal Scheme, and the Chief Minister's Breakfast Scheme, have played a crucial role in keeping students engaged and ensuring regular attendance. Currently, 1.29 crore students are enrolled in 58,722 schools across the state, accounting for 5.24% of the total student enrolment in India. The state's Gross Enrolment Ratio (GER) stands at 98.4% for elementary schools, 97.5% for secondary schools, and 82.9% for higher secondary schools, compared to the national averages of 91.7%, 77.4%, and 56.2%, respectively. The Teacher-Pupil Ratio in primary and secondary education is also higher than the national average. Tamil Nadu ranks second in the School Education Quality Index (SEQI) by NITI Aayog, with a score of 73.4%, behind only Kerala (82.2%). Additionally, the state has the lowest dropout rate in secondary education at 4.5%, compared to the national average of 12.6%.

29. Tamil Nadu also excels in higher education, with three of the country's top 50 research institutions. Eight state universities rank among the top 100 universities, and four government arts and science colleges are in the top 100. Many universities in the state have received high grades (A++/A+/A) in NAAC accreditation. With 506 engineering colleges and 492 polytechnics, Tamil Nadu has the highest number of technical institutions in India, ensuring a well-equipped workforce for its service and manufacturing sectors.

30. The state performs well across various health indicators, as highlighted in the National Family Health Survey-5. Tamil Nadu ranks third in life expectancy among major Indian states. The state is also a prominent hub for medical tourism. In 2023-24, Tamil Nadu's healthcare infrastructure includes 8,713 health sub-centers, 2,336 primary health centers, 372 government hospitals, and 36 government medical college hospitals.

31. While Tamil Nadu has successfully increased enrollment at all levels of education and strengthened its public healthcare system, it must address the challenges posed by an aging population through healthcare innovations and enhanced social security measures.

32. Climate change has become a major concern for Tamil Nadu. In recent years, the state has experienced an increased frequency of extreme weather events, including cyclones (Vardah in 2016, Ockhi in 2017, Gaja in 2018, Michaung in 2023, and Fengel in 2024) and floods (notably in 2015 and 2017). The state's average mean temperature has risen by +0.68°C per century, and there is clear evidence of a decline in annual rainfall. A report by the Climate Studio at Anna University highlights that northeastern coastal regions are highly vulnerable to extreme weather events during the northeast monsoon, including pluvial floods, cyclones, and sea-level rise, which exacerbate agricultural losses due to prolonged water stagnation. The Western Ghats have relatively lower vulnerability, benefiting from dense forests that serve as robust carbon sinks. Meanwhile, degradation in the Eastern Ghats has intensified drought conditions, affecting agricultural productivity.

33. The Tamil Nadu government has taken a proactive approach to climate action by establishing the Tamil Nadu Governing Council on Climate Change. It has developed the Tamil Nadu State Action Plan on Climate Change for 2023-30 and set up a ₹1,000 crore Green Fund to support projects mitigating climate change impacts. In NITI Aayog's

SDG 13 (Climate Action) Index for 2023-24, Tamil Nadu secured the top rank with a score of 81, well above the national average of 67.

34. The state is well-positioned to tackle climate challenges through its 2023-2030 Action Plan, which focuses on emissions reduction, sustainable agriculture, and water management. Addressing urban flooding, heat waves, and biodiversity loss will require green infrastructure and coastal ecosystem protection.

35. Tamil Nadu's medium-term success will depend on leveraging its demographic dividend and infrastructure with a focus on sustainability. By addressing climate challenges and supply-demand mismatches in its workforce through innovation and inclusive policies, Tamil Nadu can continue to lead India's economic landscape.

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STATE OF THE ECONOMY

1.1 Introduction

1.1 Tamil Nadu is the second-largest economy in India, distinguished by its robust infrastructure and progressive development policies that foster inclusive growth. The state has consistently been a pioneer in implementing innovative welfare schemes, significantly enhancing developmental outcomes across various sectors. This chapter provides an overview of Tamil Nadu's economic landscape.

1.2 With just 4% of India's land area and 6% of the country's population, Tamil Nadu contributes 9.21% to the national GDP in 2023-24[1]. The state's Gross State Domestic Product (GSDP) at current prices is estimated at ₹27.22 lakh crore for 2023-24, reflecting an impressive growth rate of 13.71% compared to 2022-23. The real economic growth for this period is estimated at 8.23%. Tamil Nadu aims to achieve a one-trillion-dollar economy by 2030.

1.3 The state is an industrial powerhouse, accounting for 11.90% of India's manufacturing GDP. It leads the country in the number of factories, with nearly 39,700 as of 2022-23, and ranks first in the Export Preparedness Index (2022). It ranks third in the credit-deposit ratio (117.7% in 2023) and fourth in per capita income (₹3.15 lakh in 2023-24)[2]. The state is also recognized for its thriving startup ecosystem, earning the title of 'Best Performer' in the States Startup Ranking, 2022.

1.4 Tamil Nadu's Gross State Value Added (GSVA) is driven primarily by the services sector (53.63%), followed by the secondary sector (33.37%) and the primary sector (13%) in 2023-24. The state boasts the largest number of technical institutions in India, with 506 engineering colleges and 492 polytechnic colleges (2023-24), ensuring a highly skilled workforce for its service and manufacturing sectors[3].

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[1] *A comparison indicates that the economy of Tamil Nadu is equivalent to Czechia with world rank 47 (in nominal term) and Argentina (in Purchasing Power Parity or PPP$).*

[2] *According to the latest logistics index chart (2023) released by the Ministry of Commerce and Industry, Tamil Nadu is one among the 13 states and union territories categorized as "Achievers" which means that it has shown efficient logistical services that contribute to export promotion and economic growth.*

[3] *An estimate indicates that more than 50% of human resources required for the IT and ITES industry in the country are being sourced from Tamil Nadu.*

1.5 Renowned as the "Detroit of India," Tamil Nadu hosts over 1,500 factories producing automobiles and auto components. It is also a major textile hub, a key player in India's leather and leather goods exports, and a leader in electronic manufacturing sector. The state has emerged as a logistics hub and a destination for medical tourism.

1.6 Inclusive economic growth and social welfare have been central to the Tamil Nadu government's agenda, with a strong focus on education and healthcare. Tamil Nadu is the second most urbanized state (54.13% in 2024) after Kerala and demonstrates significant social progress, with a low Infant Mortality Rate of 13, a birth rate of 13.8, and only 1.43% of the population living in multidimensional poverty (2022-23)[4]. The state ranks third in life expectancy (73.2 years), and fourth in literacy rate (80.09% in 2011). The state leads India in the Gross Enrolment Ratio (GER) for higher education at 47%, significantly higher than the national average of 28.4%. It ranks third in the GER for female students in higher education at 47.3%, compared to the national figure of 28.5%. The government has introduced several landmark welfare schemes, including the Chief Minister's Breakfast Scheme, the Kalaignar Magalir Urimai Thittam, the Moovalur Ramamirtham Ammaiyar Pudhumai Penn Thittam, and the Mahalir Vidiyal Payanam Thittam. These initiatives have set a benchmark, with other states adopting similar welfare programs.

1.7 Building on its strong foundation of inclusive policies, Tamil Nadu has exhibited remarkable economic resilience and growth. From 2012-13 to 2023-24, the state's average growth rate of 6.37% outpaced the national average of 6.1%. In the last two years (2022-23 to 2023-24), this growth trajectory accelerated further, with the state achieving an average growth rate of 8.18%. With a robust economic framework and a strategic focus on sustainable development, Tamil Nadu is well-positioned to achieve its ambitious goal of becoming a trillion-dollar economy by 2030.

1.8 The Economic Survey 2024-25 provides a detailed analysis of Tamil Nadu's economy, offering insights into key sectors such as agriculture, industry, and services. The survey examines trends in inflation, employment, and select social sector indicators, along with the medium-term growth outlook. It also addresses the challenges highlighted above, analysing their impact across various chapters. Additionally, it outlines government policies, assesses their effectiveness, and presents growth prospects for 2024-25 and 2025-26, suggesting remedial measures to address short-term challenges and support sustained economic growth.

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[4] *Source: Report of the Technical Group on Population Projection, July 2020; SRS Bulletin, May 2022; and Multidimensional Poverty in India since 2005-06, A discussion paper by the NITI Aayog.*

1.2 Global Economy

1.9 Growth is essential as it serves as the foundation for development and prosperity. According to the World Economic Outlook (WEO), the global economy grew at an average rate of 3.48% from 2011 to 2019. However, the COVID-19 pandemic led to a contraction of -2.69% in 2020, with recovery beginning in 2023 when the global economy rebounded to a growth rate of 3.3%. The October 2024 and January 2025 updates from the WEO highlight an increasing divergence in economic performance across countries in recent years. The pandemic, coupled with geopolitical tensions and extreme weather events, disrupted global supply chains and triggered crises in the energy and food sectors. While advanced economies have largely recovered, with activity and inflation returning to pre-pandemic levels, many developing nations continue to face significant challenges, including large output gaps and persistent inflation. Russia's invasion of Ukraine further exacerbated these issues, contributing to global inflation, which rose to 8.6% in 2022, remained high at 6.7% in 2023 and moderating at 5.9% in 2024.

1.10 Despite these challenges, cyclical imbalances began to ease in 2024, leading to a better alignment of economic activity with potential output in major economies. However, while global disinflation has slowed, service-sector price inflation remains high in many economies, particularly in the United States and the Euro area. Central banks have adopted a more cautious approach to easing monetary policies, with some even raising interest rates, underscoring the increasing divergence in global monetary policy. This has added pressure to public finances, particularly in countries with high debt-servicing costs. Economic policy uncertainty has also risen, especially in trade and fiscal areas, as expectations for policy shifts grow following the election of new governments in 2024.

1.11 The global economy is projected to grow by 3.2% in 2024 and 3.3% in 2025 (Chart 1.1). Inflation is expected to decline to 4.5% in 2025 and 3.6% in 2026. The average global crude oil price fell from US$ 96.36 in 2022 to US$ 80.60 in 2023 further moderating to below US$ 70 in 2024, continuing its downward glide path in 2025 and in 2026[5]. The growth in export volumes of goods and services slowed from 5.7% in 2022 to just 0.84% in 2023 but is projected to increase to 3.1% in 2024 and 3.4% in 2025. This recovery is driven by factors such as lower inflation and interest rates, favourable trade dynamics in the United States and developing countries, and reduced geopolitical tensions.

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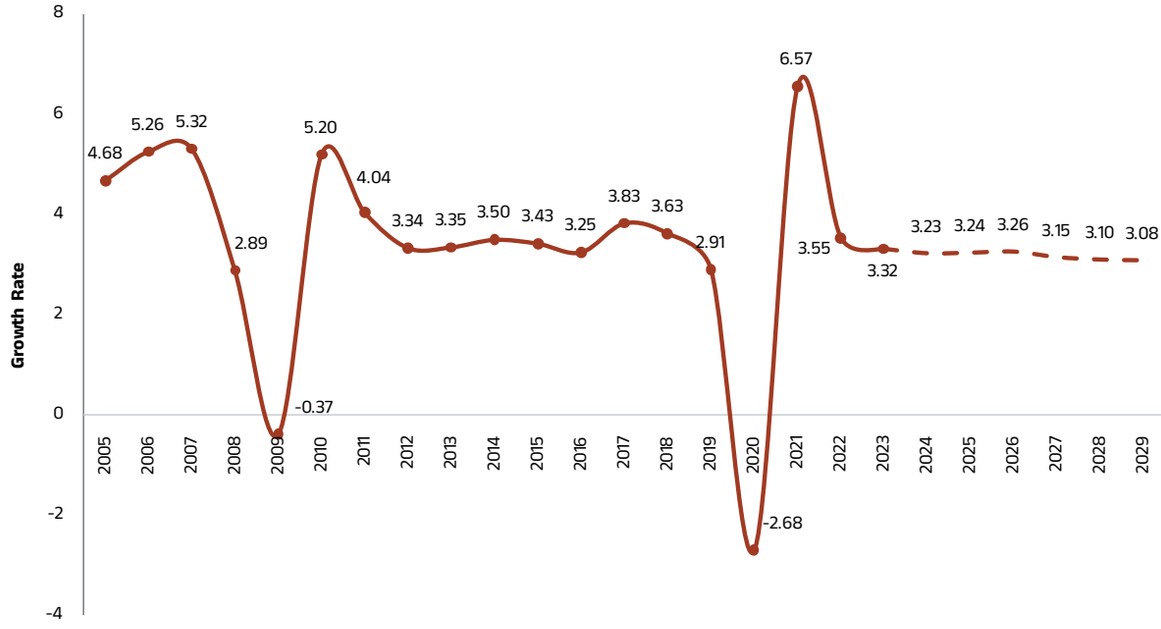
[5] *It is noted that Israel's retaliatory strike targeted Iranian military sites instead of energy infrastructure led to sharp fall in crude oil prices. Ample supply and weak demand particularly from China continue to drive oil prices lower.*

1.12 According to UNCTAD's World Investment Report (2024), global Foreign Direct Investment (FDI) inflows fell by 1.8%, declining from US$ 1.356 trillion in 2022 to US$ 1.332 trillion in 2023, primarily due to trade and geopolitical tensions that weighed on a slowing global economy.

Chart 1.1: Growth of Global Economy (%)



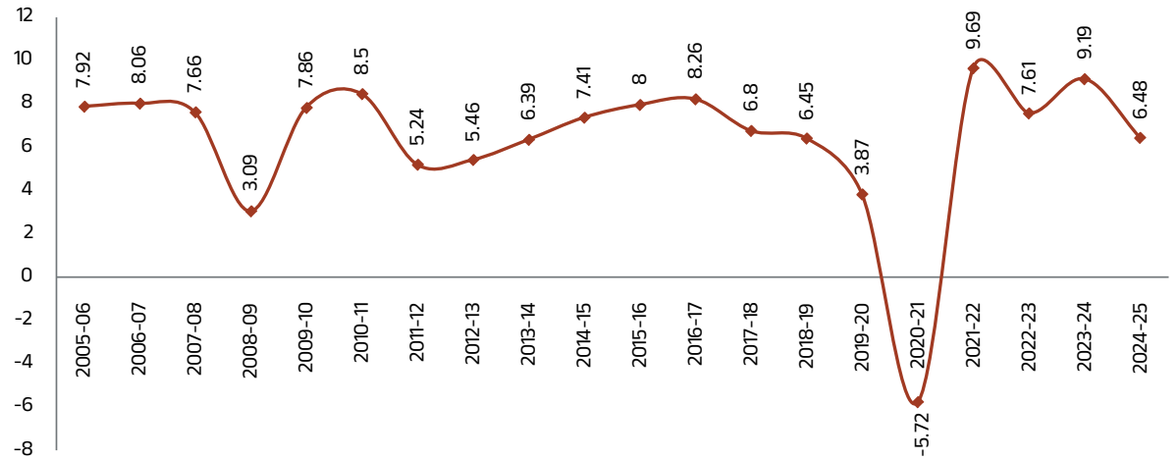
Source (Basic Data): World Economic Outlook Database.

1.3 Brief Review of Indian Economy

1.13 India is the third-largest economy in the world in terms of purchasing power parity (PPP$) and remains the fastest-growing major economy globally. With an ambitious goal of becoming a developed nation by 2047, India's economy, measured at 2011-12 prices, grew at an average rate of 6.1% from 2012-13 to 2024-25. This compares to an average growth rate of 6.9% from 2005-06 to 2011-12 (Chart 1.2). Notably, over the past four years, the average growth rate has risen to 8.2%. The Ministry of Statistics and Programme Implementation (MoSPI) projects a GDP growth rate of 6.5% for 2024-25, while the World Economic Outlook (WEO) forecasts a 6.5% growth rate for 2025-26[6].

[6] *According to WEO, Growth in India lowered more than expected, led by a sharper-than-expected deceleration in industrial activity. From 2026-27 to 2029-30, it is also expected to grow at 6.5% per annum.*

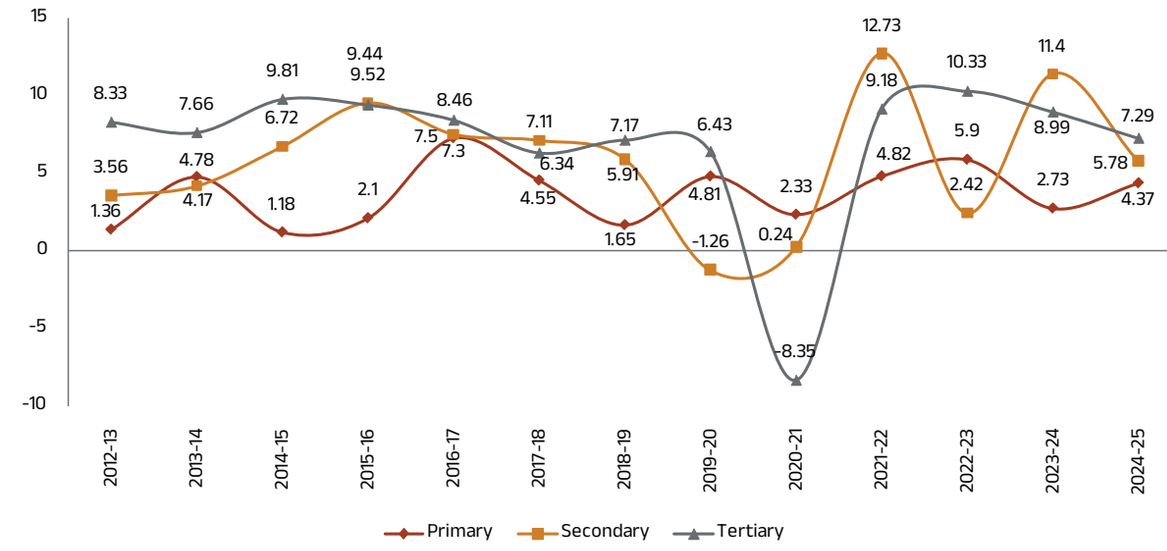
Chart 1.2: Growth of Indian Economy (%)



Source (Basic Data): MoSPI.

1.14 The sectoral growth trends, as shown in Chart 1.3, indicate that the services (tertiary) sector expanded at an average rate of 7.01% between 2012-13 and 2024-25, while the secondary sector grew at 5.83%. The primary sector, however, experienced slower growth, averaging 3.68%. Post-COVID-19, growth in the secondary and services sectors has accelerated. Over the past four years, the growth rates for the tertiary, secondary, and primary sectors have increased to 8.94%, 8.08%, and 4.48%, respectively, highlighting strong pent-up demand after the pandemic, which has driven faster expansion in industrial and service-related activities.

Chart 1.3: Sectoral Growth (%) in India

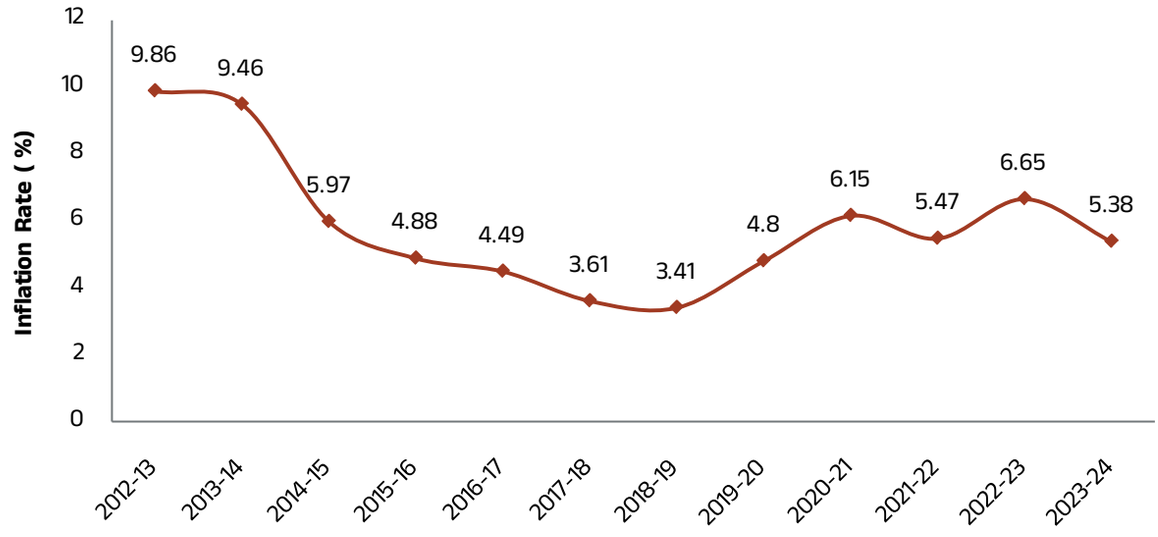


Source (Basic Data): MoSPI.

1.15 The composition of India's GDP has also shifted over time. The primary sector's share declined from 20.18% in 2011-12 to 15.0% in 2024-25, while the secondary sector's contribution dropped from 27.17% to 26.2%[7]. In contrast, the tertiary sector's share increased from 45.44% to 50.3%. To achieve its goal of becoming a developed economy, India must strengthen its industrial sector, particularly by promoting micro, small, and medium enterprises (MSMEs), which play a crucial role in job creation and industrial GDP growth.

1.16 Between 2012-13 and 2023-24, India's Consumer Price Index (CPI) inflation averaged 5.84%, exceeding the Monetary Policy Framework's target of 4% (with a tolerance range of ±2%). However, inflation declined from 6.65% in 2022-23 to 5.38% in 2023-24 (Chart 1.4). The Reserve Bank of India (RBI) projects inflation to stabilize at 4.5% in 2024-25. In its Monetary Policy Committee meeting on February 7, 2025, the RBI reduced the repo rate (the rate at which commercial banks borrow from the RBI) by 25 basis points to 6.25%. This marked the first rate cut in nearly five years and aimed to stimulate economic growth amid a slowdown, as GDP growth fell to 5.4% in the September quarter.

Chart 1.4: CPI Inflation (%) in India



Source (Basic Data): RBI's Hand Book of Statistics on Indian Economy

[7] *It is noted that the GDP also includes net taxes on products. Its share in 2024-25 was 9.71%.*

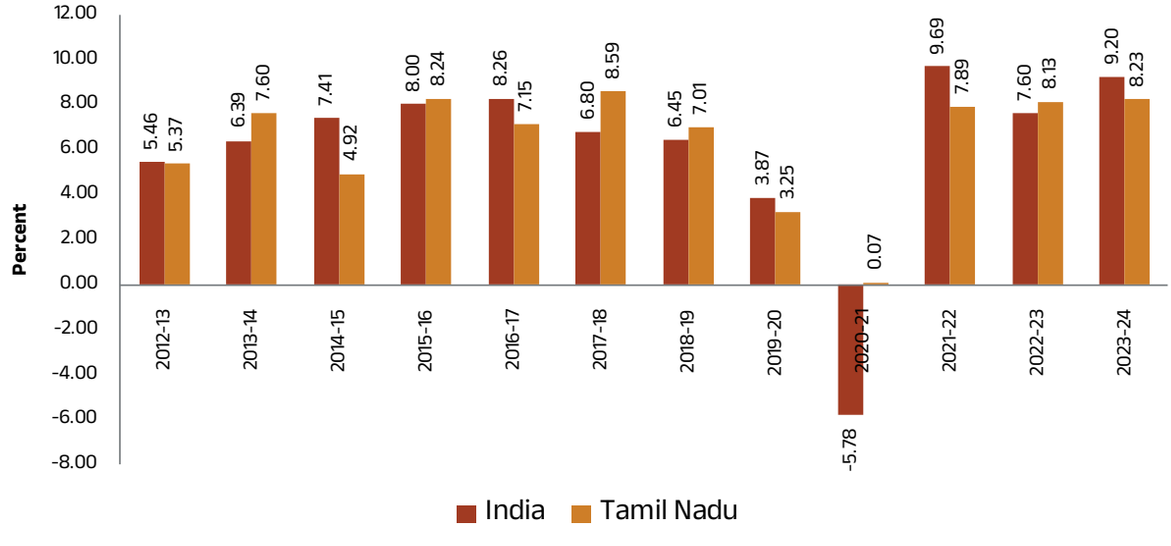
1.17 According to UNCTAD's World Investment Report (2024), Foreign Direct Investment (FDI) inflows to India were US$ 64.07 billion in 2020 but declined to US$ 44.76 billion in 2021 due to the pandemic. FDI partially recovered to US$ 49.38 billion in 2022 but fell again to US$ 28.16 billion in 2023. The WEO database (October 2024) indicates that India's export volume growth of goods and services dropped from 9.77% in 2022 to just 0.38% in 2023. However, it is expected to recover to 3.5% in 2024 and 4.07% in 2025.

1.18 The Indian rupee has also weakened against the US dollar, depreciating from ₹64.45 per dollar in 2017-18 to over ₹87 per dollar in recent months. This depreciation is primarily driven by a widening trade deficit, with imports, particularly oil, growing at a much faster pace than exports.

1.4 Tamil Nadu Economy

1.19 Tamil Nadu's economy has evolved significantly over the years (Annexure I, Box 1.1). The state's average growth was at 6.37% between 2012-13 and 2023-24 (2011-12 series), marginally higher (by 0.3 percentage points) than the national average of 6.1% (Chart 1.5). Both India and Tamil Nadu have experienced a downward shift in their growth trajectories since 2012-13, a trend observed across several major states.

Chart 1.5: Economic Growth (%): Tamil Nadu Vs. India



Source (Basic Data): MOSPI Website.

1.20 Since 2020, the global economy has faced at least three significant external shocks: (i) the COVID-19 pandemic, (ii) the Russia-Ukraine conflict, and (iii) interest rate hikes by advanced economies to combat inflation. These events have impacted economies worldwide, including those of India and Tamil Nadu. During the pandemic year of 2020-21, Tamil Nadu's economy demonstrated resilience, registering modest growth of 0.07%, whereas India's economy contracted by -5.78%. In 2021-22, Tamil Nadu's economy rebounded with a growth rate of 7.89%, compared to India's 9.69%, largely due to a high (negative) base effect. Over the past two years, Tamil Nadu's economy has grown at an average rate of 8.18%.

1.21 The cyclical nature of Tamil Nadu's economic growth suggests that, particularly post-pandemic, it has been more resilient to global fluctuations than the broader Indian economy. This resilience can be attributed to the state's effective management of the pandemic, which maintained a delicate balance between economic stability and public welfare. As a major producer of automobiles, textiles, leather, and IT products—industries that serve both domestic and international markets—Tamil Nadu's economic growth tends to be more closely aligned with global economic trends than with India's overall growth pattern[8] (Annexure – I, Box 1.2).

1.5 Sectoral Growth and Composition

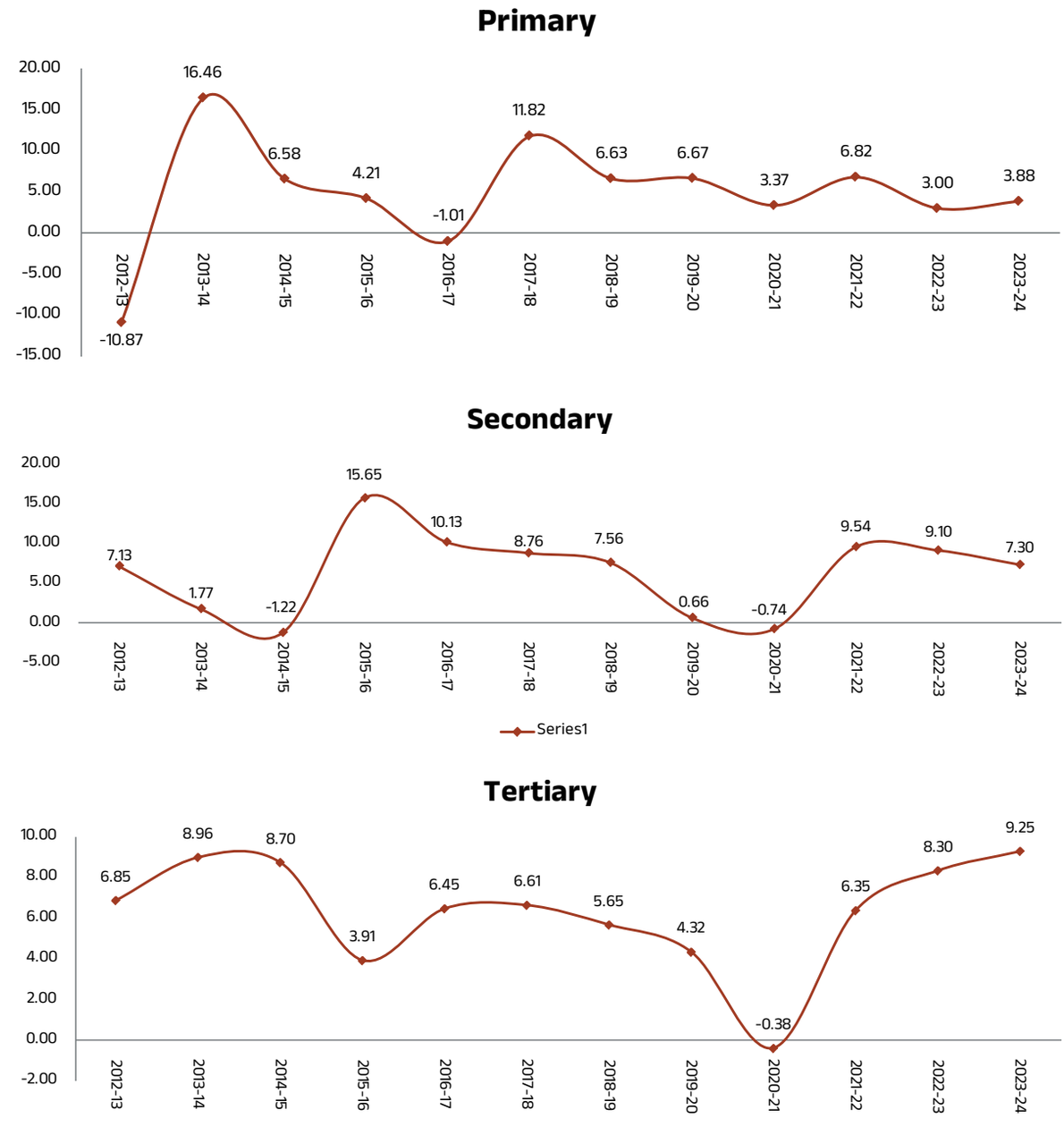
(i) Sectoral Growth

1.22 Structurally, Tamil Nadu's economy and growth patterns resemble those of other large, industrialized states, as well as the overall economic trends of India. However, Tamil Nadu stood out as one of the few states to record positive GSDP growth when India's GDP contracted by -5.78% in 2020-21 due to the pandemic. Tamil Nadu leads India in the production of banana, coconut, and clove and is also a major producer of sugarcane, cotton, turmeric, maize, groundnut, and oilseeds. It is the country's fourth-largest producer of rice, following West Bengal, Uttar Pradesh, and Punjab. Tamil Nadu's primary sector, which includes agricultural crops,

[8] *The correlation of Tamil Nadu's real economic growth series (from 2005-06 to 2023-24) with global economic growth series is 0.76 and with Indian economic growth series is 0.68. Regression analysis also confirms a stronger positive association between Tamil Nadus' growth with the global economic growth*

livestock, forestry and logging, fishing and aquaculture, and mining and quarrying, grew at an average rate of 4.78% from 2012-13 to 2023-24 (Chart 1.6). This growth rate is relatively low compared to its average growth of 6.05% from 2005-06 to 2011-12 (Table 1.1). Within the primary sector, the growth of agriculture (crops) and fishing has declined, while livestock, forestry, and mining have shown stronger growth.

Chart 1.6: Sectoral Growth (%) in Tamil Nadu



Source (Basic Data): MOSPI.

1.23 The secondary sector, which includes manufacturing, electricity, gas, water supply, and construction, recorded an average growth of 6.31% from 2012-13 to 2023-24. However, in the past three years, it grew at a faster pace of 8.65% per annum, indicating an up-tick in economic activity within the state (Chart 1.6). Notably, from 2005-06 to 2011-12, it registered an impressive average growth rate of 10.09% (Table 1.1).[9]

Table 1.1: Average Rate of Growth of Sub Sectors from 2005-06 to 2011-12 and from 2012-13 to 2023-24 Sub Sectors

Sub Sectors	2005-06 to 2011-12 (1)	2012-13 to 2023-24 (2)	2012-13 to 2020-21	2021-22 to 2023-24
Agriculture	6.4	2.43	1.36	5.65
Livestock	6.4	9.56	11.58	3.49
Forestry and logging	2.3	5.06	8.61	-5.58
Fishing and aquaculture	8.26	3.2	2.68	4.77
Mining and quarrying	3.49	8.7	3.35	24.75
Primary	**6.05**	**4.8**	**4.87**	**4.57**
Manufacturing	10.86	7.1	6.69	8.33
Electricity, gas, water supply etc.	-3.09	4.62	2.07	12.26
Construction	11.64	5.21	3.93	9.03
Secondary	**10.09**	**6.31**	**5.52**	**8.65**
Trade, hotels, and restaurants	10.03	6.19	5.59	7.98
Transport, storage, communication etc.	12.33	3.00	1.44	7.67
Financial services	13.04	6.39	6.95	4.69
Real estate, professional services etc.	13.26	7.39	6.72	9.41
Public administration	7.39	3.17	2.31	5.74
Other services	10.53	8.24	8.14	8.52
Tertiary	**11.28**	**6.25**	**5.67**	**7.97**
TOTAL GSVA at basic prices		6.04	5.45	7.81
Taxes on Products-subsidies on products		9.66	9.43	10.36
Gross State Domestic Product	**10.3**	**6.37**	**5.80**	**8.08**

Source (Basic Data): MOSPI.

[9] *Quality of these growth rates are different. During 2011-12 to 2023-24, the secondary sector GSDP (in 2011-12 prices) increased from ₹2.52 lakh crore to ₹5.19 lakh crore (i.e., it increased by ₹2.66 lakh crore). During 2004-05 to 2011-12, the secondary sector GSDP (2004-05 prices) increased only by ₹62,713 crore.*

1.24 An analysis of temporal trends indicates that the average growth rate of the tertiary sector was 6.25% from 2012-13 to 2023-24, down from 11.3% during 2005-06 to 2011-12[10]. Notably, this sector showed a strong revival, with growth rates of 8.3% in 2022-23 and 9.25% in 2023-24 (Chart 1.6).

1.25 The growth patterns of the primary and secondary sectors exhibit greater volatility than the relatively smoother trajectory of the services sector. According to the Periodic Labour Force Survey (2023-24), nearly 44% of the state's workforce is engaged in agriculture and manufacturing. Ensuring stable growth in the primary and secondary sectors is crucial for the sustained economic growth of the state. Furthermore, with the service sector's growth trajectory experiencing a decline since 2012-13, accelerating its growth—along with the revival seen in the past two years—is essential to achieve the state's ambitious goal of becoming a trillion-dollar economy.

1.26 Within the secondary sector, the average growth of both manufacturing and construction declined from 2012-13 to 2020-21 (Table 1.1). However, the growth rates of these sub-sectors have improved in the past three years. To further boost the manufacturing sector and job creation, the state government introduced the New Industrial Policy, 2021. In the tertiary sector, the average growth of all sub-sectors slowed from 2012-13 to 2020-21, with the decline being particularly notable in transport, storage, communication, trade, hotels and restaurants, public administration, and financial services. However, the growth rate of many of these sectors has rebounded since 2021-22, offering optimism for a return to double-digit growth in the near future.

(ii) Structure of GSDP

1.27 In line with other large states, the structure and composition of Tamil Nadu's GSDP have been shifting towards non-primary sectors, supported by its strong performance in human development and livelihood indicators. The share of the primary sector in Tamil Nadu's total GSDP (in 2011-12 prices) declined from 12.11% in 2011-12 to 9.93% in 2023-24 (Table 1.2).

[10] *The growth rates of the services GSDP show notable differences over time. From 2011-12 to 2023-24, the services GSDP (in 2011-12 prices) increased from ₹3.5 lakh crore to ₹7.21 lakh crore, an increase of ₹3.71 lakh crore. In comparison, between 2004-05 and 2011-12, the services GSDP (2004-05 prices) rose by only ₹1.39 lakh crore. Given the larger base of the services GSDP in the more recent period, the average growth rate appears to be quite robust*

Table 1.2: Sectoral Share of GSDP (%) in Tamil Nadu at 2011-12 Prices

Sectors	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Primary	12.11	10.24	11.09	11.26	10.84	10.02	10.32	10.28	10.62	10.97	10.86	10.35	9.93
Secondary	33.56	34.12	32.27	30.39	32.47	33.37	33.43	33.60	32.76	32.49	32.99	33.29	33.00
Tertiary	46.55	47.21	47.80	49.52	47.54	47.23	46.37	45.79	46.26	46.05	45.40	45.47	45.90
Taxes - Sub-sides	7.78	8.43	8.84	8.83	9.15	9.38	9.89	10.33	10.36	10.48	10.75	10.89	11.16
GSDP	100	100	100	100	100	100	100	100	100	100	100	100	100

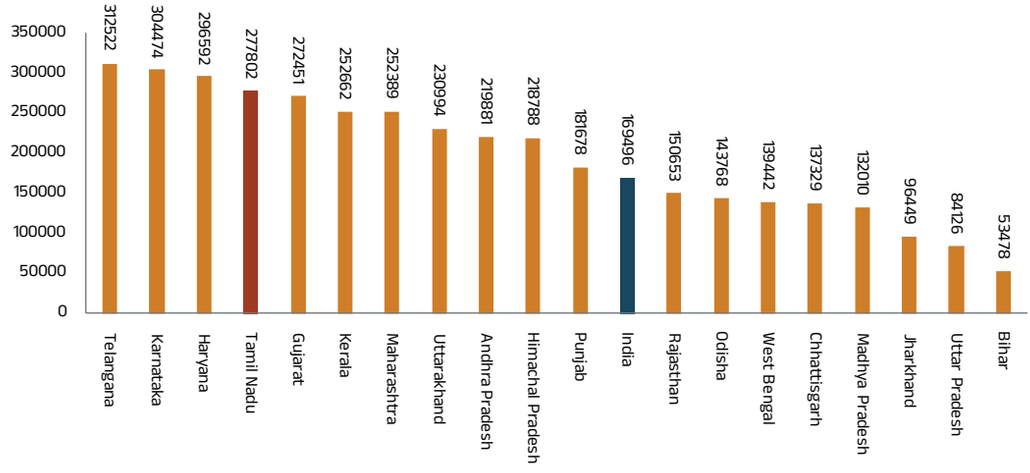
Source (Basic Data): MOSPI

1.28 Meanwhile, the secondary sector's share remained around 33%, while the tertiary sector's share stabilized at 46%. This trend is likely to continue in the coming years[11]. It is also noted that the share of an additional component—taxes minus subsidies—increased from 7. 78% in 2011-12 to 11.16% in 2023-24 (with India's GDP share at 8.68%). This component has grown at a faster rate compared to other sectors.

1.6 Per Capita Income and Interstate Comparisons

1.29 In terms of per capita income (NSDP) at current prices, Tamil Nadu ranked fourth among major states in 2022-23 (Chart 1.7), with a per capita income of ₹2.78 lakh, compared to the all-India per capita income of ₹1.69 lakh (i.e., 1.64 times the all-India figure). Telangana ranked first with ₹3.13 lakh, followed by Karnataka at ₹3.04 lakh and Haryana at ₹2.97 lakh.

Chart 1.7: Per Capita Income (₹) of Major Indian States in 2022-23



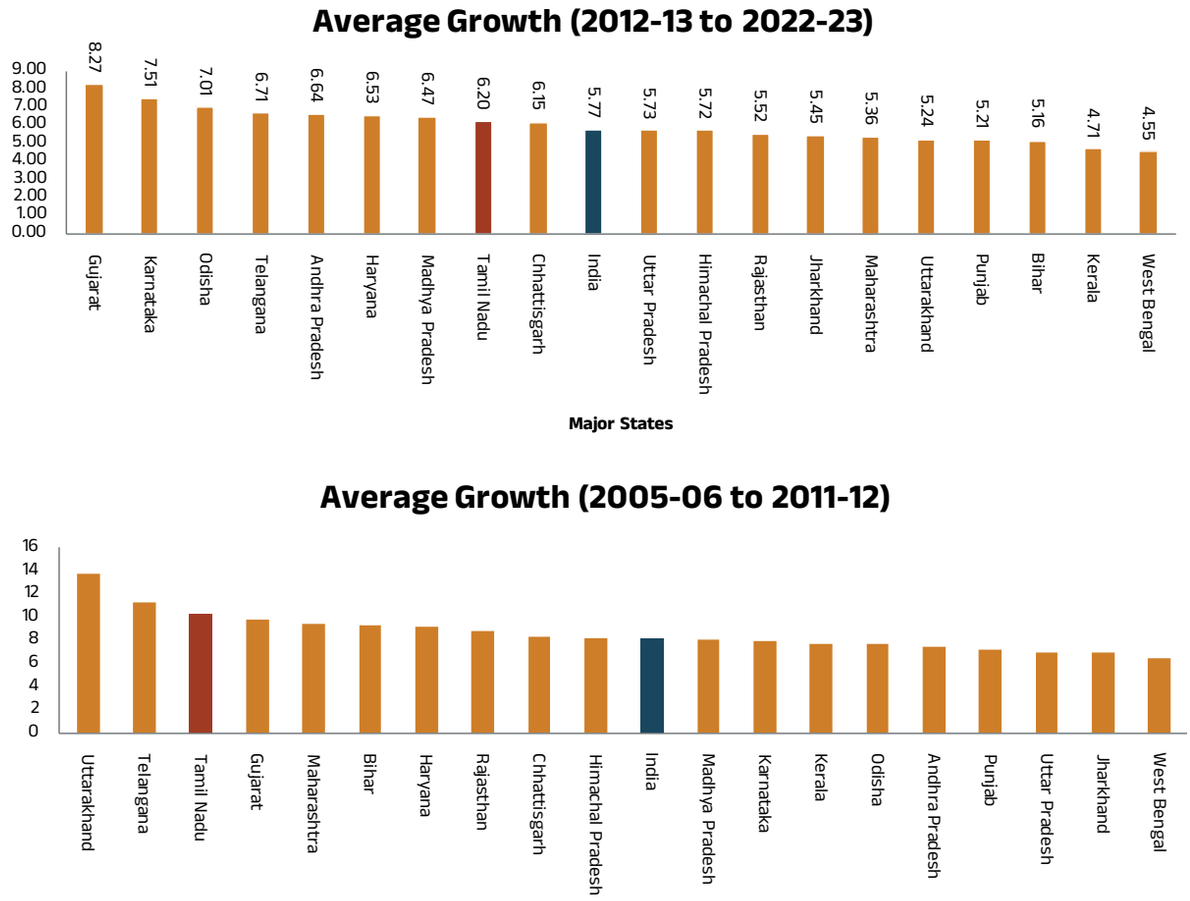
Source (Basic Data): MOSPI Website.

[11] *As in many advanced countries, the state's secondary (industry) sector share would increase by another 5 or 6 percent, which might help the state to increase its employment prospects.*

1.30 At current prices, Tamil Nadu's per capita income (adjusted for Purchasing Power Parity or PPP) in 2022-23 was nearly on par with Argentina and surpassed that of countries like Turkey and Malaysia[12]. In real terms, Tamil Nadu ranked seventh among major states in 2022-23, with a per capita income of ₹1.66 lakh, preceded by Telangana at ₹1.69 lakh, Haryana at ₹1.73 lakh[13], and others. This slight decline in rank can be attributed to the impact of differing price levels on purchasing power, which reduces the real value of income in Tamil Nadu relative to other states. While excessive inflation can be harmful, a moderate level of inflation, as seen in Tamil Nadu, is a natural outcome of a growing economy.

1.31 In terms of GSDP, between 2005-06 and 2011-12 (based on the 2004-05 base series), Tamil Nadu ranked third among major Indian states with an average growth rate of 10.3% (Chart 1.8). However, between 2012-13 and 2022-23 (using the 2011-12 base series), its rank slipped to eighth, with a reduced average growth rate of 6.2%. It is evident that all major states experienced lower average growth rates from 2012-13 to 2022-23 compared to the earlier period from 2005-06 to 2011-12.

Chart 1.8: Average Real Economic Growth (%) of Major Indian States

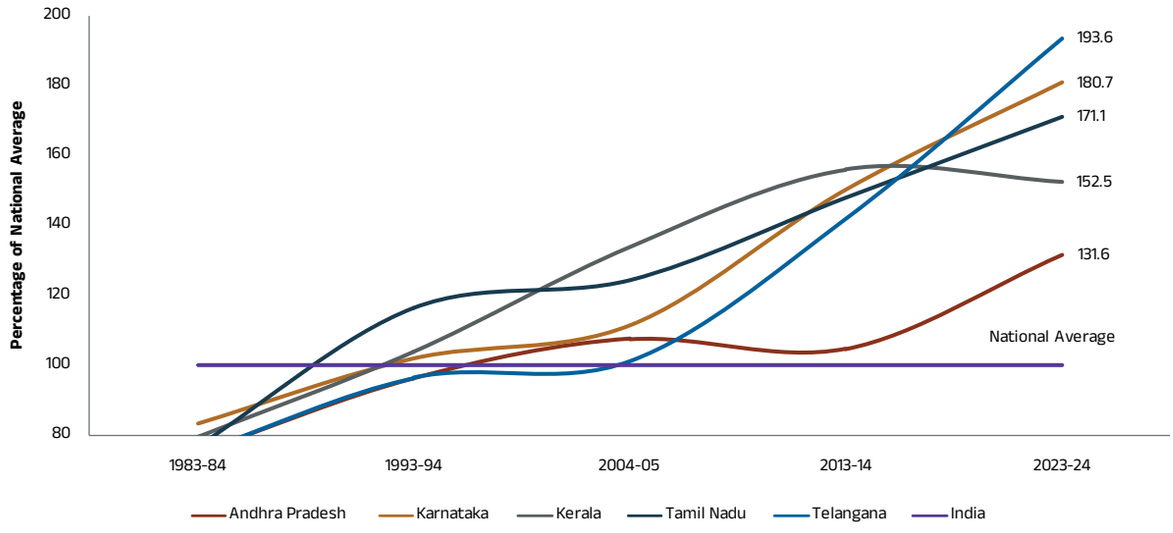


Source (Basic Data): MOSPI Website.

1.32 This slowdown in Tamil Nadu's growth can be partially attributed to inherent challenges in maintaining high growth rates as a state matures economically. Therefore, growth rates alone do not provide a complete picture of a state's economic well-being. More reliable indicators for interstate comparisons include relative per capita income and the state's share in the national GDP. As highlighted above, Tamil Nadu has experienced significant growth relative to most other states in India.

1.33 Importantly, Tamil Nadu's per capita income growth has consistently outpaced the national average over the years. With the national average standardized as 100 each year, Tamil Nadu's relative per capita income (at current prices) increased from 76.8 in 1983-84 to 171.1 in 2023-24. This reflects an income level that is 71% higher than the national average (Chart 1.9). Among the Southern states, while Telangana (193.6) and Karnataka (180.7) lead in relative per capita income, Tamil Nadu continues to perform strongly, ahead of Kerala (152.5) and Andhra Pradesh (131.6).

Chart 1.9: Relative Per Capita Income of Southern States (1983-84 to 2023-24)



Source (Basic Data): MOSPI Website.

[12] *Taking PPP Conversion Factor as 20.20, as per World Bank Group Data.*

[13] *See NITI Aayog, India Climate and Energy Dashboard for further details*

1.34 Despite experiencing slower aggregate growth, Tamil Nadu continues to maintain a high standard of living, consistently outperforming many other states. The state's economic resilience is further demonstrated by its sustained contribution to the national GDP. Tamil Nadu's share of India's GDP has grown from 6.9% in 1980-81 to 9.21% in 2023-24, reflecting steady economic progress over the decades. In contrast, states that once held the largest shares of GDP in 1980-81, such as West Bengal, Uttar Pradesh, and Bihar, have seen their contributions decline significantly, highlighting Tamil Nadu's continued economic prominence and upward trajectory.

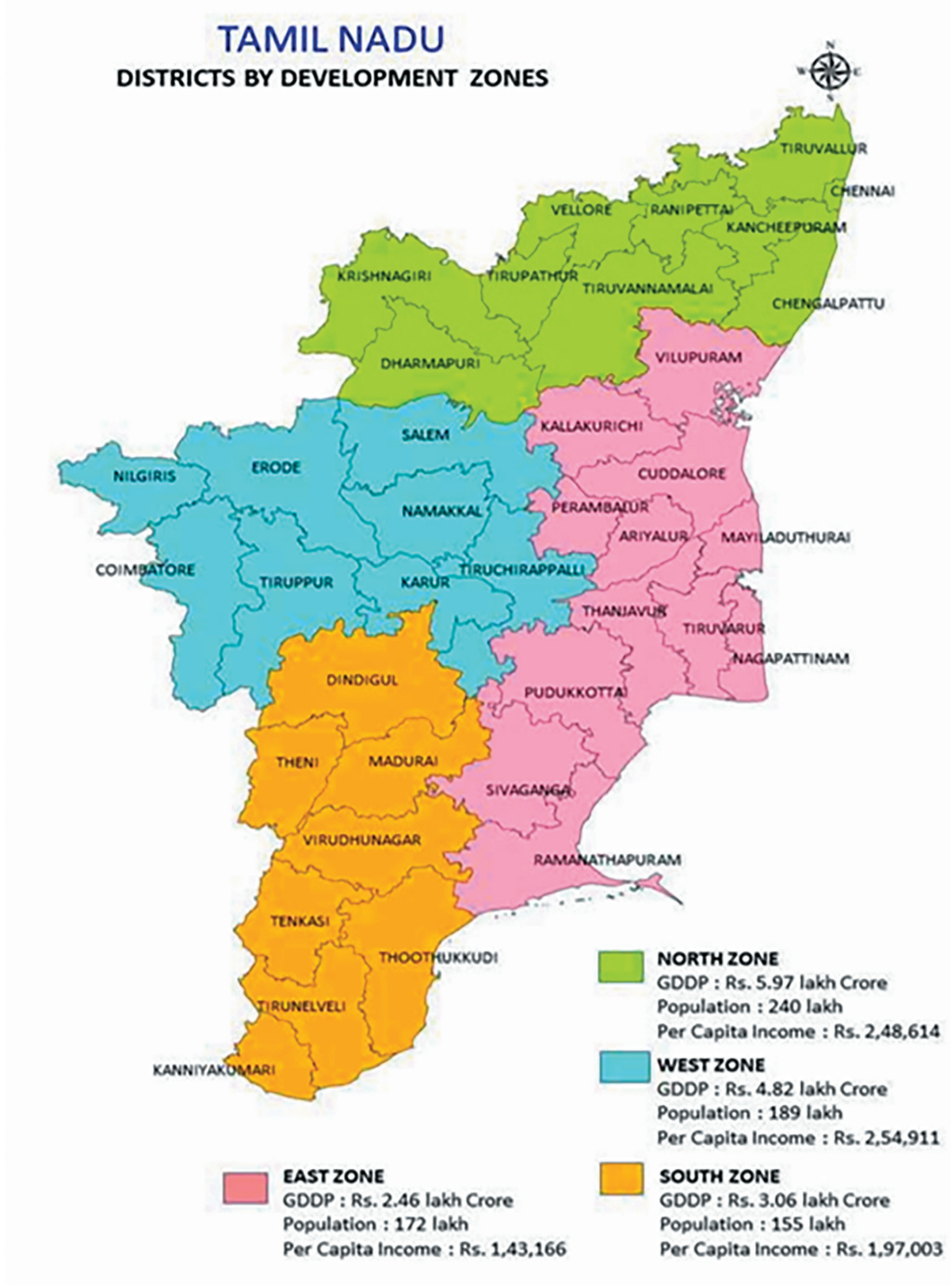
1.7 Regional Growth

1.35 While Tamil Nadu does experience regional economic imbalances, these disparities are notably less pronounced compared to many other states in India. Unlike states such as Maharashtra, Karnataka, or West Bengal, where economic activity is heavily concentrated in a single metropolitan hub—Mumbai, Bengaluru, and Kolkata, respectively—Tamil Nadu's economic development is more evenly distributed across multiple urban centers. Cities like Coimbatore, Madurai, Tiruchirappalli, Tiruppur and Salem make significant contributions to the state's economy, helping bridge the urban-rural divide. This decentralized growth has been further supported by the state's concerted efforts to provide equitable access to public services, such as education and healthcare.

1.36 The state's economic zones reflect this balanced development. The northern zone contributes 36.6% of GSDP, housing 31.8% of its population, while the western zone accounts for 29.6% of the GSDP with 22.8% of the population. The western zone's per capita income stands at 118% of the state average, slightly higher than the northern zone's 115%. Even the southern and eastern zones, while facing certain challenges economically, exhibit a relatively better balance than many other states. The southern zone represents 18.8% of the economy and 20.5% of the population, while the eastern zone, with 15.1% of the economy and 25.5% of the population, is the smallest in terms of economic size and per capita income (Chart 1.10)[14].

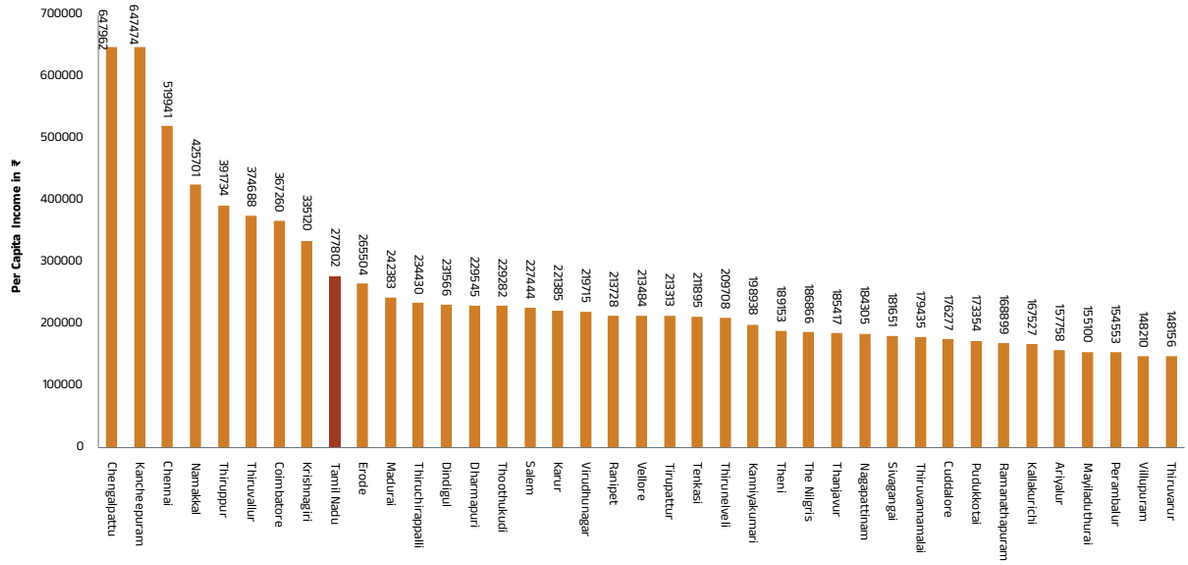
[14] *See State Planning Commission's study on "Regional Growth Patterns in Tamil Nadu."*

Chart 1.10: Districts by Development Zones in Tamil Nadu



1.37 However, despite ongoing efforts to reduce regional imbalances, district-wise per capita income data highlights some variations. For example, in 2022-23, Chengalpattu recorded the highest per capita income at ₹6.48 lakh, followed by Kancheepuram and Chennai (Chart 1.11). Notably, in 8 out of the state's 38 districts, the per capita income exceeds the state average of ₹2.78 lakh. These top-performing districts surpass the per capita income levels of several major Indian states, including Telangana, Haryana, and Karnataka.

Chart 1.11: District wise Per Capita Income (₹.in current price) in Tamil Nadu (2022-23)



Source: District Income Estimates by Department of Economics and Statistics, GoTN.

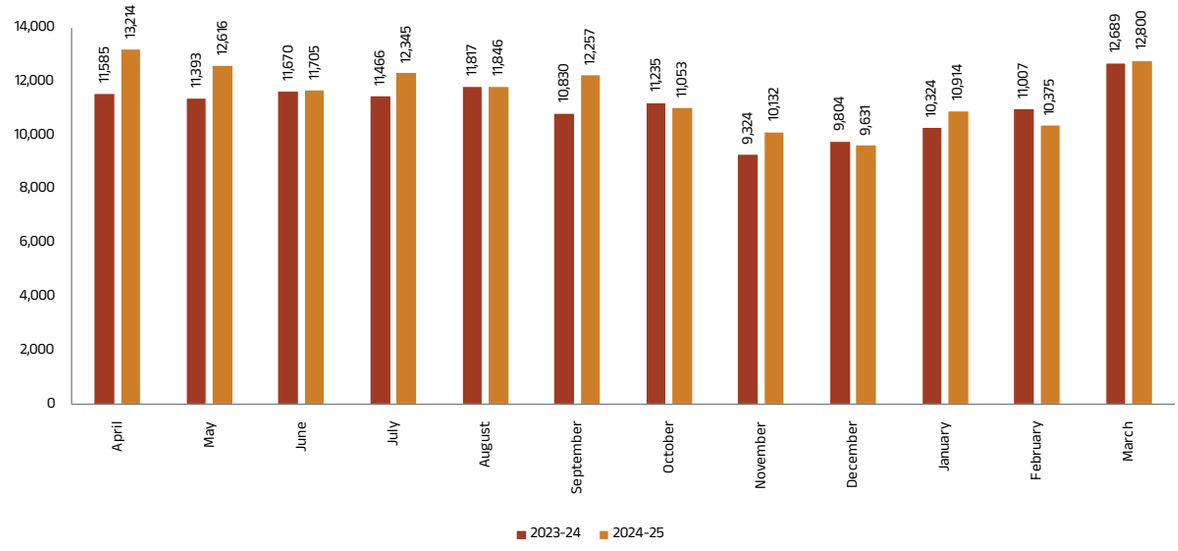
1.38 In the remaining 30 districts, the per capita income falls below the average per capita income of Tamil Nadu. Thiruvarur has the lowest per capita income at ₹1.48 lakh, followed by Villupuram and Perambalur. However, even in these districts, the per capita income is higher than that of several states such as Bihar, Chhattisgarh, Madhya Pradesh, Odisha, and West Bengal in the same year.

1.8 Economic Outlook of Tamil Nadu for 2024-25

1.39 Tamil Nadu is poised for robust growth in 2024-25, with its economic growth rate expected to exceed the advance estimate of India's GDP growth of 6.5%, driven by strong industrial and infrastructure development. The government of Tamil Nadu has also announced various policies, including Tamil Nadu Semiconductor and Advanced Electronics Policy 2024 and Public-Private-Partnership Policy to promote growth in 2024.

1.40 Monthly power requirement data in Tamil Nadu also clearly indicates that the power requirement (in million Kwh) in many months in 2024-25 are higher than in 2023-24 (Chart 1.12).

Chart 1.12: Electricity Power Requirement (in Million Kwh)



Source: CMIE States of India and CEA.

1.9 Conclusion

1.41 Based on current trends and economic projections, Tamil Nadu seems to be well-positioned for robust growth in the coming years. Given the projected capital expenditure (Capex) of ₹47,681 crore, a significant influx of committed investments, and a supportive policy environment, Tamil Nadu's economy is likely to outpace national growth rates. The state's GSDP growth in 2024-25 is projected to be upwards of 8%, assuming that Capex and industrial investments continue to generate

momentum. If the state's economy surpasses previous growth rates by more than 1 percentage point, growth could potentially exceed 9% for 2024-25. This forecast is supported by Tamil Nadu's performance in 2022-23 and 2023-24, where its GSDP growth exceeded the national average, indicating a strong economic trajectory.

1.42 In the short term, Tamil Nadu is expected to maintain a real growth rate of approximately 9% with an inflation rate of around 5%, as large-scale infrastructure projects, industrial growth, and foreign investments continue to spur economic activity. Over the medium term, this growth rate may moderate to 8% with a 4% inflation rate, reflecting the long-term sustainability of growth driven by industrial, agricultural, and service sector reforms. As the investments mature and economic conditions stabilize, Tamil Nadu's growth trajectory is expected to stay strong, contributing significantly to the national economy.

Chapter 2

Prices and Inflation

2.1 Introduction

2.1 The price index is a tool used to measure the overall price level of goods and services in an economy. Inflation is the rate at which the prices of these goods and services increase over time, eroding purchasing power. Key drivers of inflation include increase in aggregate demand, increase in the money supply, increase in prices of globally traded goods like oil, rising costs of imports, depreciation of the national currency (rupee) in the forex market, natural disasters, and geopolitical events like wars.

2.2 In general, inflation (i.e., retail inflation) is measured by the consumer price index (CPI). Rising prices can significantly reduce purchasing power, reduce quantum of saving, reduce real rate of returns from savings and make speculative investments more attractive. Those with limited financial protection, particularly lower-income groups, may experience greater challenges in maintaining their standard of living. While moderate inflation is a normal part of economic growth, persistently high inflation can contribute to higher nominal interest rates and pose challenges for overall economic stability.

2.3 Price stability is a central goal of monetary policy. Inflation targeting provides a clear and measurable framework for achieving price stability. The target inflation is influenced by factors such as the level of economic development, the structure of the economy, and the country's financial health. In India, the Union government, in consultation with the Reserve Bank of India, sets an inflation target in terms of the CPI every five years as a reference. Currently, the inflation target is set at 4%, with a tolerance limit of +/-2%.

2.4 The Union government has a larger role in controlling inflation than the State governments. Demand-pull inflation occurs when aggregate demand exceeds aggregate supply, often driven by increased government and household spending. To curb this type of inflation, governments (especially the Union government) can

raise taxes to reduce demand. Additionally, cutting public spending helps lower the demand for goods and services, which in turn reduces private income and consumption. The government can also reduce transfer payments to manage inflationary pressures. In cases of supply shortages caused by supply restrictions, state governments can intervene through mechanisms like public distribution systems to alleviate the situation and help manage inflation. In the medium to long term, state governments can manage inflation by streamlining supply chains and improving infrastructure and logistics.

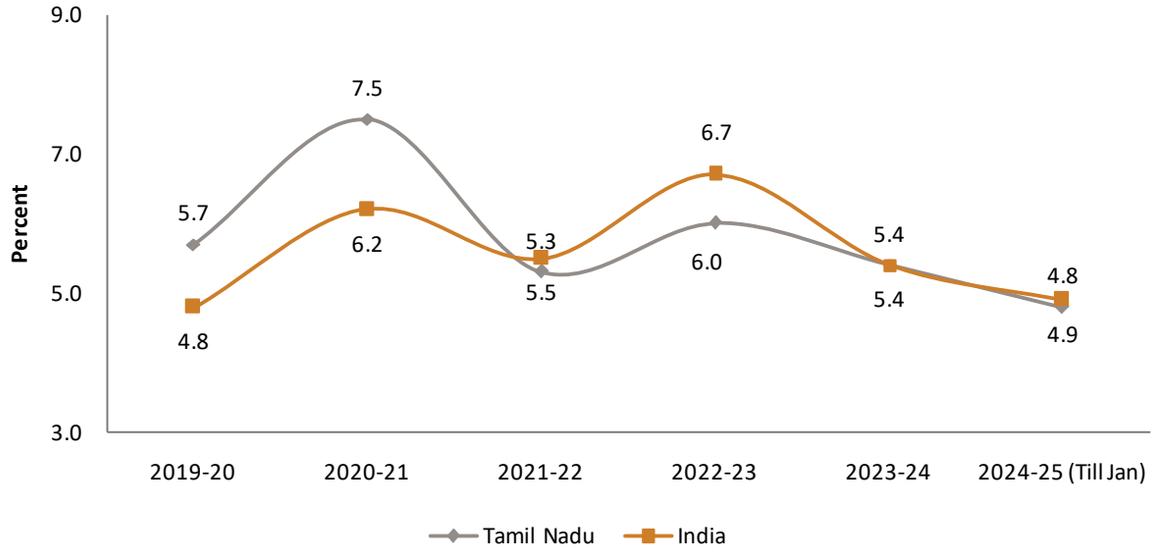
2.5 At times, inflation is also the result of international factors that are beyond the control of any one government, whether national or state. This is especially relevant in today's context, where international developments have the potential to cause widespread disruptions. For instance, global supply chain disruptions caused by the COVID-19 pandemic and the Russia-Ukraine war impacted economies worldwide, including India. However, by the second half of 2023 and into the first half of 2024, global inflation declined, driven by factors such as falling energy prices (due to Israel's retaliatory strike and China's weak demand) and tighter monetary policies. Against this backdrop, this chapter analyzes inflation trends in Tamil Nadu.

2.2 CPI Inflation in Tamil Nadu and India

2.6 Rising retail inflation is always a cause of concern for policy makers, for it has a disproportionately higher impact on the poorer sections of society. Chart 2.1 plots the annual CPI (retail) inflation for Tamil Nadu as well as All India from 2019-20 to 2024-25.[15] During this period, Tamil Nadu's average rate (5.8%) was slightly higher than that of India (5.6%). Notably, in 2024-25, the state inflation has come down to 4.8%, compared to the All-India figure of 4.9%.

[15] *During the same period, the GSDP deflator-based inflation in Tamil Nadu was also slightly higher than all-India (GDP deflator based) inflation. The WPI inflation in the state was also slightly higher.*

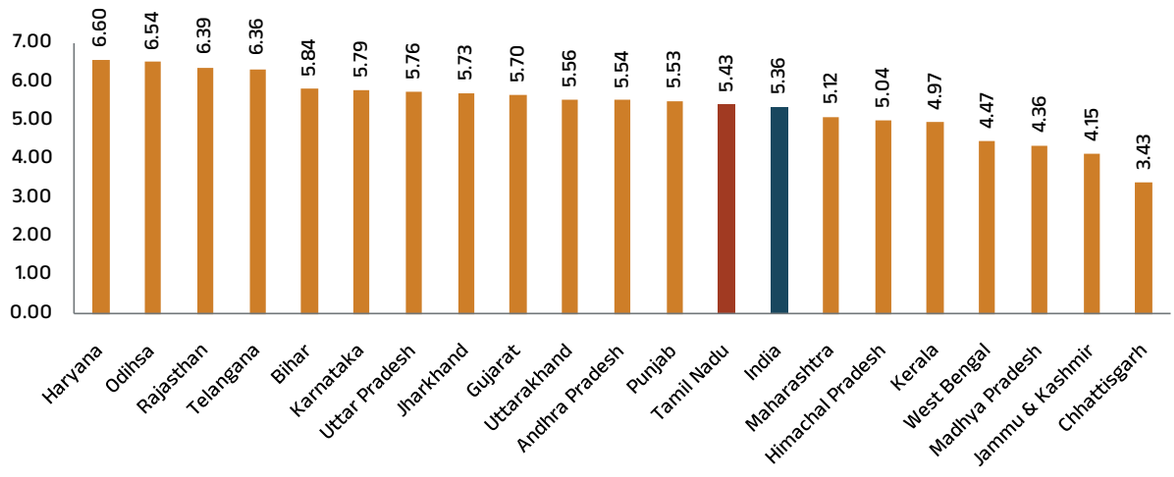
Chart 2.1: CPI Inflation (%): Tamil Nadu Vs. India



Source (Basic Data): MOSPI.

2.7 Among the 20 major Indian states, Tamil Nadu's performance is moderately better in its retail inflation rate being the 8th lowest in 2023-24 (Chart 2.2). Haryana had the highest inflation rate at 6.60%, exceeding the all-India average of 5.36%, followed by Odisha at 6.54% and Rajasthan at 6.39%. On the other end of the spectrum, Chhattisgarh recorded the lowest inflation rate at 3.43%, making it the only state below the Reserve Bank of India's targeted inflation rate of 4%.

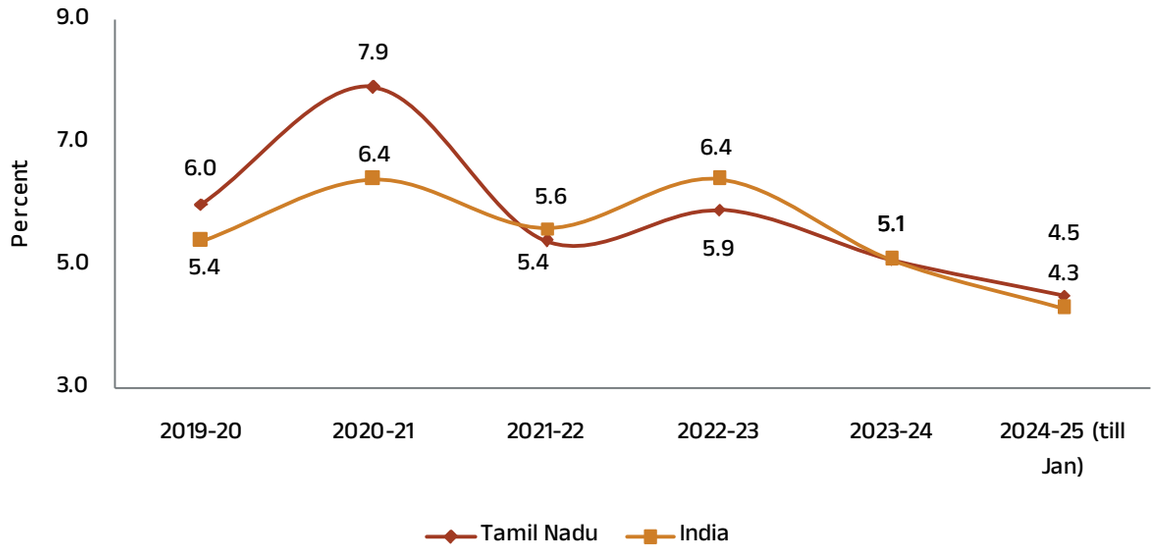
Chart 2.2: Retail Inflation in Major Indian States in 2023-24(%)



Source (Basic Data): MOSPI.

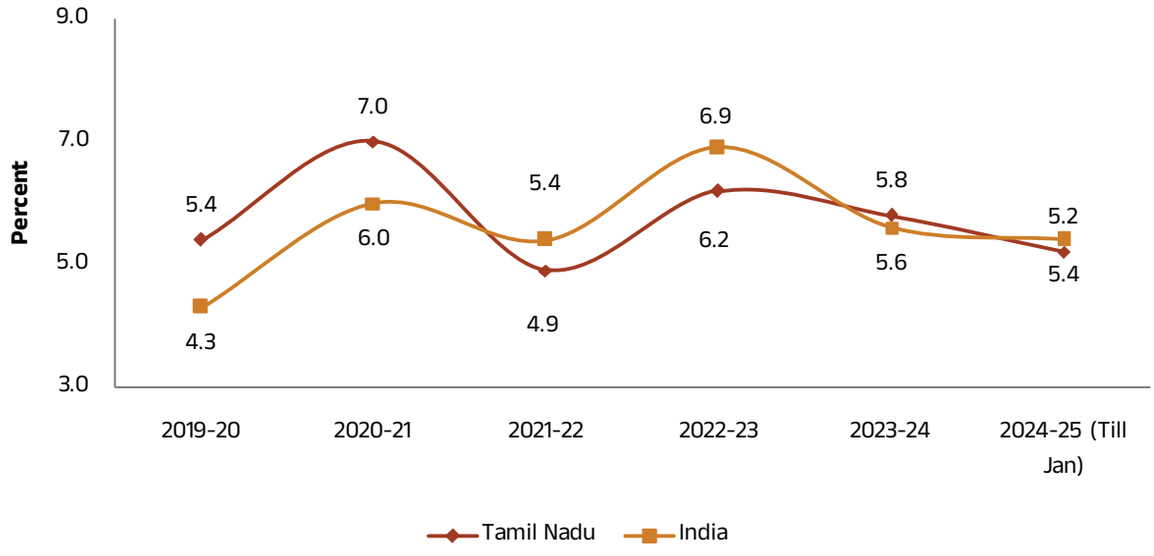
2.8 As shown in Charts 2.3 and 2.4, the divergence between Tamil Nadu and the all-India average during the 2019-20 to 2024-25 period seems to be driven by rural inflation, whereas urban inflation has largely remained aligned with the national trend (except a few years). Notably in the last three years, average inflation of both rural and urban Tamil Nadu was lower than that of all India.

Chart 2.3: CPI Urban Inflation (%): Tamil Nadu Vs. India



Source (Basic Data): MOSPI.

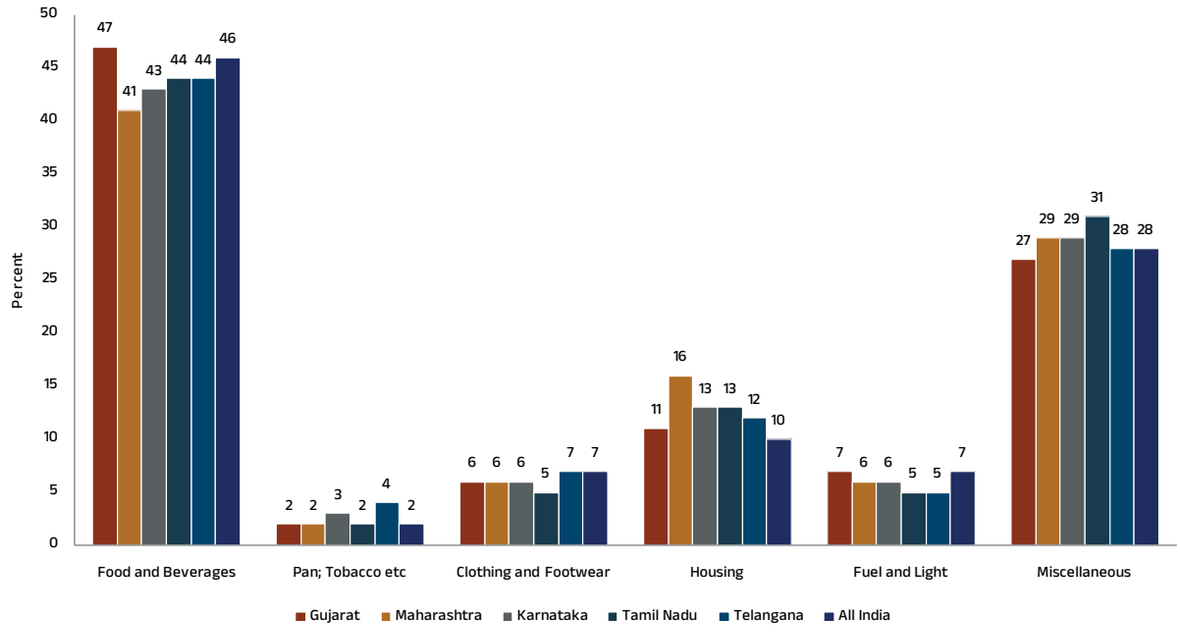
Chart 2.4: CPI Rural Inflation (%): Tamil Nadu Vs. India



Source (Basic Data): MOSPI.

2.9 Any analysis of inflation figures is incomplete without an understanding of the underlying basket of goods whose prices are being tracked. CPI numbers are estimated using state-specific baskets of goods. As shown in Chart 2.5, different states assign different levels of weight to different types of items. For instance, while food and beverages account for 40.6% of Maharashtra's CPI basket, they account for over 47% of Gujarat's CPI basket. When compared to the All-India CPI basket, Tamil Nadu's basket assigned lower weightage to food and beverages, intoxicants, and fuel and light. At the same time, given that the state is one of the richest in the country (in per capita terms), items such as housing and miscellaneous items (which consist of services such as healthcare, education and recreation) are assigned higher weightage.

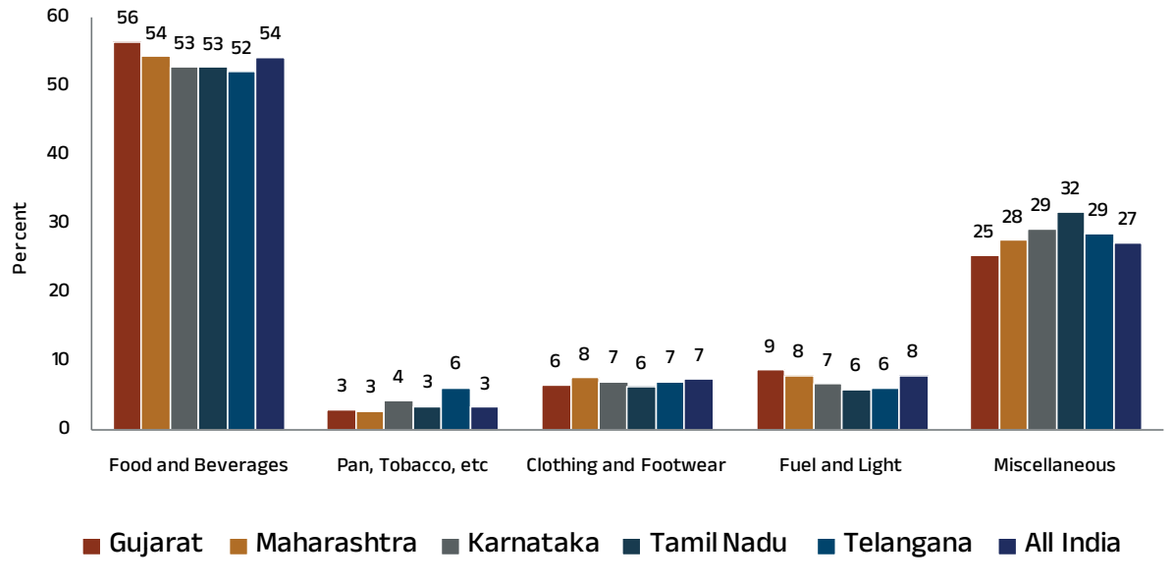
Chart 2.5: Composition of CPI Basket (All India and Selected States)



Source: MOSPI (2015), Consumer Price Index: Changes in the Revised Estimates (Base Year 2012-100).

2.10 In Chart 2.6, we see that even when one just looks at the rural basket, weightage assigned to food and beverages for Tamil Nadu (52.7%) is lower than the All-India average (54.2%). At the same time, weightage assigned to miscellaneous items (services) is 31.7% for Tamil Nadu, as compared to 27.3% for the entire country. In fact, rural consumption patterns in Tamil Nadu are such that the miscellaneous category is assigned highest weightage even when compared with peer states such as Maharashtra, Karnataka, Telangana and Gujarat.

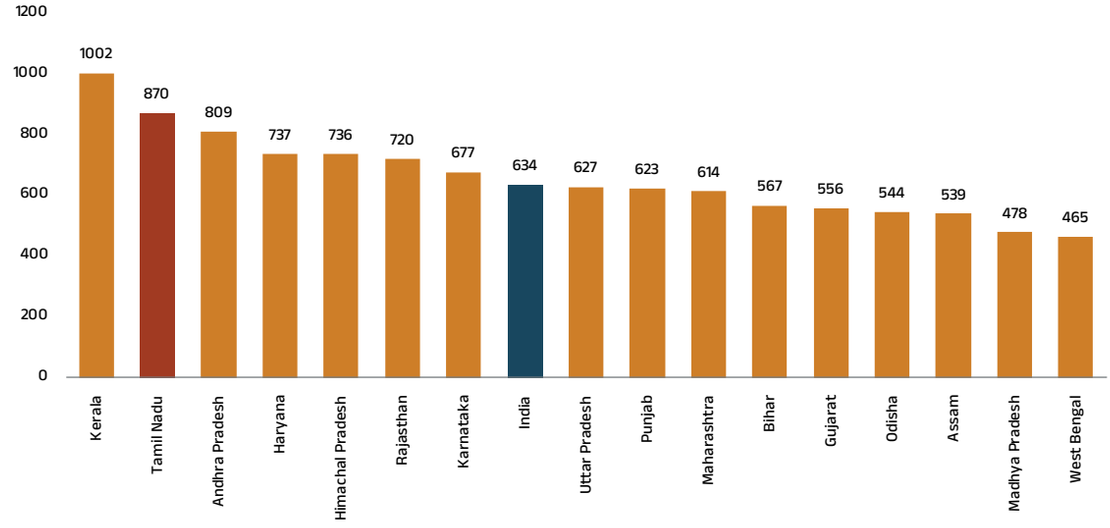
Chart 2.6:Composition of CPI Rural Basket* (All India and Selected States)



*Source: MOSPI (2015), Consumer Price Index: Changes in the Revised Estimates (Base Year 2012-100). * Hosing gets zero weight in the rural basket.*

2.11 Given the above facts, one can infer that the weightage of labour-intensive services is higher in Tamil Nadu's CPI basket, when compared to the All-India basket, and the baskets of several other peer states. Therefore, labour costs have a much higher potential to impact the state's inflation trajectory. Chart 2.7 provides evidence that Tamil Nadu is among one of those states where labor costs are relatively high. Hence, any analysis of inflationary trends needs to account for the composition of the state's consumption basket, as well as the input costs that may drive them.

Chart 2.7: State wise Daily Average Wages



Source: Labour Bureau, Rural - Non-agricultural Wages for Mason (Men) for August-2024, Ministry of Labour and Employment, GoI

2.12 In this context, policy measures implemented by the Tamil Nadu government such as subsidized electricity and transportation, which help drive down input costs, deserve special attention, for they potentially help soften inflationary pressures. For instance, the state's unique Universal Public Distribution System (PDS), which supplies 2.25 crore families with essential commodities including free rice over and above National Food Security Act (NFSA) entitlement, dal, and cooking oil at subsidized rates, is a crucial component of its inflation management strategy. The state also provides 100 units of free electricity to domestic consumers. While some of these measures help control inflation through interventions on the price side, others help common people by increasing their purchasing power.

2.3 Group-wise Inflation

2.13 As highlighted in Table 2.1, following the pandemic, fuel and light inflation in Tamil Nadu rose to 17% in 2021-22 and 16.6% in 2022-23, while the corresponding national figures were 11.3% and 10.4%. However, with the decrease in global energy prices in 2023-24, retail fuel and light inflation in India fell to 1.2%. In response to these price

Table 2.1: Group-wise y-o-y Inflation: Tamil Nadu and India

Year	Food and Beverages	Pan, Tobacco, etc	Clothing and Footwear	Housing*	Fuel & Light	Miscellaneous
			Tamil Nadu			
Weight	**43.62**	**2.2**	**5.4**	**12.87**	**5.15**	**30.75**
2019-20	7.7	3.1	2.0	4.6	-0.6	4.7
2020-21	9.9	12.6	3.9	4.3	7.4	8.5
2021-22	2.6	2.6	8.4	4.5	17.0	5.4
2022-23	4.8	7.4	10.0	3.7	16.6	6.0
2023-24	7.4	2.0	4.1	2.7	3.3	4.6
Average	**6.3**	**5.5**	**5.7**	**4**	**8.7**	**5.8**
			India			
Weight	**45.86**	**2.38**	**6.53**	**10.07**	**6.84**	**28.32**
2019-20	6.0	4.2	1.6	4.5	1.3	4.4
2020-21	7.3	9.9	3.4	3.3	2.7	6.6
2021-22	4.2	4.6	7.2	3.7	11.3	6.7
2022-23	6.7	2.2	9.2	4.3	10.4	6.3
2023-24	7.0	3.6	4.7	3.9	1.2	4.4
Average	**6.2**	**4.9**	**5.2**	**3.9**	**5.4**	**5.7**

*Source (Basic Data): MOSPI. * Housing inflation representing only urban areas.*

Table 2.2: Components of Food Inflation in Tamil Nadu (%)

changes, the Union government announced price cuts, including ₹200 reduction per domestic LPG cylinder in September 2023 and ₹100 reduction for non-subsidized cylinders in March 2024.

2.14 After the pandemic, clothing and footwear inflation increased in Tamil Nadu and India during 2021-22 and 2022-23 but moderated in 2023-24. The inflationary pressure in Tamil Nadu eased post-2021-22, particularly with a reduction in food and beverage inflation, which declined from 9.9% in 2020-21 to 2.6% in 2021-22. However, it increased again to 4.8% in 2022-23 and 7.4% in 2023-24, mirroring trends observed across India. Meanwhile, housing rental inflation in Tamil Nadu dropped to 2.7% in 2023-24, compared to India's rate of 3.9%.

2.4 Core Inflation

2.15 Core inflation measures the changes in the prices of goods and services while excluding volatile sectors like food and energy[16]. By eliminating these more fluctuating prices, core inflation provides a more stable indication of long-term inflation trends[17]. Chart 2.8 illustrates the core inflation trends for Tamil Nadu and India since 2019-20. In 2019-20, core inflation was 4.31% in Tamil Nadu and 4% in India. However, it increased in 2021-22, reaching 5.33% in Tamil Nadu and 6.0% in India. Core inflation then eased to 3.93% in Tamil Nadu and 4.3% in India in 2023-24, reflecting the impact of Tamil Nadu's price control measures[18]. Despite the decline in core inflation, headline inflation in Tamil Nadu remained at 5.4%, mainly due to an increase in food and beverage inflation, which rose to 7.4%.

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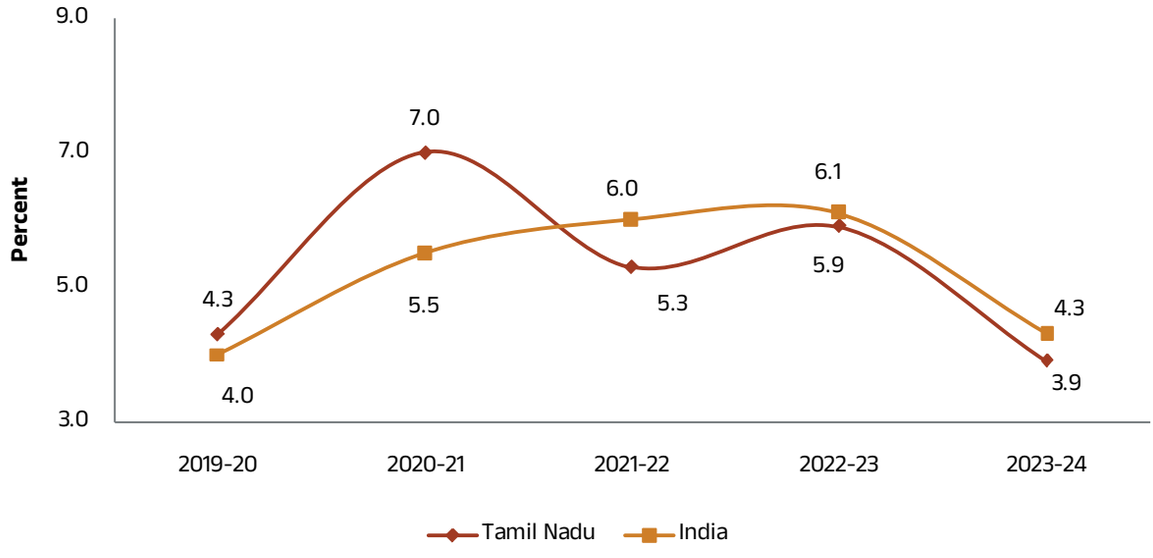
[16] *Demand for these items may not change much even as prices rise. Moreover, oil and gas, wheat corn etc are traded on exchanges. The speculation of energy and food items leads to volatility in their prices, causing higher inflation. The core inflation is computed using the adjusted weights of all items except food and beverages and fuel and light items used in computing CPI headline inflation.*

[17] *Central banks worldwide, including India, rely on core inflation to guide their monetary policy decisions, as it reflects underlying price trends by largely filtering out short-term supply shocks.*

[18] *RBI increased the repo rate gradually by 250 basis points between February 2022 and February 2023, from 4% to 6.5%, to curb inflationary pressures. The repo rate has remained at 6.5% rate, since then. Only in February 7, 2025, the RBI reduced the repo rate by 25 basis points to 6.25%.*

Chart 2.8: Core Inflation in Tamil Nadu and India (%)



Source (Basic Data): MOSPI.

2.5 Food and Miscellaneous Inflation in Tamil Nadu (%)

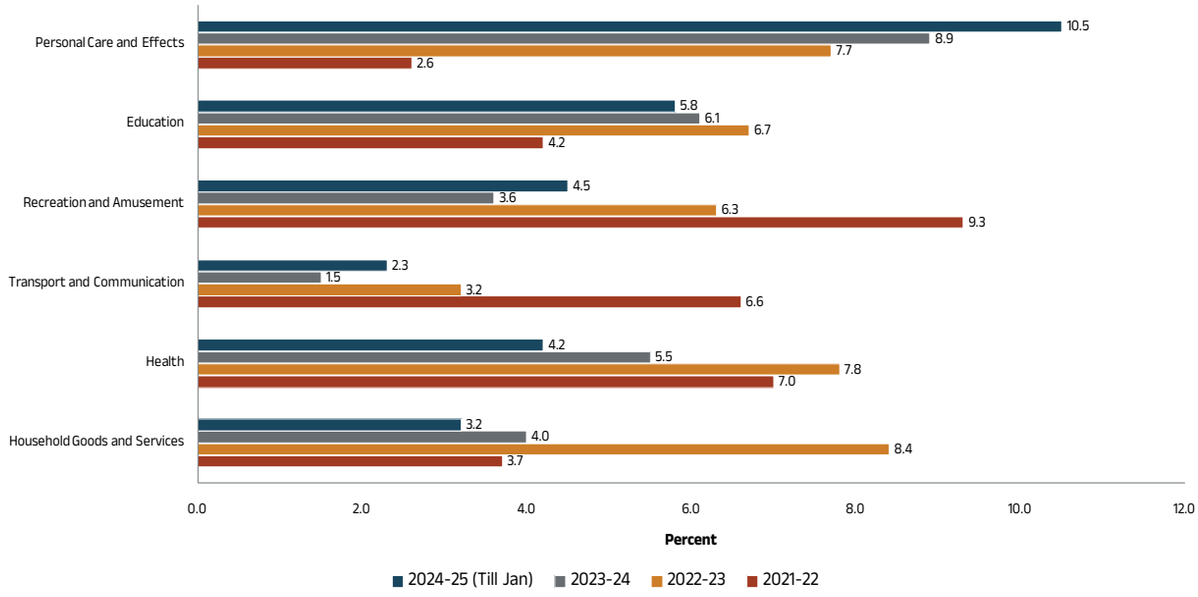
2.16 This section focuses on inflationary trends in two groups that make up almost 75% of Tamil Nadu's entire basket: food and beverages, and miscellaneous items. Food prices are particularly vulnerable to the impacts of climate change, including heat-waves and unpredictable rainfall patterns. In Tamil Nadu, food and beverage inflation surged to 7.4% in 2023-24, surpassing all other categories. This increase was primarily driven by a decline in agricultural production due to adverse climatic conditions. As observed in Table 2.2, essential food items such as cereals, vegetables, and pulses experienced double-digit inflation in both urban and rural areas during this period. Egg prices rose by about 6.4%. This upward trend continued into 2024-25, with cereals, fruits, vegetables, and pulses still experiencing double-digit inflation through 2025.

Year	Rural	Urban	Combined	Rural	Urban	Combined
	Cereals and Products			Meat and Fish		
2021-22	0.8	0.9	0.8	5.5	5.4	5.5
2022-23	5.1	4.6	4.9	1.6	0.5	1.1
2023-24	11.4	9.2	10.3	3.5	3.4	3.4
2024-25 till Jan	10.6	10.9	10.8	5.0	5.3	5.2
Year	**Egg**			**Milk and Products**		
2021-22	4.0	3.8	4.0	1.9	-2.2	-0.4
2022-23	2.6	3.7	3.1	4.2	4.0	4.1
2023-24	9.0	8.4	8.7	6.0	4.7	5.3
2024-25 till Jan	5.7	6.7	6.2	2.1	1.6	1.8
Year	**Oils and Fats**			**Fruits**		
2021-22	23.9	18.7	21.2	1.4	-0.2	0.5
2022-23	7.7	7.5	7.6	-0.8	-2.1	-1.6
2023-24	-17.7	-20.4	-19.0	3.7	6.2	5.1
2024-25 till Jan	0.7	4.2	2.4	13.0	12.2	12.5
Year	**Vegetables**			**Pulses**		
2021-22	-6.8	-1.9	-4.4	3.0	1.1	2.1
2022-23	2.2	-0.1	1.1	2.7	3.0	2.8
2023-24	18.2	20.0	19.1	19.5	21.2	20.3
2024-25 till Jan	16.4	17.4	16.9	10.6	10.0	10.3
Year	**Sugar**			**Spices**		
2021-22	0.3	0.6	0.5	3.7	2.8	3.3
2022-23	0.9	1.4	1.1	16.3	15.1	15.7
2023-24	1.7	2.6	2.2	9.5	9.6	9.5
2024-25 till Jan	2.0	2.7	2.3	-4.1	-3.0	-3.6

Source (Basic Data): MOSPI.

2.17 The miscellaneous group includes durable goods and services such as education, health, transport and communication, recreation and amusement, personal care, and household items. Inflation for most of these items declined steadily from 2021-22 to 2024-25, with the notable exception of personal care inflation and education inflation (Chart 2.9). Specifically, recreation and amusement inflation dropped from 9.3% to 4.5%, transport and communication inflation fell from 6.6% to 2.3%, and health inflation decreased from 7.0% to 4.2%. In contrast, personal care inflation showed a consistent increase, rising from 2.6% in 2021-22 to 10.5% in 2024-25.Education inflation rose from 4.2% to 5.8% during the same time.

Chart 2.9 Components of Miscellaneous Item Inflation in Tamil Nadu (%)



Source (Basic Data): MOSPI.

2.18 Like the rest of the country, inflation poses economic and social challenges for the people of Tamil Nadu. In recent years, the state's urban inflation has been largely aligned with the national average. However, the same is not true for rural Tamil Nadu, where the average rate has been higher than the national average.

2.19 It is to be understood that certain inflationary pressures, such as those driven by weather disruptions and international commodity prices, are cyclical and/or seasonal. At the same time, the state also faces some structural challenges owing to its high levels of socio-economic development relative to other states. For instance, relative to other states, Tamil Nadu's overall consumption basket has a higher share of services, which are more sensitive to input costs such as wages. In fact, this is true even for the state's rural consumption basket. Tamil Nadu, therefore, faces certain peculiar challenges related to inflation management.

2.6 Conclusion

2.20 Though inflationary pressures in Tamil Nadu are higher than in many other states, and the larger levers for controlling inflation lie with the Union Government and the Reserve Bank of India, the State Government has taken several measures to mitigate the effects of inflation, especially for the poorest. The Universal Public Distribution System that provide food commodities at subsidized prices ensure that the population is largely insulated from food inflation. A robust public transport system, which continues to be strengthened with innovations like *Mahalir Vidiyal Payanam Thittam* helps absorb rising inflation and thereby protecting vulnerable groups. Rural inflationary pressures are also addressed through the Mahatma Gandhi National Rural Employment Guarantee Scheme, despite the slowdown in allocations by the Union Government. Apart from day-to-day inflation, health related expenses, which can significantly impact family finances, is managed by a well-functioning public health system, capped by the Chief Minister's Comprehensive Health Insurance Scheme. *Kalaignar Magalir Urimai Thittam* is a landmark initiative that acts as a form of social insurance and a step toward universal basic income, providing assured income to women heads of households to mitigate expenditure needs.

Chapter 3

AGRICULTURE

3.1.Introduction

3.1 Agriculture in Tamil Nadu is highly dependent on monsoons and is the largest consumer of water in the state, utilizing 75% of its water resources. Although the state receives an average annual rainfall of 965.6 mm, actual rainfall varies each year, leading to droughts in some years and floods in others. Tamil Nadu's surface water potential is 24,864 MCM, while its usable groundwater recharge capacity is 22,423 MCM. However, the per capita water availability in the state is just 900 cubic meters, much lower than the national average of 2,200 cubic meters.

3.2 In 2023-24, Tamil Nadu's Agriculture GSVA (Gross State Value Added) at current prices was around ₹1.5 lakh crore. Agriculture contributes 6% to the state's total GSVA, making it the fifth-largest sub-sector after manufacturing, real estate, construction, and trade & repair services. Agriculture and related activities employ 41.1% of the rural workforce. In 2021-22, the state had 92.3 lakh farmers cultivating 64.6 lakh hectares of land. Notably, 93.5% of these farmers (86.3 lakh) are small and marginal, collectively farming 62.7% of the total cultivated area, with an average landholding size of only 0.7 hectares[19].

3.3 Despite challenges related to water availability, Tamil Nadu's agricultural sector has shown impressive results. In 2022-23, the state ranked first in India in the productivity of oilseeds, groundnut, and sugarcane; second in maize; and third in paddy. Technological innovations, expanded irrigation infrastructure, and better market access have significantly boosted crop yields.

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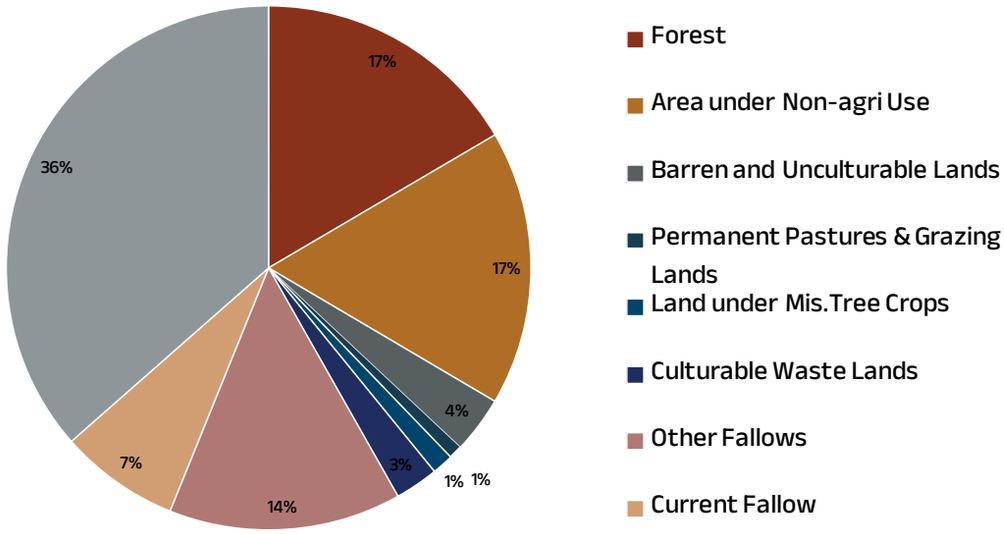
[19] *The situation assessment survey of agricultural holdings during the NSS 77th round (2019) indicates that percentage distribution of agricultural holdings of marginal and small farmers in India is 89.4%.*

3.2 Land Use Pattern

3.4 Tamil Nadu has a total geographical area of 130.3 lakh hectares. Out of this, the net sown area, representing land actively cultivated, stands at 47.6 lakh hectares, making up just 36.5% of the state's total geographical area (Chart 3.1).

Chart 3.1: Land Use Pattern in Tamil Nadu, 2023-24



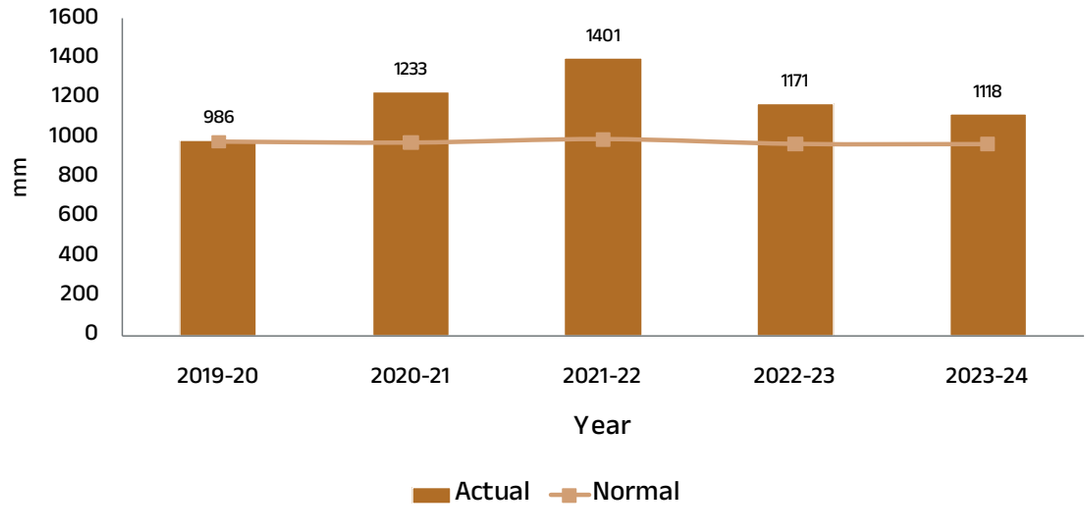
Source: Directorate of Economics and Statistics, GoTN.

3.5 The state's irrigation infrastructure includes 2,241 canals, 41,123 tanks, 4,15,842 tube and bore wells, and 14,51,894 open wells. Around 60% of the net sown area is irrigated. Of the total irrigated land, 20.91% is supplied by canals, 13.90% by tanks, and the remaining 65.19% depends on wells, including both bore wells and open wells.

3.3 Water Availability

3.6 Barring 2019-20, Tamil Nadu's annual average rainfall has consistently exceeded the normal levels (Chart 3.2). However, climate change continues to be a pressing concern, influencing agricultural production and yields in specific years. Notably, during the first nine months of 2024, the state witnessed 67 days of extreme weather events, impacting thousands of hectares of cultivated land.

Chart 3.2: Annual Rainfall (mm)*



*Source: Directorate of Economics and Statistics, GoTN (*from June to May)*

3.7 Table 3.1 presents data on water released from major reservoirs in Tamil Nadu. Over the years, Mettur, Bhavanisagar, Vaigai, and Papanasam have collectively accounted for 58% to 76% of the total water discharge from the state's 16

Table 3.1: Water Released from Major Reservoirs in TMC*

Reservoir (Depth in Feet)	2019-20	2020-21	2021-22	2022-23	2023-24
Mettur (120)	205.1	195.7	237.3	710.7	111.3
Bhavanisagar (105)	68.9	54.9	73.7	84.7	57.3
Amaravathy (90)	9.8	17.3	19.3	23.1	12.2
Periyar (152)	22.0	23.9	36.7	27.5	18.5
Vaigai (71)	16.9	16.7	32.2	30.4	22.6
Papanasam (143)	20.7	90.8	34.0	23.5	23.6
Manimuthar (118)	6.5	8.2	6.6	4.4	2.8
Pechiparai (48)	18.8	13.9	9.4	4.7	12.6
Perunchani (77)	11.7	7.8	11.3	7.5	6.7
Krishnagiri (52)	7.0	6.1	13.9	44.8	1.3
Sathanur (119)	2.2	4.5	30.0	46.8	12.9
Poondi (35)	7.5	10.3	37.3	16.9	16.6
Sholayar (160)	36.6	20.1	22.7	25.5	14.7
Parambikulam (72)	22.9	29.0	17.8	40.7	Nil
Aliyar (120)	11.5	12.0	15.4	13.9	Nil
Thirumoorthy (60)	16.3	19.7	22.1	17.8	9.9

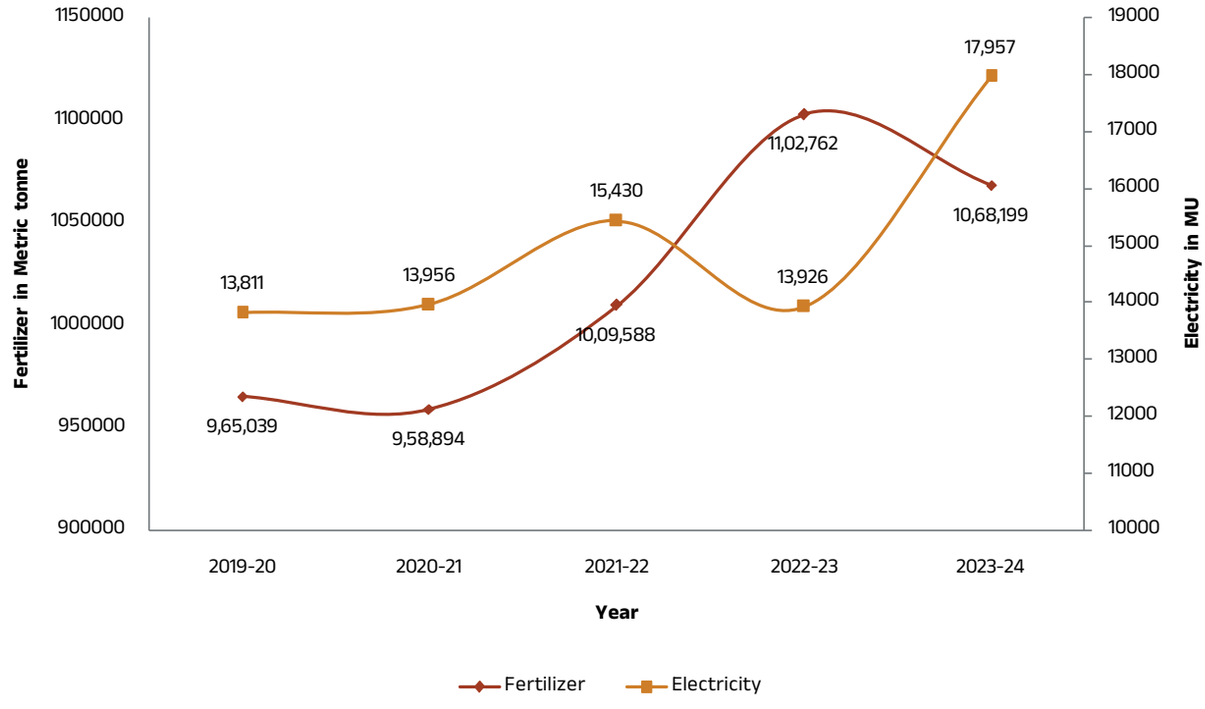
*Source: WRD, GoTN. * TMC=1 thousand million cubic feet.*

major reservoirs. Between 2019-20 and 2023-24, the average annual water release from these reservoirs stood at 616 TMC, with Mettur alone contributing 47.4% of the total. However, in 2023-24, the water released from key reservoirs, including Mettur, Bhavanisagar, Amaravathy, Vaigai, Krishnagiri, and Sathanur, was considerably lower compared to the previous two or three years.

3.4 Fertilizer and Power Consumption

3.8 The expansion of commercial agriculture and the rise in productivity of key crops in Tamil Nadu have been largely driven by the extensive use of chemical fertilizers and groundwater, supported by the energization of pump sets and the provision of free power for irrigation. The state's consumption of fertilizers (NPK) increased from 9,65,016 metric tonnes in 2019-20 to 10,68,934 metric tonnes in 2023-24(Chart3.3), though it saw a slight decline from the peak in 2022-23 due to a reduction in the gross cropped area—particularly for paddy, pulses, and cotton—and a shift towards organic farming.

Chart 3.3: Fertilizer and Electricity Consumption



Source: Department of Agriculture and Farmers welfare.

3.9 Likewise, agricultural power consumption rose from 13,811 million units in 2019-20 to 15,430 million units in 2021-22, then temporarily dropped to 13,926 million units in 2022-23 before reaching 17,957 million units in 2023-24. To continue supporting the sector, the state government has allocated ₹7,216 crore for the subsidy on three-phase free power in 2024-25.

3.5 Cropping Pattern

3.10 Food grains, including paddy, maize, jowar, bajra, ragi, and millets make up around 62% of the gross cropped area,while non-food crops such as oilseeds, sugarcane, and cotton account for the remaining 38%. Pulses alone represent 11.72% of the total cropped area.

3.11 Rice, being the staple food of the population, has consistently dominated the cropping pattern over the years. Paddy's share in the total cropped area rose from 32.1% in 2019-20 to 34.4% in 2023-24. The state government's paddy procurement incentives, which is in the addition to Minimum Support Price (MSP) set by the Union government, have further boosted the cultivation of paddy.

3.12 With paddy retaining its dominant position, area under pulses and millets has witnessed a significant decline. The area under jowar cultivation has decreased from 4.5 lakh hectares in 2019-20 to 3.54 lakh hectares in 2023-24[20], while area under pulses have reduced from 8.24 lakh hectares to 7.17 lakh hectares over the same period. A notable exception to this trend is area under maize (corn), which has increased by 1.21 lakh hectares between 2019-20 and 2023-24.

3.6 Production and Productivity of Major Crops

3.13 After 2019-20, the pandemic disrupted labor availability, supply chains, and input distribution, causing paddy production to drop to 68.81 lakh tonnes. However, paddy production has since recovered, reaching 70.48 lakh tonnes in 2023-24. Similarly, maize production, which had increased from 24.76 lakh tonnes in 2019-20 to 28.36 lakh tonnes by 2023-24. At the same time, sugarcane production, rose from 141.19 lakh tonnes to 159.27 lakh tonnes during this period.

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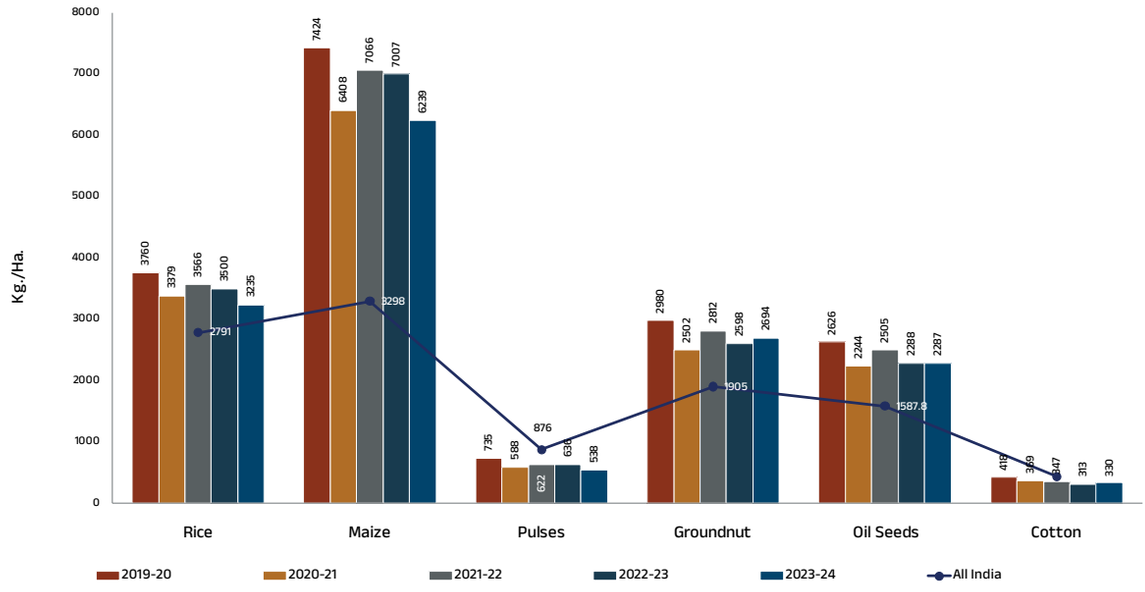
[20] *In the 1970s, more than 7 lakh hectares were dedicated to jowar cultivation*

3.14 According to the Agricultural Statistics at a Glance (2024), Tamil Nadu ranked first in the productivity of oilseeds, groundnut, and sugarcane, second in maize productivity, and third in paddy productivity. Compared to 2023-24, the productivity of cotton, groundnut, and millet improved in 2024-25. However, the productivity of paddy, maize, pulses, oilseeds, and sugarcane slightly declined due to deficient rainfall during the southwest monsoon, the effects of Cyclone Michaung, and heavy rainfall in the southern districts in December 2023.

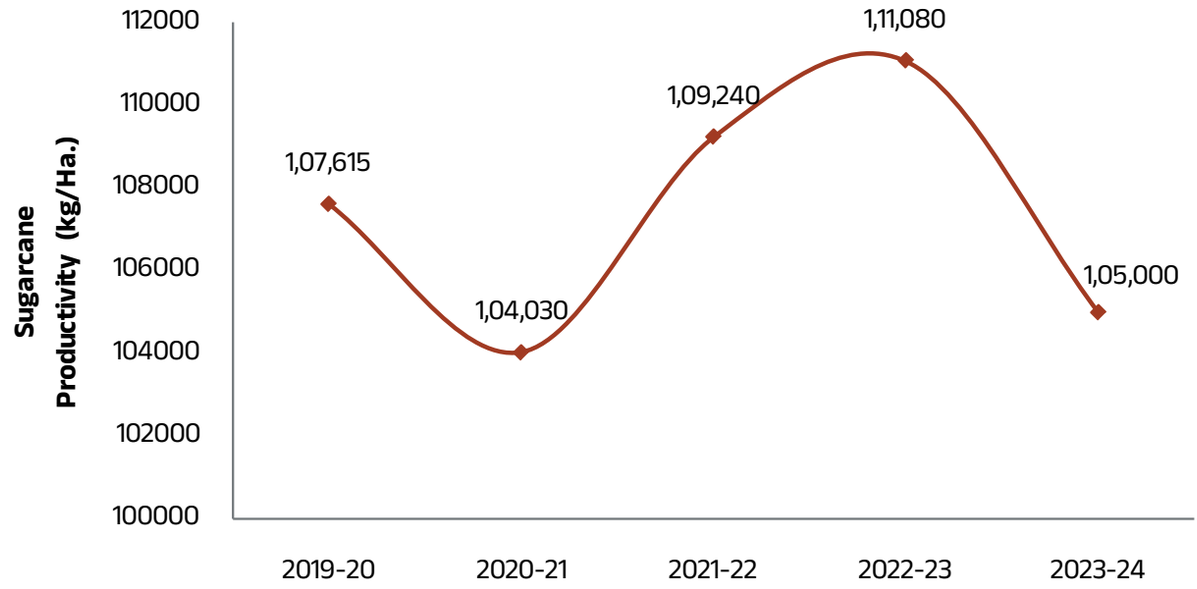
3.15 In 2023-24, Tamil Nadu's rice productivity was around 3,235 kg/ha, above the national average of 2,882 kg/ha. Tamil Nadu's oilseeds productivity was 2,287 kg/ha, which exceeded the national average of 1,314 kg/ha (chart 3.4). Tamil Nadu's sugarcane productivity was 1,05,000 kg/ha, which was higher than the national average of 78,953kg/ha (chart 3.5).

Chart 3.4: Productivity (Yield) of Selective Crops in Tamil Nadu (Kg./Ha.)



Source: Directorate of Economics and Statistics, GoTN

Chart 3.5:Productivity (Yield) of Sugarcane in Tamil Nadu (Kg./Ha.)



Source: Directorate of Economics and Statistics, GoTN

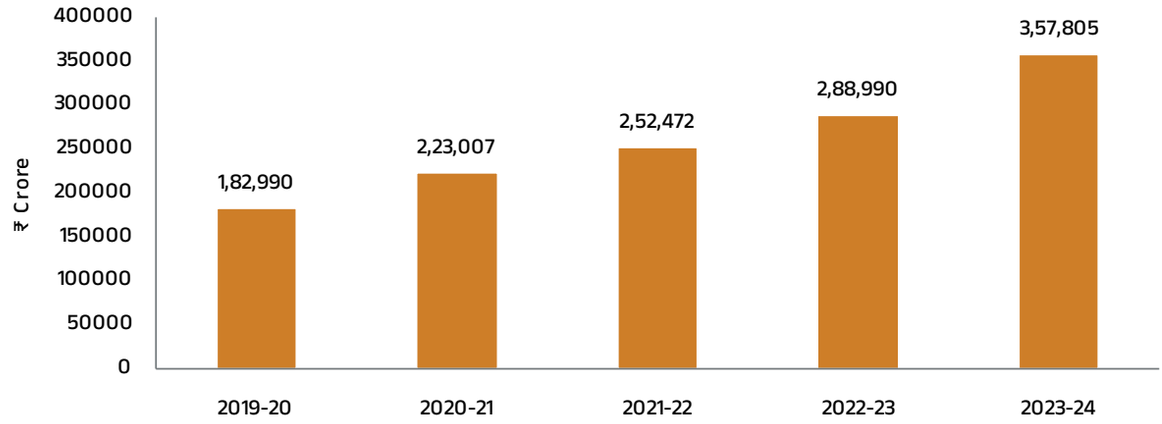
3.7 Finance Support to Farmers: Credit, Market Support, and Crop Insurance

3.16 **Credit:** In Tamil Nadu, 4,454 Primary Agricultural Co-operative Credit Societies (PACCS), along with 151 branches, provide credit services for both agricultural and non-agricultural activities to 12,525 village panchayats. In 2023-24, crop loan disbursements reached a record ₹15,000 crore for the first time in the history of the Tamil Nadu Co-operative Department, totaling ₹15,542.84 crore distributed to 18,36,345 farmers. Additionally, the increase in new farmers led to a rise in loan distribution. In the Cauvery Delta districts, the number of farmers receiving crop loans grew by 14% in 2023-24, with ₹3,744.59 crore disbursed to 5,00,380 farmers, compared to ₹3,288.98 crore provided to 4,88,866 farmers in 2022-23.

3.17 As shown in Chart 3.6, credit disbursed to Tamil Nadu farmers by scheduled commercial banks has steadily increased, rising from ₹1,82,990 crore in 2019-20 to ₹3,57,805 crore in 2023-24. In the same year, Tamil Nadu ranked first in agricultural credit disbursed by commercial banks, surpassing Andhra Pradesh (₹2.64 lakh crore), Uttar Pradesh (₹2.1 lakh crore), and Karnataka (₹1.84 lakh crore).

3.18 According to the Agricultural Statistics at a Glance (2024), the total institutional credit extended to Tamil Nadu's agricultural sector—through commercial banks, co-operative banks, and regional rural banks—reached ₹4.39 lakh crore. Of this amount, ₹2.42 lakh crore was allocated for crop loans, while ₹1.97 lakh crore was provided as term loans to support long-term agricultural investments.

Chart 3.6: Credit to Tamil Nadu Agriculture by Commercial Banks



Source: Handbook of Statistics on Indian States, RBI

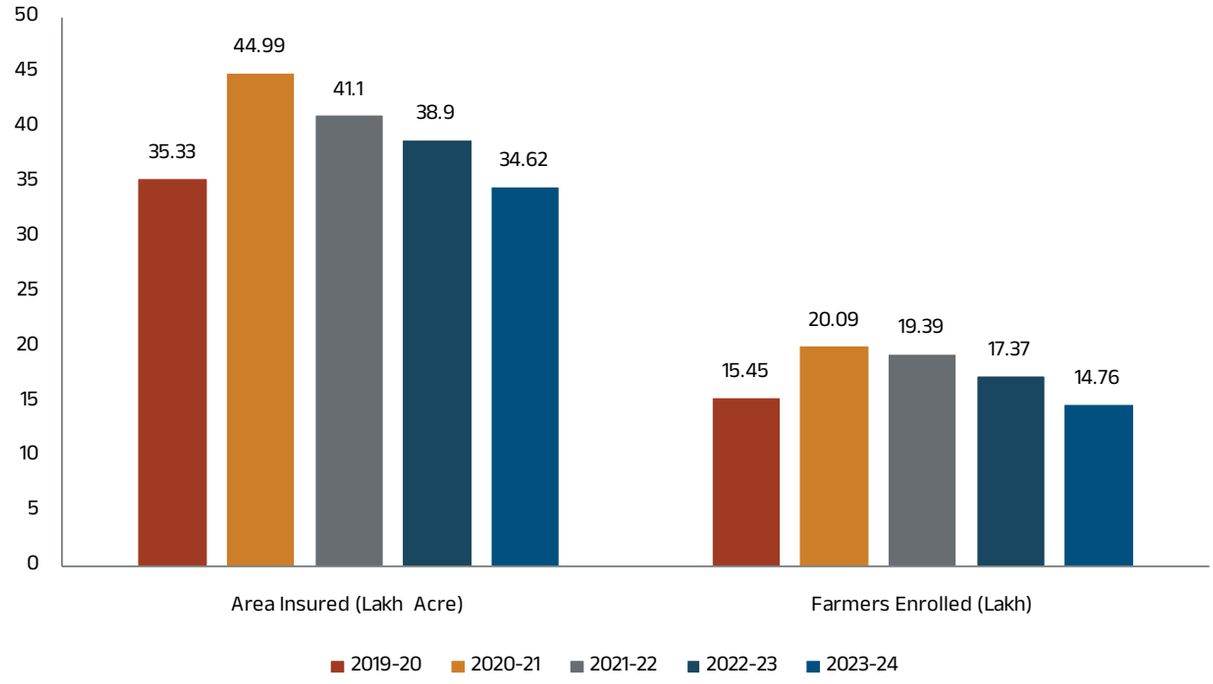
3.19 **Market Support and Price Incentives:** As an add on to minimum support price, the Tamil Nadu Government provides an additional incentive of ₹105 per quintal for paddy and ₹215 per tonne for sugarcane. As of June 2024, a total of 29.91 lakh metric tonnes of paddy had been procured from 3.72 lakh farmers, with ₹6,442.8 crore distributed as support.

3.20 To support agricultural trade and storage, the government has set up 284 regulated markets across Tamil Nadu, which include 525 storage go-downs, 395 transaction sheds, 421 drying yards, 863 traders' shops, and 275 cold storage units with a combined capacity of 40,365 metric tonnes. The National Agriculture Market (eNAM) has been implemented in 213 of these regulated markets to facilitate digital trading. In addition, 193 *Uzhavar Sandhais* (farmers' markets) are operational across the state, offering farmers direct market access.

3.21 **Crop Insurance:** Crop insurance provides financial protection to farmers during crop losses during unexpected natural disasters. By covering 49% of the insurance premium paid to insurance companies, the

state government helps to safeguard farmers' livelihoods while encouraging the adoption of modern agricultural practices and technologies. Chart 3.7 provides details on crop insurance under PMFBY. In 2020-21, the scheme saw the highest enrollment of farmers, driven by the impact of the pandemic, with a record compensation payout of ₹2,685 crore. However, the number of enrolled farmers and the total insured area have varied over the years, influenced by factors such as changing climatic risks and better targeting.

Chart 3.7: Crop Insurance Coverage



Source: Department of Agriculture and Farmers welfare

3.8 Agriculture Mechanization

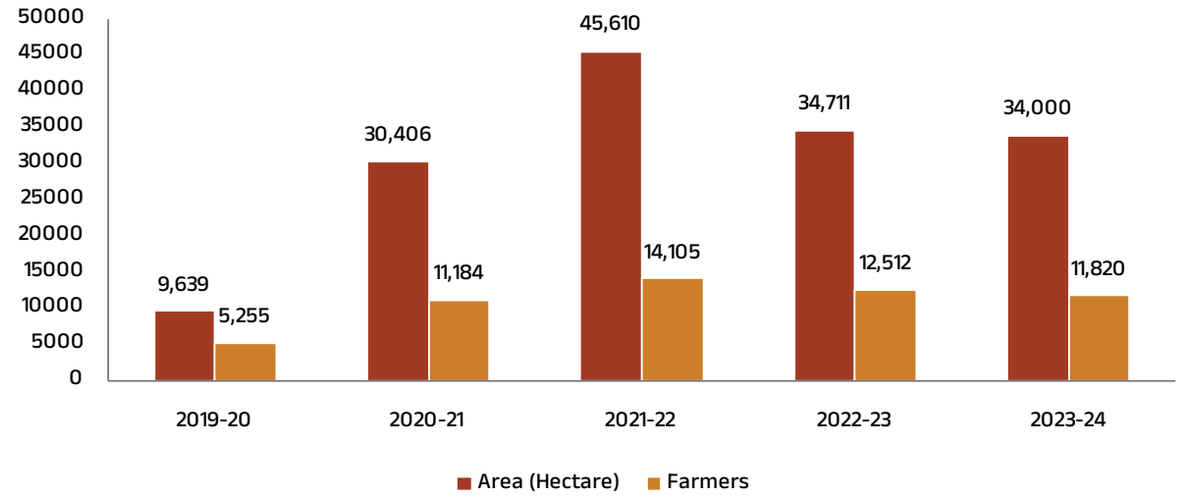
3.22 The government is dedicated to supporting small and marginal farmers by providing subsidized agricultural machinery. This initiative includes essential equipment such as tractors, power tillers, rotavators, paddy transplanters, multi-crop threshers, and smaller tools like drum seeders and sprayers. Additionally, advanced machinery, such as drones, and value-added equipment like onion de-toppers, coconut dehuskers, oil extractors, and pulverizers, are being distributed. To further support disadvantaged farmers, the state government provides an additional 20% subsidy for SC and ST farmers. In 2023-24, agricultural machinery including 5,654 power tillers, 2,437 tractors, and 2,428 rotavator were provided to 28,230 farmers, with a total subsidy of around ₹188 crore. For 2024-25, the subsidy allocation was substantially increased to ₹242 crore.

3.23 To address the challenge of shrinking land holdings and encourage the use of smaller machinery, the government distributed around 4,332 power tillers with a total subsidy of Rs.21 crore under the Kalaignarin All Village Integrated Development Programme in 2024-25. This initiative aims to boost agricultural productivity while providing vital support to farmers, especially those from disadvantaged backgrounds. Additionally, the e-Vaadagai mobile app, developed by the Agricultural Engineering Department, allows farmers to book agricultural machinery and implements online, make digital payments, and eliminate the need for physical visits to Agri-Engineering Department (AED) offices.

3.9 Organic Farming

3.24 Organic and natural farming focus on producing chemical-free, pesticide-free food grains while improving soil health and reducing environmental pollution. In Tamil Nadu, the adoption of organic farming has been steadily increasing, signaling a shift towards more sustainable agricultural practices. The number of farmers registered with the Tamil Nadu Organic Certification Department (TNOCD) has nearly doubled, rising from 5,255 in 2019-20 to 11,820 in 2023-24. Likewise, the area dedicated to organic farming has grown significantly, from 9,639 hectares to 34,000 hectares (Chart 3.8). Notably, TNOCD is ranked first in the country for the highest number of registered organic farmers, underscoring the state's leadership in promoting organic agriculture.

Chart 3.8: Organic Farming in Tamil Nadu



Source: Department of Agriculture and Farmers welfare, GoTN.

3.10 Horticulture

3.25 Horticulture has become a significant driver of agricultural development in Tamil Nadu, fueled by the rising demand for fruits, vegetables, plantation crops, ornamental plants, and medicinal crops. In 2023-24, the total area dedicated to horticultural cultivation reached 16.3 lakh hectares. This included 7.59 lakh hectares for plantation crops, 3.63 lakh hectares for vegetables, and 3.34 lakh hectares for fruits (Table 3.2), with the remaining area grown with spices, condiments, medicinal and aromatic crops, and flowers. The state's total horticultural production amounted to 235.22 lakh metric tonnes.

Table 3.2: Area, Production and Yield of Horticulture Crops in 2023-24

Horticulture Crop	Area (lakh ha)	Production (lakh MT)	Productivity (MT/ha)
Fruit	3.34	75.29	22.52
Vegetable	3.63	92.36	25.46
Plantation	7.59	56.28	7.41
Spices & Condiments	1.11	3.3	2.97
Medicinal and Aromatic	0.16	1.68	10.52
Flower	0.47	6.31	13.55
Total	**16.3**	**235.22**	

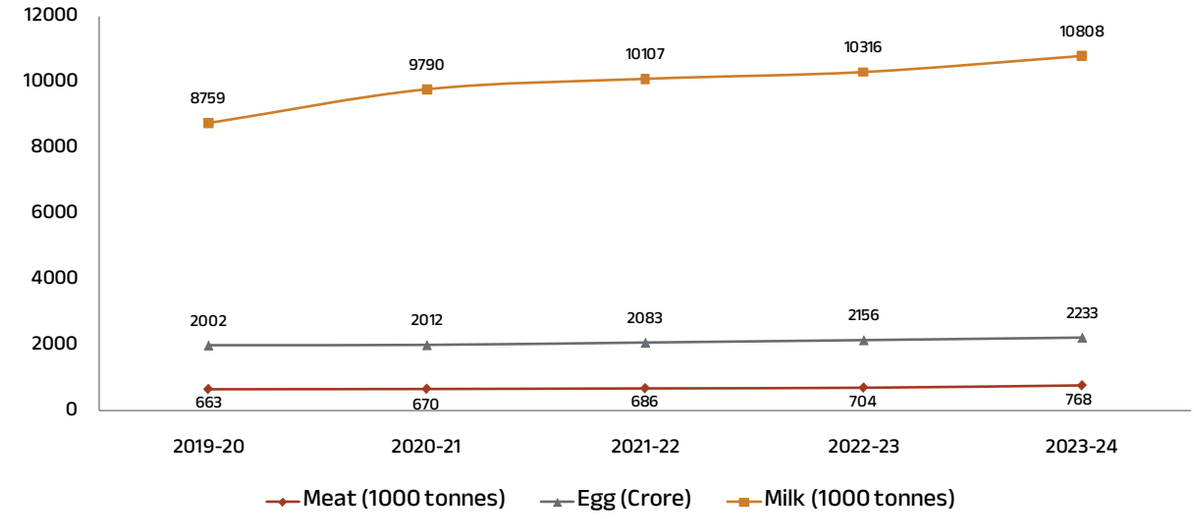
Source: Policy Note-Agriculture 2024-25.

3.11 Allied Activities

3.26 Tamil Nadu possesses abundant livestock and poultry resources, serving as a crucial source of livelihood for small and marginal farmers as well as landless laborers. In 2023-24, the Gross State Value Added (GSVA) from the livestock sector at nominal prices stood at ₹1.35 lakh crore, contributing 5.41% to the state's total GSVA. This sector has significantly enhanced the per capita availability of milk, eggs, and meat, reinforcing its importance in the state's agricultural economy.

3.27 Chart 3.9 highlights the trends in meat, egg, and milk production in Tamil Nadu. Between 2019-20 and 2022-23, meat production rose from 6.63 lakh tonnes to 7.04 lakh tonnes, egg production increased from 2,022 crore to 2,156 crore, and milk production expanded from 87.59 lakh tonnes to 103.17 lakh tonnes. Tamil Nadu produces the second highest number of eggs, following Andhra Pradesh, and ranks sixth in meat production. Additionally, the state stands 11th in the country in terms of milk production.

Chart 3.9: Production of Meat, Egg and Milk in Tamil Nadu

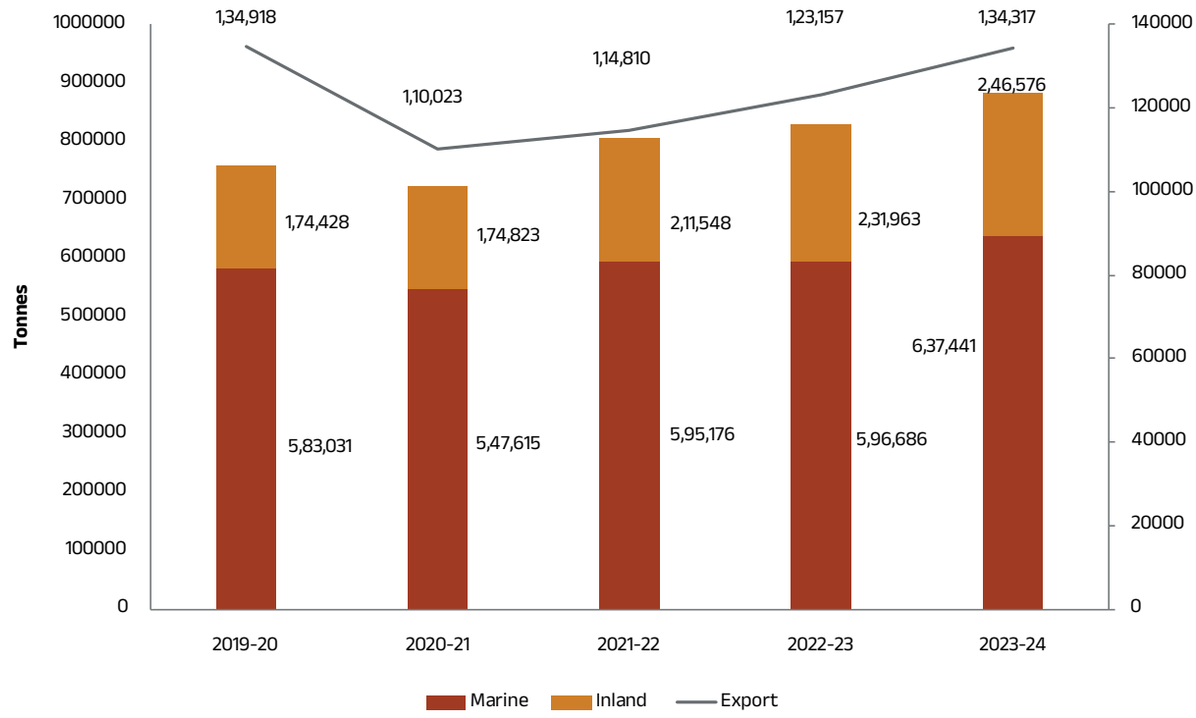


Source: Handbook of Statistics on Indian States, RBI

3.28 Tamil Nadu has a vast coastline spanning 1,076 kilometers and possesses 3.86 lakh hectares of effective inland water resources, including reservoirs, major and minor irrigation tanks, short seasonal tanks, ponds, rivers, backwaters, and other water bodies. Additionally, the state has 56,000 hectares of brackish water area dedicated to fisheries. Tamil Nadu's inland fishing community comprises approximately 2.36 lakh people, while 4536.46 hectares are designated for coastal aquaculture, primarily focusing on shrimp farming. This sector also provides livelihoods to 10.48 lakh marine fishers, underscoring its economic and social significance.

3.29 In 2023-24, the Gross State Value Added (GSVA) from fishing and aquaculture reached ₹24,000 crore at current prices, contributing 0.95% to Tamil Nadu's total GSVA. Fish production in the state saw a steady rise, increasing from 7.574 lakh tonnes in 2019-20 to 8.84 lakh tonnes in 2023-24 (Chart 3.10). Marine products account for nearly 75% of this production, with slight annual fluctuations. In 2023-24, Tamil Nadu exported 1.34 lakh tonnes of fish products, generating ₹6,854 crore in foreign exchange earnings.

Chart 3.10: Production and Export of Fish in Tamil Nadu



Source: Directorate of Fisheries, GoTN.

3.12 Conclusion

3.30 Agriculture in Tamil Nadu is highly dependent on monsoons and is increasingly affected by climate change, an aging farming population, shrinking landholdings, and stagnant productivity. To address these challenges, the state government aims to promote climate-resilient agriculture by introducing drought-tolerant and pest-resistant seeds, encouraging less water-intensive farming practices, and providing training on adaptation and alternative livelihood strategies, particularly for farmers in coastal regions. Additionally, efforts will be made to distribute agricultural equipment specifically designed for women and elderly farmers, enabling them to cultivate smaller landholdings effectively. A long-overdue revision of the food processing policy is also necessary to enhance value addition in agricultural produce. While the government has initiated a cluster-based approach to agricultural development, it remains limited to select crops like Moringa and needs to be expanded to include major agricultural and horticultural crops.

3.31 Livestock serves as a crucial financial safeguard for farmers, offering an additional source of income that helps mitigate the impact of climate uncertainties. Given the state's demographic and socio-economic factors, as well as evolving consumption patterns, the government must prioritize value-added dairy and meat processing products for both domestic markets and export. Ensuring prompt payments to farmers based on real-time testing of milk quality is essential for their financial stability and for the overall growth of the dairy sector. Despite its vast potential, Tamil Nadu has yet to fully capitalize on inland fisheries, seaweed farming, cage culture, and shrimp farming. Furthermore, the state must ensure the availability of quality cattle and small ruminants for commercial rearing, alongside continuous research and monitoring for zoonotic diseases. Strict surveillance of antibiotic and pesticide residues in meat products is equally important. To foster entrepreneurship in the livestock sector, "farmpreneurs" should be promoted through various credit-linked schemes such as Animal Husbandry infrastructure Development Fund (AHDF), Dairy processing Infrastructure Development Fund (DIDF), and Fisheries and aquaculture Infrastructure Development Fund (FIDF).

Chapter 4

INDUSTRY

4.1 Introduction

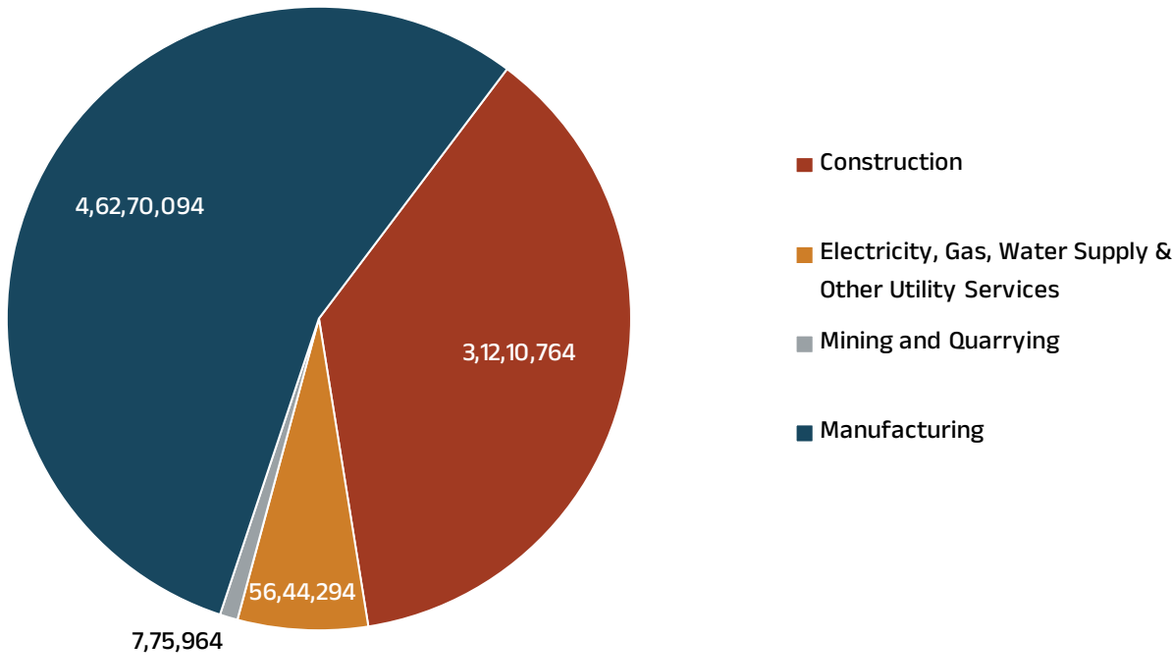
4.1 Tamil Nadu has one of the most developed and diverse industrial bases in the country. As of 2024-25, the state is home to 39,666 factories, the highest number in India. It also ranks first in number of persons engaged (27.75 lakh), second in invested capital (₹ 5.35 lakh crore), next only to Gujarat, and ranks third in total output (₹ 14.44 lakh crore) and gross value added (₹ 2.27 lakh crore).

4.2 Key industries in Tamil Nadu include automobiles, wearing apparel, leather and leather products, textiles, computer, electronic and optical products and machinery and equipment. The state ranks first in the country for the total output of motor vehicles, wearing apparel, and leather & leather products. Textiles, machinery & equipment, and computer, electronic and optical products follow in second place. The state also leads the nation in exports of engineering goods, electronics, ready-made garments, cotton yarn, hand-loom products, and leather products.

4.3 The industrial sector encompasses manufacturing, construction, mining, quarrying,electricity and water supply. In 2023-24, the Industry GSVA at nominal prices in Tamil Nadu was about ₹8.39 lakh crore. This contributed 33.68% to the total GSVA of Tamil Nadu and accounted for 11.34% of India's total industrial GVA. Of this, manufacturing contributed ₹ 4.63 lakh crore, while construction contributed ₹ 3.12 lakh crore. Between 2021-22 and 2023-24, the manufacturing sector grew at 8.33%, while the construction sector grew at 9.03%.

4.4 According to Periodic Labour Force Survey (2023-24), 33.31% of the total workforce in Tamil Nadu is engaged in industrial activities. Of this, 15.97% work in manufacturing, 17.2% in construction and 0.28% in electricity, gas, water supply, sewerage etc., and 0.18% in mining and quarrying.

Chart 4.1: Composition of Industry GSVA (2023-24)



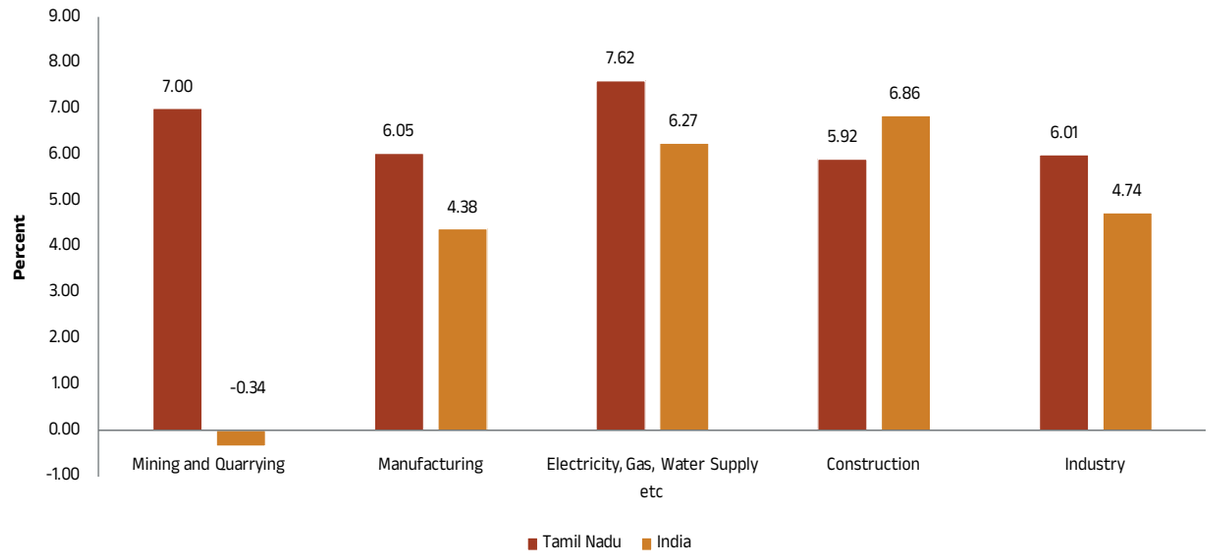
Source: MOSPI

4.5 With 35.56 lakh Udyam-registered Micro, Small and Medium Enterprises (MSMEs), Tamil Nadu ranks second in the country in 2023-24. The vision of Tamil Nadu Industrial Policy 2021 is to position the state as the leading destination for investment, innovation, and the creation of products and associated services. Its mission focuses on continuously improving the ease of doing business, harnessing the state's skilled workforce for economic development, and ensuring balanced regional development. Tamil Nadu has been successful in attracting investments from both domestic and global companies across various sectors. The Tamil Nadu Global Investors Meet (2024) alone secured investment commitments totaling ₹ 6.64 lakh crore, which is expected to create direct employment opportunities for 14.55 lakh people. Against this backdrop, this chapter highlights the performance and achievement of the industrial sector.

4.2. Growth of Industry and its Components

4.6 From 2019-20 to 2023-24 (based on constant prices), the industrial sector in Tamil Nadu grew at an average rate of 6.01% compared to the national growth rate of 4.74% (Chart 4.2). Among the four sub-sectors of industry, manufacturing grew at 6.05%, while construction expanded at 5.92%. Mining and quarrying grew at 7.00% and electricity, water supply etc. at 7.62%. Over the past three years, Tamil Nadu's industrial sector achieved an average growth rate of 8.78%, compared to the all-India industry growth rate of 7.95%. Within this period, manufacturing grew at an average rate of 8.33%, and construction grew at 9.03%.

Chart 4.2: Annual Growth of Industry and its Components (Tamil Nadu and India)

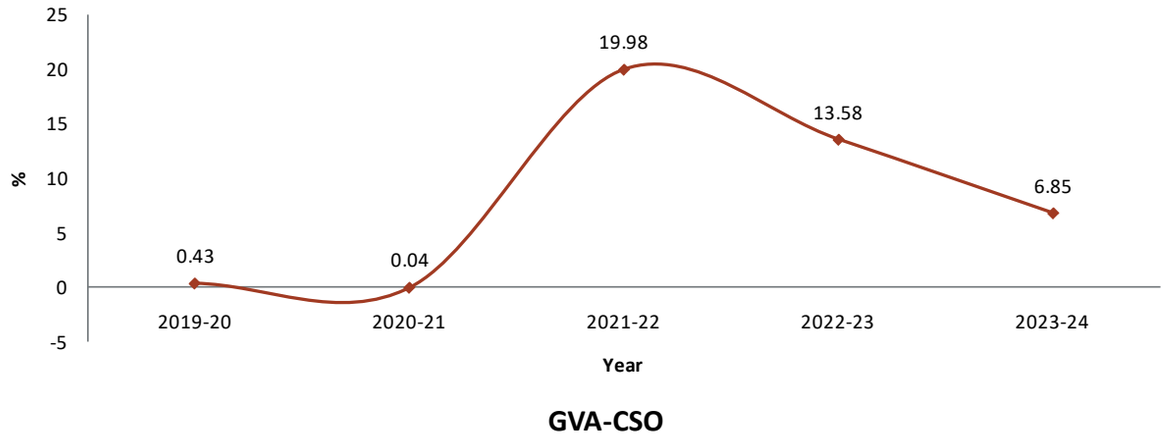


Source: MOSPI

4.3 Performance of Manufacturing Sector

4.7 The manufacturing sector is widely regarded as a key driver of economic growth. Chart 4.3 illustrates the trends in the growth of the Gross Value Added (GVA) by the manufacturing industry in Tamil Nadu, based on data from the CSO for the period 2019-20 to 2023-24. On average, the nominal GVA growth of the manufacturing sector in Tamil Nadu was 8.51%, according to the CSO data.

Chart 4.3: Growth of Manufacturing Sector in Tamil Nadu



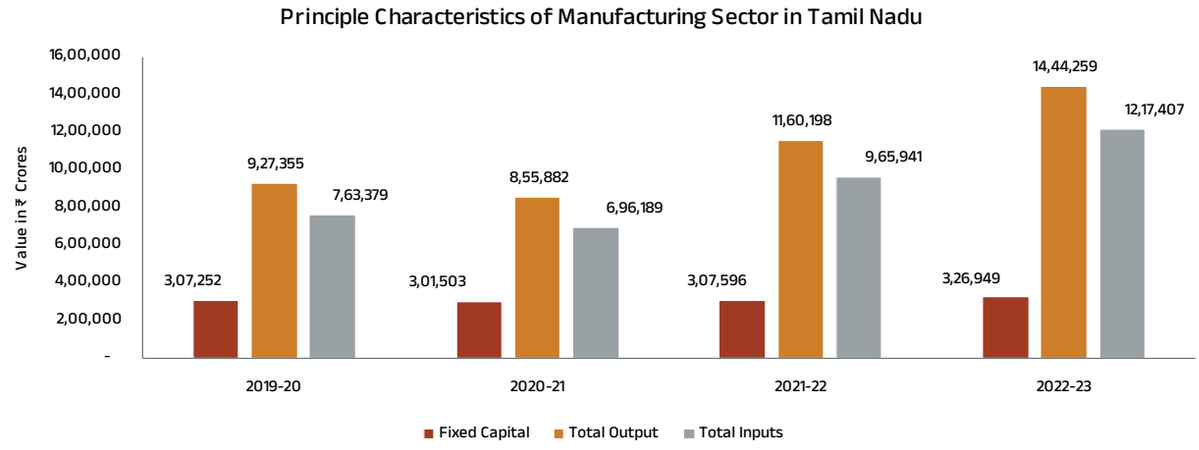
GVA-CSO

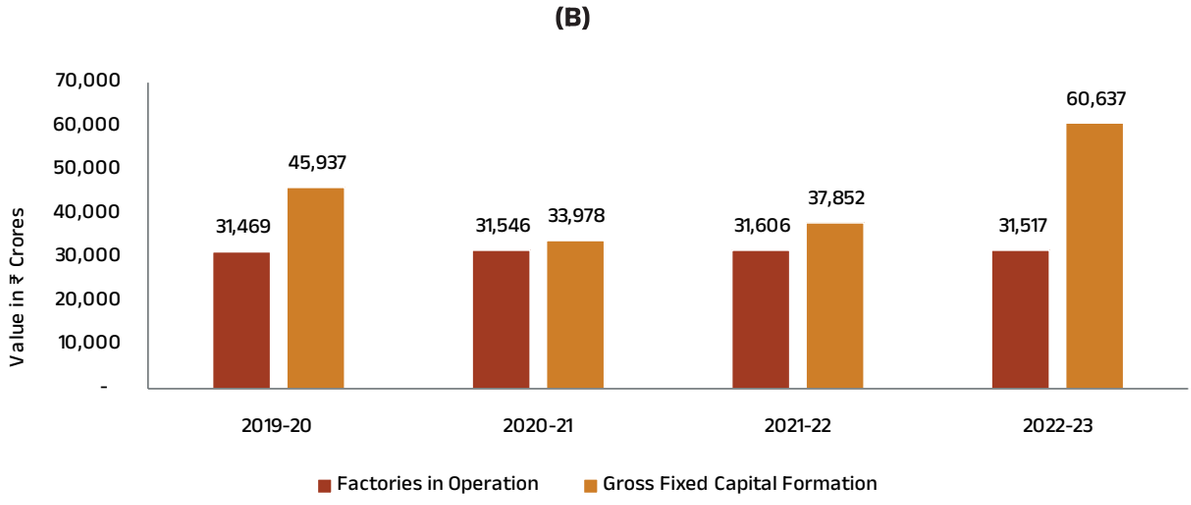
Source (Basic Data): CSO (MoSPI)

4.8 Tamil Nadu is one of the leading regions for industrial activity in the country, with a large number of operational factories. Post COVID, Tamil Nadu saw a decline in key industrial indicators, particularly in 2020-21, with fixed capital, gross fixed capital formation (GFCF), total output, and total inputs all contracting. The number of factories in operation remained stable, fluctuating only marginally, indicating resilience in the industrial base. However, the sector has largely recovered since then. Fixed capital rebounded to ₹3,26,949 crore in 2022-23, while GFCF, after a sharp dip, surged to ₹60,637 crore, signaling renewed investments. Total output and inputs also saw strong growth, surpassing pre-pandemic levels by 2022-23 (See Chart 4.4). Despite temporary setbacks, industrial activity has shown resilience and a strong post-pandemic revival.

Chart 4.4: Principal Characteristics of Manufacturing Sector in Tamil Nadu

(A)



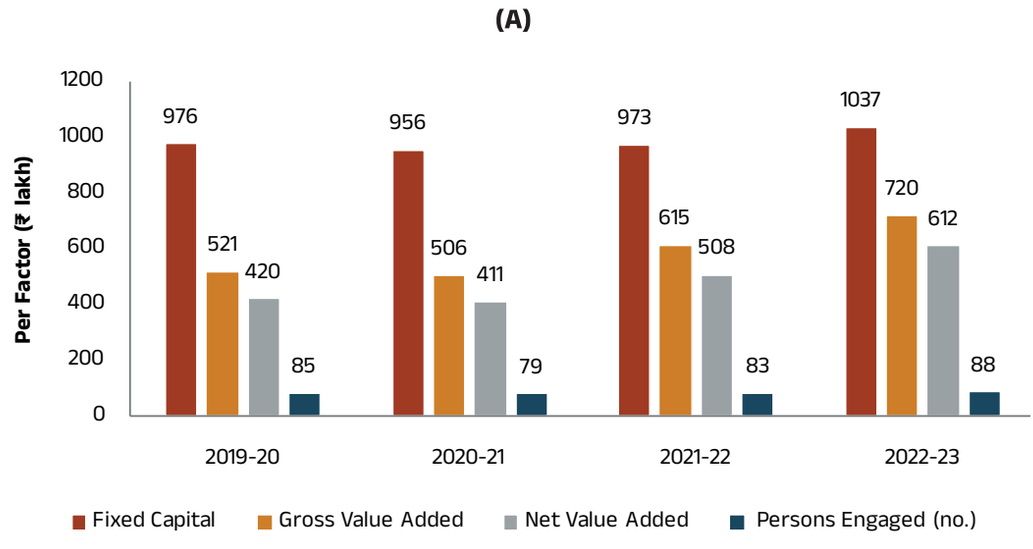


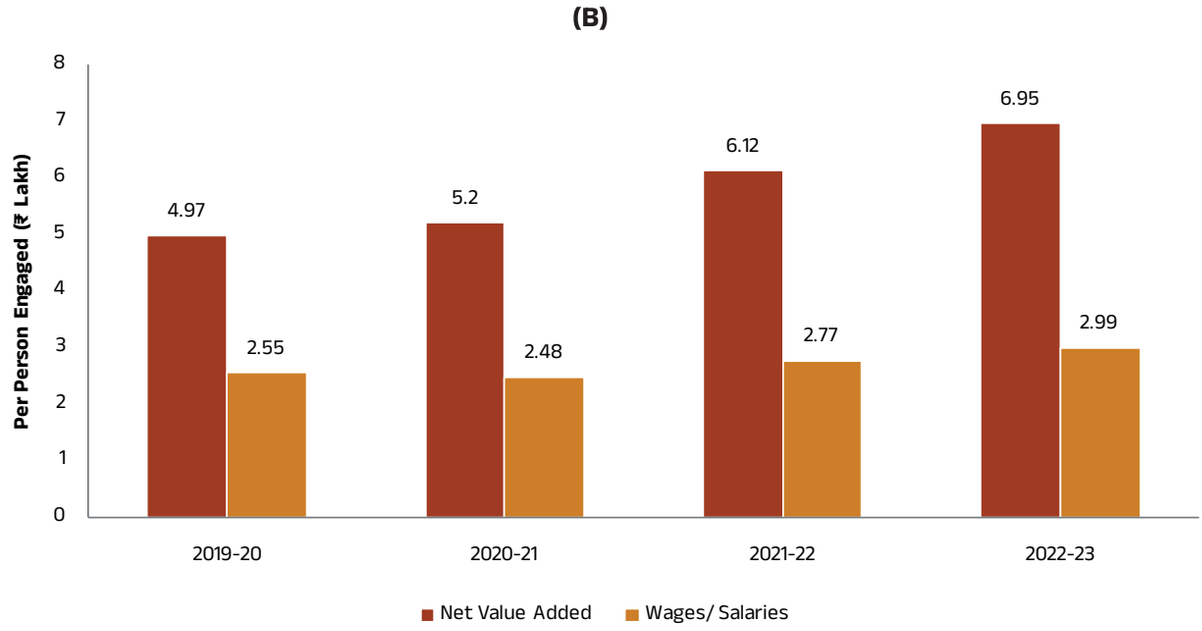
Source: ASI.

4.9 Selected structural ratios based on ASI data demonstrate resilience and growth despite pandemic-induced disruptions (Chart 4.5). The state has seen a steady rise in capital investment, with per factory fixed capital reaching 10.37 crores in 2022-23, reflecting increased modernization and capacity expansion. Despite a slight dip during the pandemic in 2020-21, gross and net value added per factory rebounded strongly, with net value added reaching ₹612 lakh in 2022-23, signaling improved efficiency and output.

4.10 Employment levels per factory remained stable, with a notable rise to 88 persons per factory in 2022-23, suggesting growing labor absorption. Productivity has seen a significant boost, with net value added per person increasing from ₹5.20 lakh in 2020-21 to ₹6.95 lakh in 2022-23.

Chart 4.5: Structural Ratios of Manufacturing Sector in Tamil Nadu



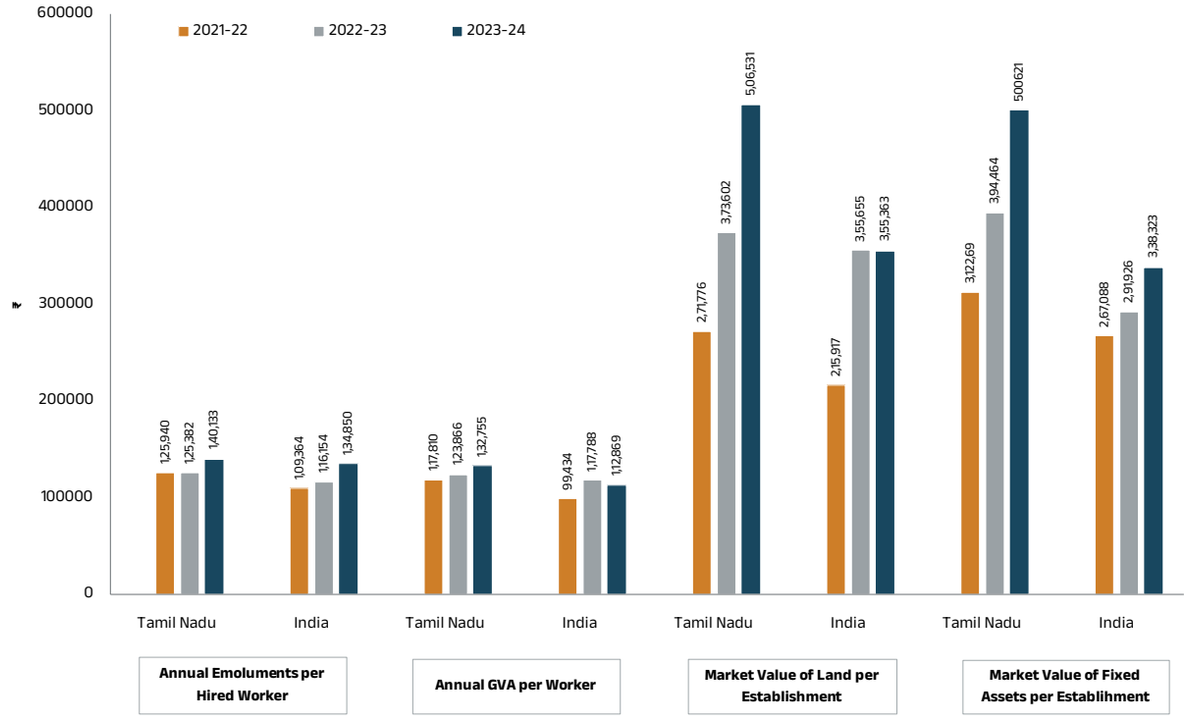


Source (Basic Data): ASI.

Additionally, wages and salaries per worker have steadily grown, reaching ₹2.99 lakh in 2022-23, reflecting better compensation and potentially higher skill levels in the workforce. These trends indicate a strong post-pandemic recovery, driven by increased investments, higher productivity, and improved labor earnings.

4.11 The ASUSE data for Tamil Nadu's unincorporated manufacturing sector for 2021-22 to 2023-24 also shows that the emolument per worker, GVA per worker, market value of land, per establishment, and market value of fixed assets per were higher than the respective all-India figures (Chart 4.6). GVA per worker improved, reflecting higher productivity, while worker emoluments rose, signaling better wages. These trends highlight Tamil Nadu's strong industrial base, skilled workforce, and expanding output, positioning it ahead of the national average in key manufacturing indicators.

Chart 4.6: Ratios for Unincorporated Manufacturing Enterprises (2021-22 to 2023-24)



Source: Annual Survey of Unincorporated Sector Enterprises (various years), MoSPI.

4.12 The disaggregated data for sub-industrial groups, as shown in Table 4.1, highlight the top five industrial sub-groups based on their average share in the GVA of manufacture in Tamil Nadu from 2019-20 to 2022-23. These are: (i) manufacture of motor vehicles, trailers and semi-trailers (17.95%), (ii) manufacture of machinery and equipment (10.03%), (iii) manufacture of textiles (10.05%), (iv) manufacture of wearing apparels (6.92%) and manufacture of food products (5.95%). Together, these five sub-groups account for about 51% of the total GVA of manufacturing in the state. Other major industries include: manufacture of chemical and chemical products (4.74%), manufacture of rubber and plastic products (5.01%), and manufacture of other transport equipment (4.94%).

Table 4.1: Gross Value Added of Sub-Industrial Groups in Tamil Nadu: Growth and Average Share from 2019-20 to 2022-23

Industry	Growth (%)	Average Share (%)
Motor Vehicles, trailers and Semi-trailers	12.99	17.95
Machinery and Equipment	8.69	10.03
Textiles	6.03	10.05
Wearing Apparel	8.30	6.92
Food Products	8.61	5.95
Chemicals and Chemical Products	10.53	4.74
Rubber and Plastics Products	11.41	5.01
Other Transport Equipment	13.21	4.94
Others	7.15	34.41
All	**8.31**	**100**

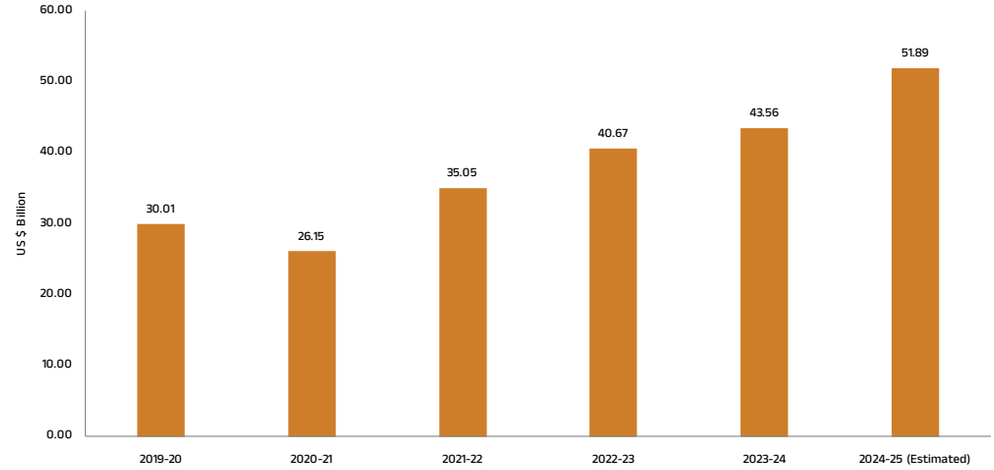
Source (Basic Data): ASI

4.13 From 2019-20 to 2022-23, several industries in Tamil Nadu recorded double digit growth, including the manufacture of other transport equipment (13.21%), rubber and plastic product (11.41%), motor vehicles, trailers and semi-trailers (12.99%) and chemicals and chemical products (10.53%).

4.4 Merchandise Exports

4.14 One of the key strategies for Tamil Nadu to achieve its ambitious goal of a $ 1 trillion economy by 2030 is to increase its exports to $ 100 billion by that year. The value of merchandise exports (i.e., exports of goods) from Tamil Nadu increased from $ 30.01 billion in 2019-20 to $ 51.89 billion in 2024-25 (estimated) (Chart 4.7). Tamil Nadu ranks third in the country for merchandise exports, following Gujarat ($134.4 billion) and Maharashtra ($ 67.21 billion).

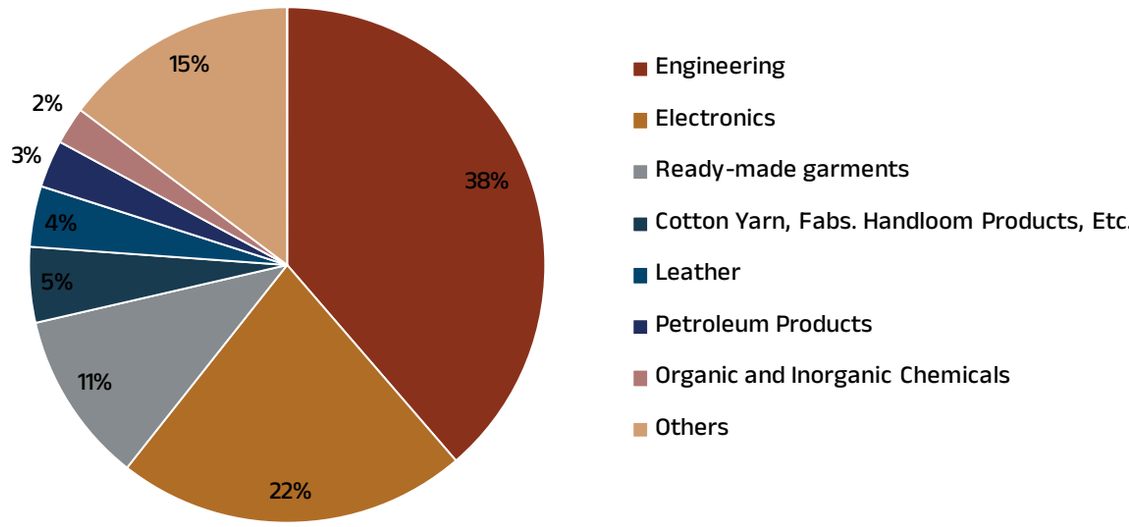
Chart 4.7: Value of Merchandise Exports from Tamil Nadu



Source: NIRYAT.[21]

4.15 The main products exported from Tamil Nadu include engineering items ($16,845 million), electronics ($ 9,563 million), ready-made garments ($ 4,690 million), cotton yarn and handloom products ($2,062 million) and leather ($1,660 million). Other significant exports from the state include petroleum products and organic and inorganic chemicals (Chart 4.8).

Chart 4.8: Exports of Selected Goods in US$ million (2023-24)



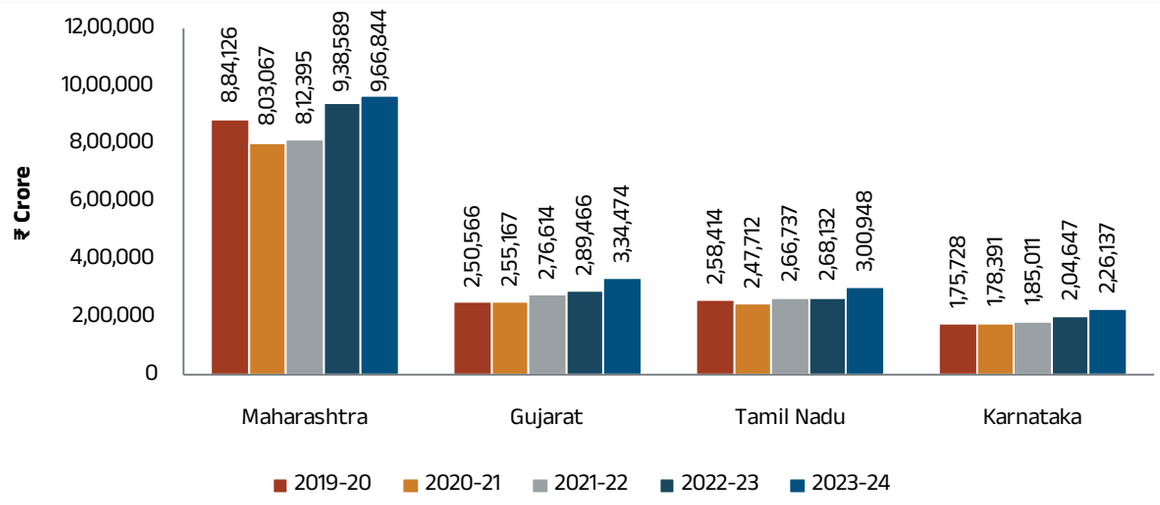
Source: NIRYAT.

4.5 Credit to Industry

4.16 Scheduled commercial banks provide credit to industries across the country. The total credit to Tamil Nadu's industry increased from ₹2.5 lakh crore in 2019-20 to ₹3.01 lakh crore in 2023-24 (Chart 4.8). Maharashtra received the highest credit for its industry, with ₹ 9.67 lakh crore in 2023-24, followed by Gujarat with ₹ 3.34 lakh crore, and Tamil Nadu with ₹ 3.01 lakh crore.

[21] *Data for February and March 2025 have been estimated using the average Year-on-Year growth rates*

Chart 4.9: Credit to Industry by Scheduled Commercial Banks

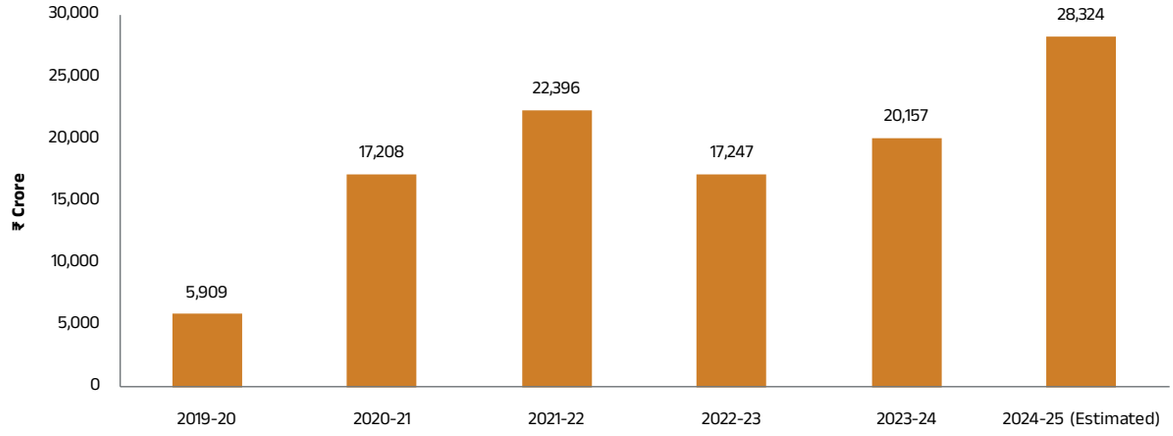


Source: Basic Statistical Returns of Scheduled Commercial Banks in India, Reserve Bank of India, various issues.

4.6 Foreign Direct Investment and Private Corporate Investment

4.17 In the COVID-19 pandemic year (2019-20), Foreign Direct Investment (FDI) in Tamil Nadu stood at ₹ 5,909 crore, which had increased to ₹ 28,324 crore (estimated) in 2024-25 (Chart 4.10). In 2023-24, Tamil Nadu ranked sixth in FDI among Indian states, following Maharashtra (₹ 125101 crore), Gujarat (₹ 60,600 crore), Karnataka (₹ 54,427 crore), Delhi (₹ 53,980 crore) and Telangana (₹ 25,094 crore).

Chart 4.10: FDI Inflow to Tamil Nadu



Source: Department of Industry Policy&Promotion, Govt. of India. Till 2019-20, Pondicherry data included.[22]

[22] *Estimated Annual FDI=FDI till Dec 2024 (latest data) +Average FDI (Jan–Mar) of past two years.*

4.18 The Reserve Bank of India monitors private capex plans by tracking projects with cost exceeding ₹ 10 crore that are funded by banks and financial institutions (FIs). Nearly half of these projects are in the infrastructure sector, including roads, bridges and power. Other significant sectors include the metal & metal products industry, the construction, electrical equipment, and food products. Table 4.2 shows the number of projects sanctioned in Tamil Nadu from 2019-20 to 2023-24. After 2020-21 (the pandemic year), the number of sanctioned projects steadily increased to 83 in 2023-24.

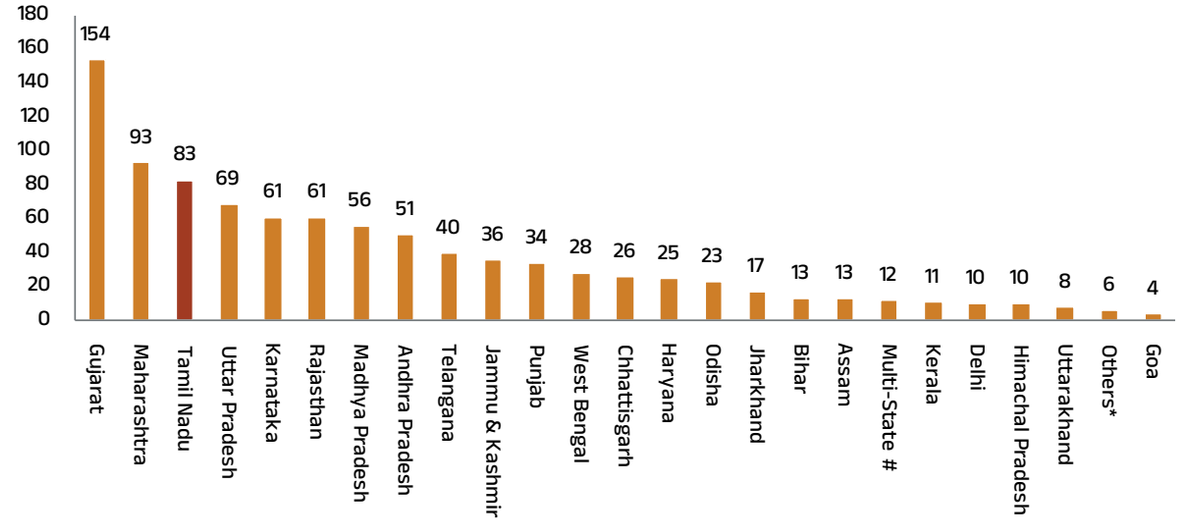
Table 4.2: Projects Sanctioned by Banks/FIs in Tamil Nadu

Year	2019-20	2020-21	2021-22	2022-23	2023-24
No. of Projects	28	7	40	44	83

Source: RBI bulletin, Aug 2024.

4.19 In 2023-24, a total of 944 projects in the county received assistance from banks/FIs, with a record high total project cost of ₹ 3.91 lakh crore in 2023-24. Tamil Nadu ranked third innumber of projects sanctioned, following Gujarat (154) and Maharashtra (93) in 2023-24.

Chart 4.11: State wise Projects (Cost Exceeding ₹10 Crore) Sanctioned by Banks/FIs (2023-24)



Source: RBI bulletin, Aug 2024.

4.7 MSMEs

4.20 The Micro, Small and Medium Enterprises (MSMEs) sector plays a vital role in Tamil Nadu's economy, contributing significantly to inclusive development by fostering entrepreneurship and generating employment with relatively lower capital investment. According to Udyam Registration data, there were 35.56 lakh MSMEs in Tamil Nadu in 2024-25 (Up to Feb-2025). Of these, 10.69 lakh were manufacturing MSMEs, while 24.87 lakh were services oriented MSMEs (Table 4.3). These MSMEs provide employment to 2.56 crore workers in the state.

Table 4.3: Number of MSMEs Registered and Employment Generation in Tamil Nadu

Year	Manufacturing	Services	Grand Total	Employment Generation
2019-2020	1,10,437	1,45,349	2,55,786	16,15,447
2020-2021*	1,55,781	2,31,265	3,87,046	38,96,694
2021-2022	1,56,051	3,23,562	4,79,613	36,63,938
2022-2023	1,92,950	5,40,680	7,33,630	47,15,652
2023-2024	2,37,327	6,43,366	8,80,693	63,12,163
2024-2025**	2,16,847	6,03,362	8,20,209	54,23,137
Total	**10,69,393**	**24,87,584**	**35,56,977**	**2,56,27,031**

Source: Director of Industries and Commerce Government of Tamil Nadu.

**Includes Udyog Adhaar memorandum and Udhyam registration certificate, **upto Feb-2025*

4.8 Mining Industry

4.21 Tamil Nadu is one of the mineral rich states in the country, with a diverse range of geological rock formations that contain major minerals such as limestone, lignite, magnesite, vermiculite, bauxite, and iron. The state is also rich in critical minerals, including graphite, molybdenum, platinum group of minerals, rare earth elements, and atomic minerals such as ilmenite, rutile, garnet, leucoxene, monazite, zircon, sillimanite, as well as petroleum and natural gas. Tamil Nadu also produces a variety of minor minerals like black granite, rough stone, clay, gypsum, silk sand, quartz, felspar, gravel and brick earth.

4.22 From 2019-20 to 2023-24, limestone production in Tamil Nadu increased from 149.28 lakh tonnes to 254.5 lakh tonnes, while lignite production declined from 186.45 lakh tonnes to 182.83 lakh tonnes (Table 4.4). Crude oil produced also declined from 3,04,756 MT to 2,86,501 MT. On the other hand, rough stone production increased from 228.35 lakh cbm to 496.45 lakh cbm.

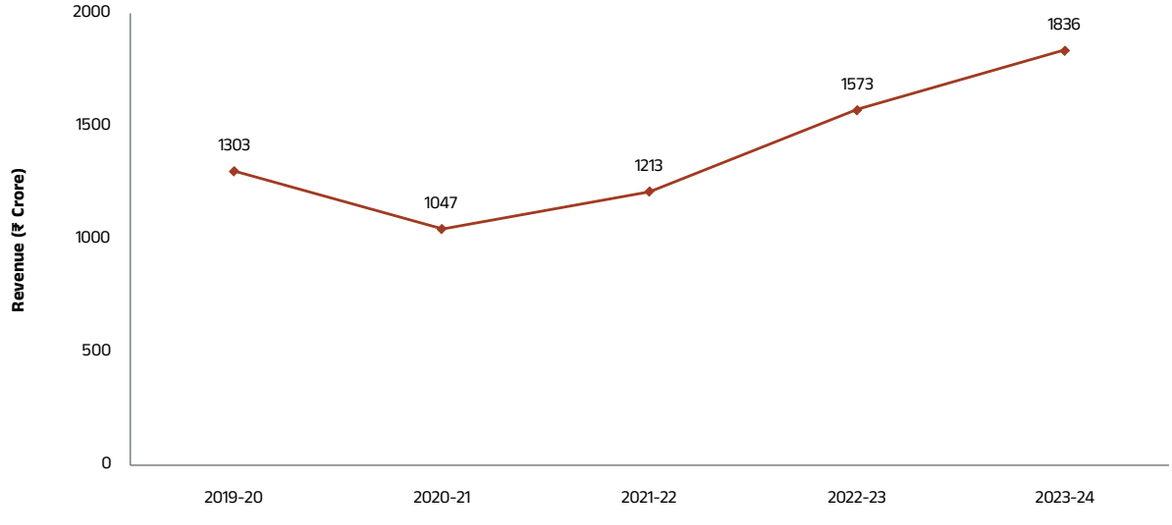
Table 4.4 Mineral Production in Tamil Nadu

Minerals	2019-20	2020-21	2021-22	2022-23	2023-24
Major Minerals (000' MT)					
Lignite	18,645	17,867	23,626	21,566	18,283
Limestone	14,928	18,774	20,457	23,388	25,450
Marl	-	-	630	2,363	552
Atomic Minerals	-	-	-	-	977
Beach Sand Minerals	-	763	-	642	-
Others	89	54	171	87	90
Major Minerals: Total	**33,662**	**37,459**	**44,884**	**48,047**	**45,352**
Crude Oil (MT)	3,04,756	4,06,939	3,66,319	3,13,795	2,86,501
Natural Gas (million cbm)	791	866	1,019	1,065	1,008
Rough Stone	22,835	25,566	39,982	43,743	49,645
Earth/Gravel	4,242	7,255	8,369	13,179	14,273
Others	121	131	140	126	119
Minor Minerals-1: Total	**27,198**	**32,952**	**48,491**	**57,048**	**64,037**
Minor Minerals-2 Total (000' MT)*	**360**	**1,014**	**639**	**906**	**1,742**

Source: Policy Note, Dept. of Geology and Mining, GoTN. includes Quarz, lime Kankar, Fire clay, clay, etc.*

4.23 The revenue generated from mineral resources in Tamil Nadu increased from ₹1,303 crore in 2019-20 to ₹ 1,836 crore in 2023-24 (Chart 4.12).

Chart 4.12: Revenue Generated from Mineral Resources in Tamil Nadu



Source: Dept. of Geology and Mining, GoTN

4.9 Conclusion

4.24 Tamil Nadu is already at the forefront of industrial growth in the country. These gains need to be consolidated and built upon to make the growth story sustainable in the long term. This is especially crucial given the aging population of Tamil Nadu and the urgency to capture the demographic dividend in the next 20 years. The state needs to evolve sector-specific strategies to address the concerns of each sector and work on further improving the ease of doing business. Sectors which are growing at a lesser rate, require special policy initiatives for their revitalization. The emphasis ought to be on diversification into more value-added activities with innovation on the one hand, and expand mass employment generating sectors on the other. The State government's initiatives in the area of skilling have yielded promising results. However, these efforts need to be scaled up further to increase workforce participation and increase labour productivity. Industrialization of backward regions needs to be intensified further, especially in the southern districts. Government needs to invest substantially in creating large-scale land banks for attracting investors in these areas. In order to rapidly increase industrialisation of the state, innovative business models such as plug and play facilities can be encouraged. Industrial townships can be established in suitable locations across the state to attract global investor.

Chapter 5

SERVICES

5.1 Introduction

5.1 Tamil Nadu's services (or tertiary) sector is diverse and includes several sub-sectors such as trade, repair, hotels and restaurants, transport, storage, communication and broadcasting services, financial services, real estate and personal services, public administration, and other related services.[23] The state has a robust demand for services such as education, healthcare, finance, tourism, hospitality, and entertainment.

5.2 As one of the most urbanized states in India, Tamil Nadu's rapid urbanisation drives the need for infrastructure services, including transportation, housing, sanitation, and utilities. The state also has a strong presence in the IT and IT-enabled services sectors and is a major contributor to software exports. Like other states, the service sector plays a pivotal role in driving Tamil Nadu's Gross State Value Added (GSVA). In 2023-24, the services accounted for ₹ 13.4 lakh crore at current prices, contributing 53.63% to Tamil Nadu's total GSVA.

5.3 Tamil Nadu is home to approximately 24.87 lakh services-oriented MSMEs, which play a significant role in providing employment to a large segment of the population. According to the Periodic Labour Force Survey (2023-24), 54.63% of the total workforce in urban Tamil Nadu is employed in services, significantly higher than the national average of 28.42%. Among these 54.63% workers, 16.28% are involved in trade and repair of motor vehicles, 7.53% in transport & storage, 6.28% in information and communication, 5% in education services, 4.86% in accommodation and food services, 2.84% in financial and insurance services and remaining 11.84% in other services.

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[23] *Other Services include coaching and tuition, human health activities including veterinary activities, sewage and refuse disposal, sanitation activities, recreational cultural and sporting activities, hair dressing and other beauty treatment, etc*

5.4 Tamil Nadu also holds a strong position in the services exports, ranking third in the country, and is fourth in software exports. It also ranks third in the credit-deposit ratio, reflecting its higher economic activity compared to other regions. The rest of this chapter discusses on the performance and achievements of services and its sub-sectors in Tamil Nadu.

5.2 Growth of Services and its Sub-Sectors

5.5 The services sector in Tamil Nadu witnessed a real annual growth rate of 7.97% from 2020-21 to 2023-24. During the same period, its sub-sectors- real estate grew at 9.41%, trade, repair, hotels and restaurants increased at 7.98%, transport, storage etc at 7.67%, public administration at 5.74%, and financial services at 4.69%.

5.3 Transport

(i) Roadways:

5.6 Roadway services play a key role in transporting cargo and passengers in Tamil Nadu (and across India). With a population of 8.3 crore, lakhs of people rely on public transportation. State transport undertakings (STUs), along with private operators, provide essential road transport services to the public. The state has a fleet of 20,260 STU-buses in 2023-24.

5.7 The development of expressways and economic corridors has significantly reduced travel times, while the digitalization of tolls has helped to minimize waiting times at toll plazas. To meet growing demand, the government has initiated plans to expand the fleet by procuring additional buses. This expansion includes

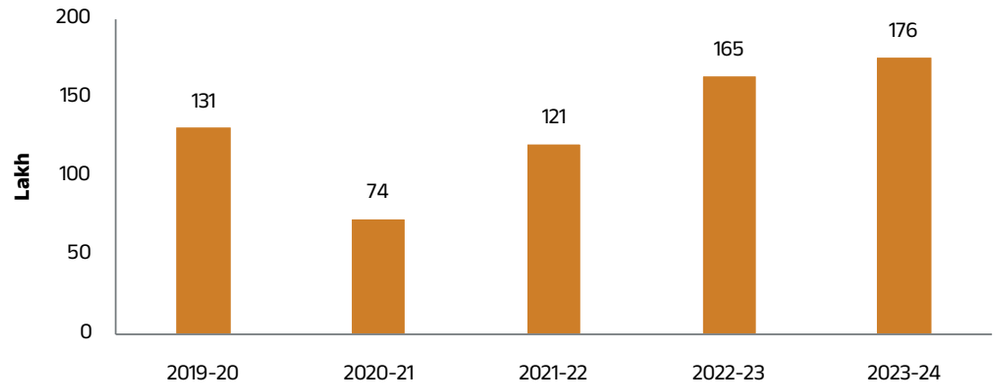
- The government has planned to introduce 8,682 new buses and has placed orders for 8,182 buses with financial support from KfW, the World Bank, SADP, and the state. Of these, 1,088 brand-new buses have been added so far.
- MTC will incorporate 625 more e-buses subsequently into its fleet as a component of the World Bank Project.
- Additionally, there will be the acquisition of new buses funded by KfW in the upcoming phases 3, 4 and 5. The total number of new

buses will be 9,161, including 7,661 diesel buses and 1,500 electric buses.

- The Government has allocated funds for the complete refurbishment of 1500 buses over the course of two financial years: 1000 buses in 2022-23 and 500 buses in 2023-24. These steps taken will ensure a complete overhaul of the STUs fleet making it sleek and modern.

5.8 In 2023-24, the number of daily riders in STUs has steadily rebounded, reaching an all-time high of 176 lakh from 74 lakh in the pandemic year of 2020-21 (Chart 5.1).

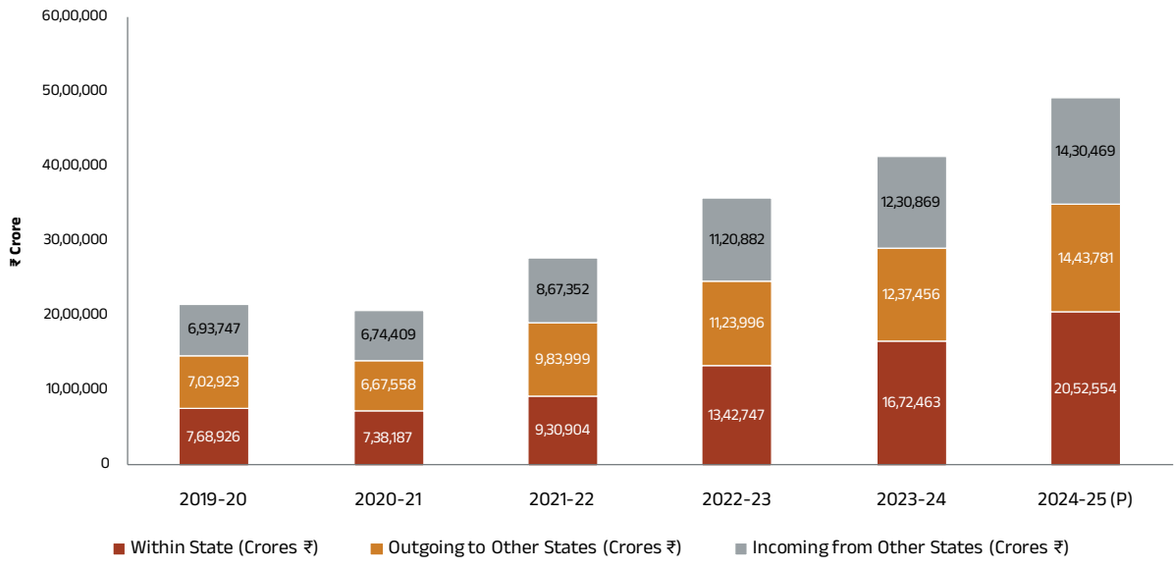
Chart 5.1: Daily Passengers Travel in STUs in Tamil Nadu



Source: Policy Note, Transport Department, 2024-25, GoTN.

5.9 Chart 5.2 presents the total assessable value of goods transported in Tami Nadu. The total value of goods transported increased from ₹21,65,597 crore in 2019-20 to ₹ 41,40,789 crore in 2023-24, registering a 1.9-fold rise during this period.

Chart 5.2: Value of Goods Transported



Source: https://www.gst.gov.in.in/download/gststatistics

(ii) Metro Rail

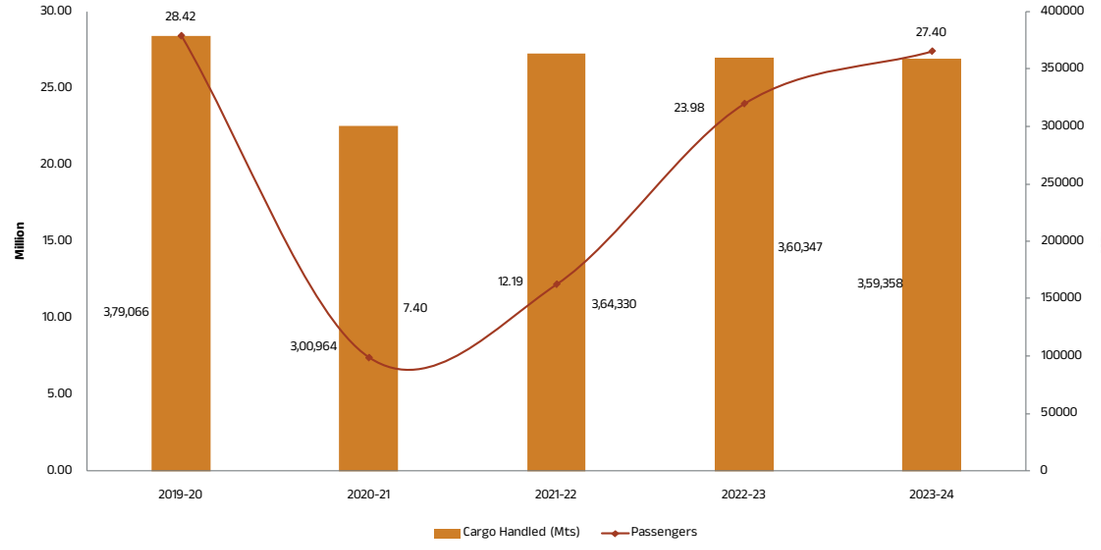
5.10 The Chennai Metro Rail Limited (CMRL) has seen steady expansion over the years, enhancing urban mobility and connectivity. From an operational length of 45 km in 2019 and 2020, the network expanded to 54.6 km in 2023-24 with the opening of additional corridors. With ongoing Phase II (118.9 km) developments, the network is expected to expand further, strengthening Chennai's public transportation infrastructure.

5.11 The CMRL has prepared Detailed Project Report (DPR) for Corridor V extension from Koyambedu to Avadi for a length of 21.76 km. Another DPR for extension of Airport line to Kilambakkam Kalaignar Centenary Bus Terminus (KCBT) has been prepared and submitted to the government. Meanwhile, the State Government has forwarded the Metro Rail proposals of Coimbatore and Madurai to the Union Government for its approval. These projects shall provide a safe and convenient public transport experience to Urban Commuters.

(iii) Airways

5.12 India's domestic aviation market is the third largest in the world. In 2023-24, Indian airports handled a total of 37.6 crore air passengers. Tamil Nadu is home to 4 international airports and 2 domestic airports. Prior to the COVID-19 pandemic, Tamil Nadu's airports handled over 2.8 crore passengers, including both domestic and international travellers (embarked, disembarked and transit). From 2020-21, the number of passengers has steadily increased, reaching 27.4 million in 2023-24 (Chart 5.3).

Chart 5.3: Air Passengers Handled and Cargo Traffic in Tamil Nadu

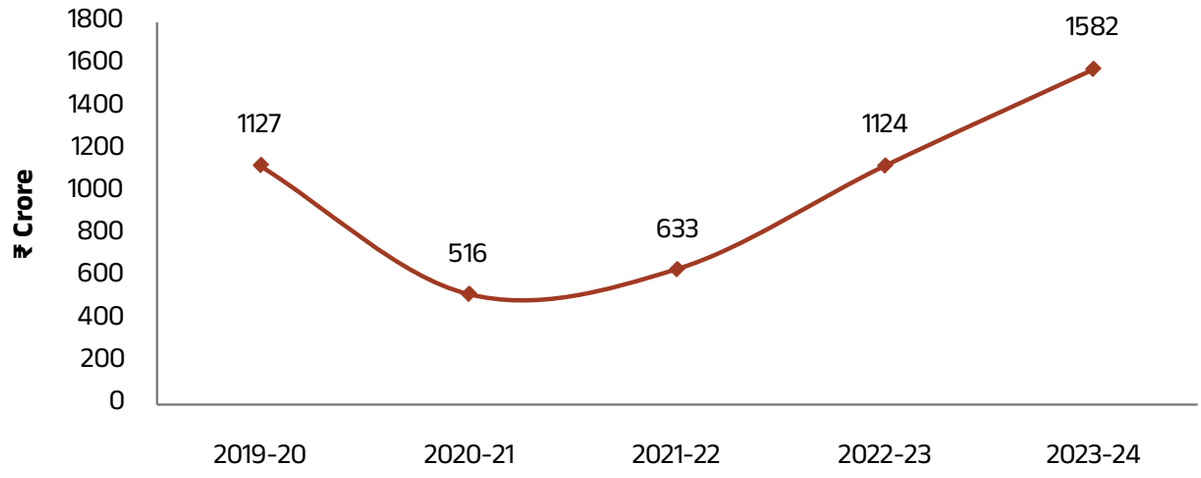


Source: Airports authority of India, Southern Region.

5.13 Air cargo handled at Tamil Nadu airports has followed a similar trend. Before the pandemic, Tamil Nadu airports handled over 3.8 lakh metric tonnes (MTs) of air cargo. However, in 2020-21, this figure declined to 3 lakh MTs. Since then, air cargo volumes have steadily increased, reaching 3.6 lakh MTs in 2023-24 (Chart 5.3).

5.14 A comparable trend is seen in the revenues generated by Tamil Nadu airports, which come from traffic, cargo, commercial activities, and other sources. Revenues declined to ₹ 516 crore in 2020-21, down from ₹ 1,127 crore in 2019-20 (Chart 5.4). After the Covid year, airport revenues have steadily risen, reaching ₹ 1,582 crore in 2023-24.

Chart 5.4: Revenue From Airports in Tamil Nadu



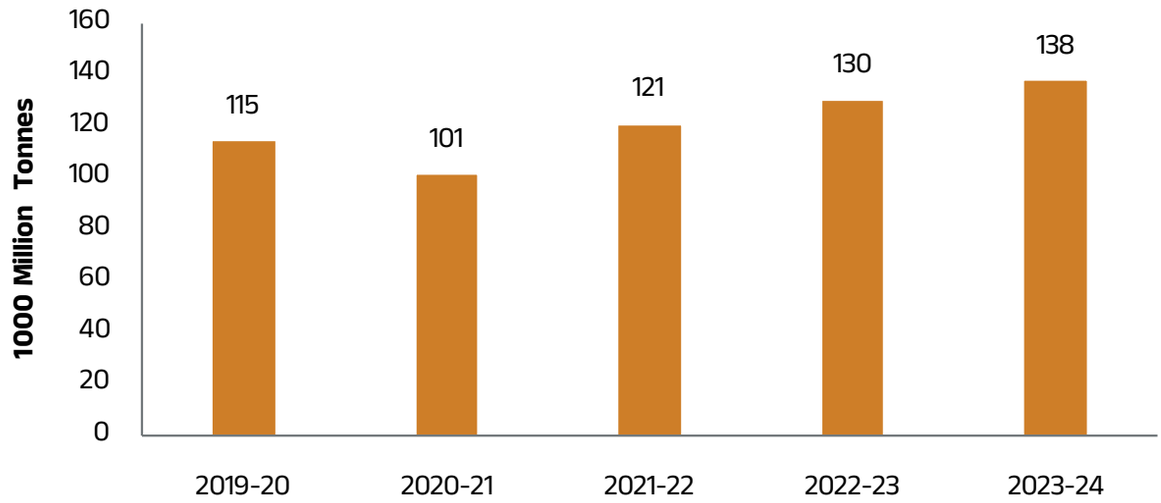
Source: Airports authority of India, Southern Region.

5.15 The total number of international passengers (embarked, disembarked and in transit) at the four international airports in Tamil Nadu declined from 77 lakh in 2019-20 to 8.7 lakh in 2020-21 due to the pandemic. However, passenger numbers have steadily increased since then, reaching 76.2 lakh in 2023-24. A similar trend is witnessed in the case of domestic passengers at airports in Tamil Nadu. The total number of domestic passengers decreased from 207.1 lakh in 2019-20 to 65.4 lakh in 2020-21, due to the pandemic. However, it steadily increased to 197.8 lakh in 2023-24.

(iv) Ports, Waterways and Shipping

5.16 Tamil Nadu is home to three major ports: Kamarajar Port, VOC Port and Chennai Port (and several minor ports). These major ports handle a variety of cargo, including liquid products like POL (Petroleum, Oil and Lubricants) and LPG, dry bulk items such as coal and fertilizer, and break-bulk items like granite, steel, and automobiles. The amount of cargo handled by these ports increased from 101 million tonnes in 2020-21 to 138 million tonnes in 2023-24 (Chart 5.5). From 2020-21 to 2023-24, the cargo handled grew at an annual growth of about 9.15%.

Chart 5.5: Cargo Handled in Tamil Nadu Ports



Source: Kamarajar, Chennai and VOC Port Authority

5.17 The cargo handled by major ports in Tamil Nadu increased significantly, driven mainly by a significant rise in cargo handled at Kamarajar port (Table 5.1). The number of vessels entering these major ports also increased from 4,569 in 2019-20 to 5,174 in 2023-24.

Table 5.1: Cargo Handled and Vessels Entered into Tamil Nadu Ports

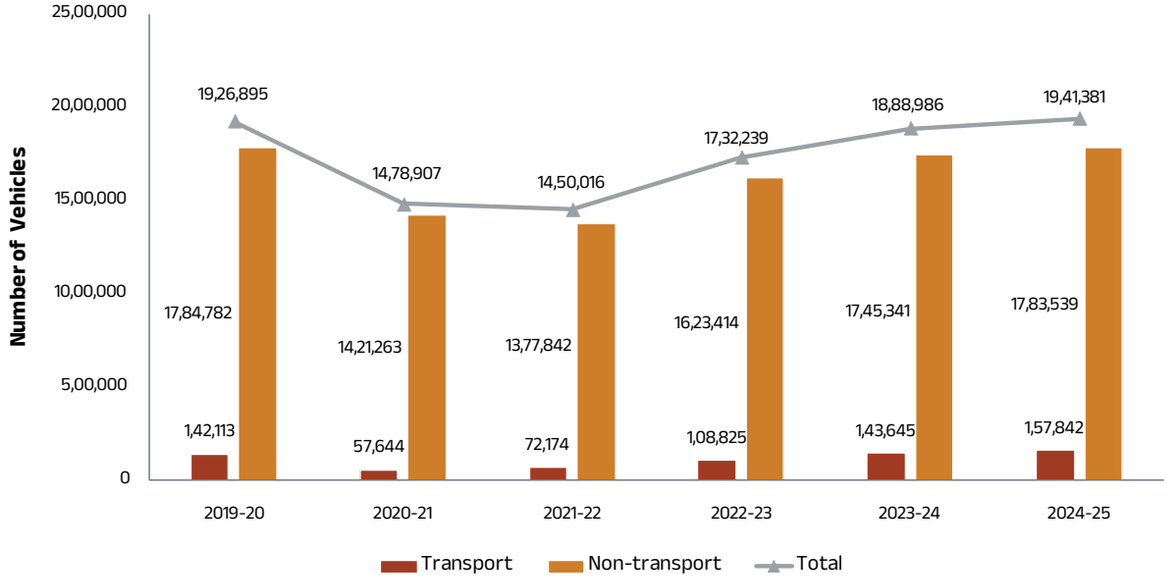
Year	Kamarajar Port		Chennai Port		VOC Port		All	
	Cargo Handled (MTs)	Vessels Entered	Cargo Handled (MTs)	Vessels Entered	Cargo Handled (MTs)	Vessels Entered	Cargo Handled (MTs)	Vessels Entered
2019-20	32	827	47	2,295	36	1,447	115	4,569
2020-21	26	707	44	1,936	32	1,203	101	3,846
2021-22	39	863	49	2,217	34	1,238	121	4,318
2022-23	44	927	49	2,729	38	1,524	131	5,180
2023-24	45	967	52	2,667	41	1,540	138	5,174

Source: Kamarajar, Chennai and VOC Port Authority

5.4 Vehicles Registration

5.18 This sector covers the sale, maintenance and repair of motor vehicles. There are about 3.6 crore registered vehicles in Tamil Nadu, including 0.14 crore transport vehicles and 3.45 crore non-transport vehicles. Among these, 3.03 crore are two-wheelers. Chart 5.6 presents the trend in vehicles registration in Tamil Nadu, which serves as a proxy for automobile sales. The number of vehicles registered in the state was 14.7 lakh in 2020-21. From 2022-23 onwards, the downward trend due to Covid impact has reversed, with vehicle registration rising to 18.9 lakh in 2023-24 and expected to grow to 19.41 lakh in 2024-25.

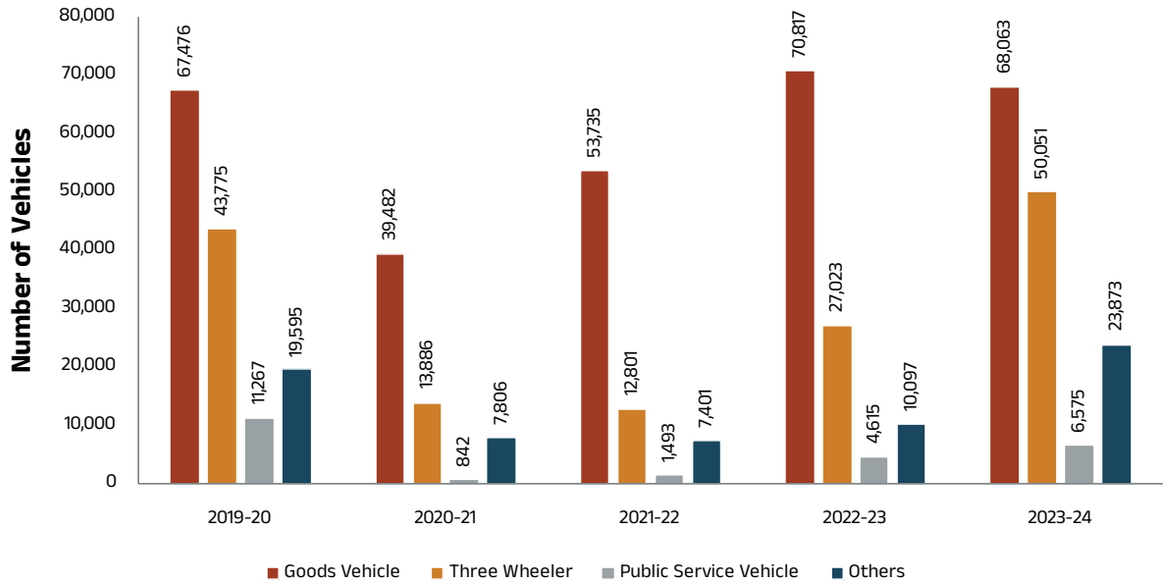
Chart 5.6: Registered Vehicles in Tamil Nadu



Source: Vahan Dashboard: https://vahan.parivahan.gov.in/vahan4dashboard/. Data for 2024-25 available up to Jan-2025 extrapolated to March-2025.

5.19 Among transport vehicles, goods vehicles registration increased from 67,476 in 2019-20 to 68,063 in 2023-24 (Chart 5.7). Three-wheeler and public services vehicles' registration also increased during this period.

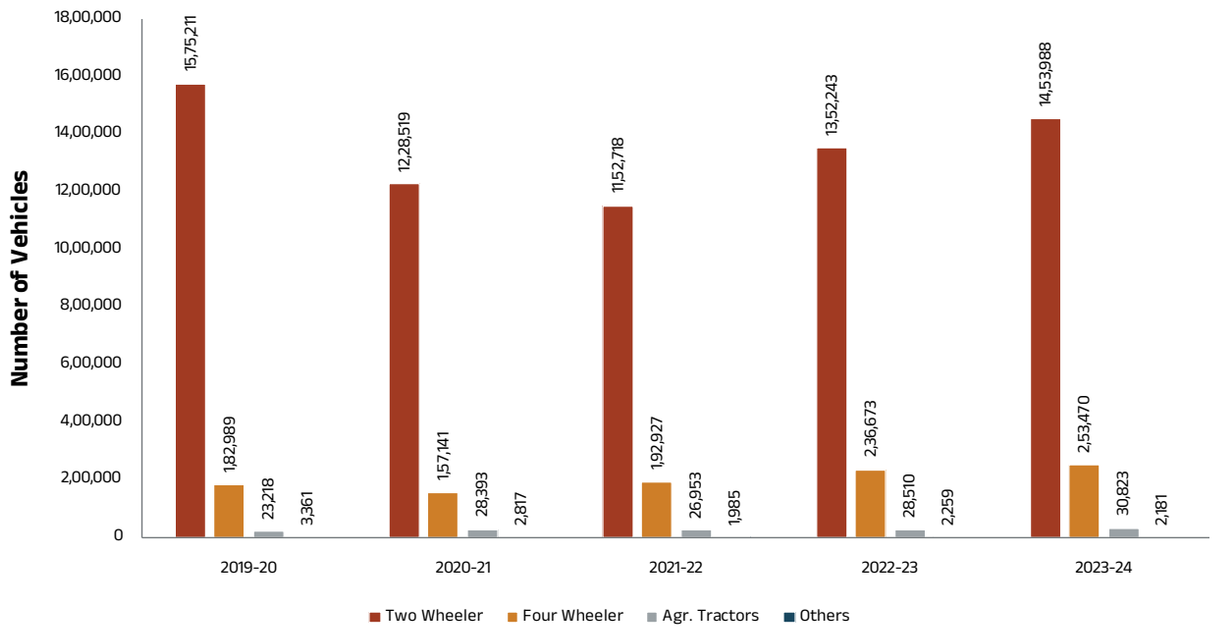
Chart 5.7: Registered Transport Vehicles



Source: Vahan Dashboard: https://vahan.parivahan.gov.in/vahan4dashboard/

5.20 In the case of non-transport, the registration of two-wheeler vehicles declined from 15.75 lakh in 2019-20 to 14.54 lakh (Chart 5.8). At the same period, registration of four-wheelers and agriculture tractors increased.

Chart 5.8: Registration Details of Non-Transport Vehicles in Tamil Nadu

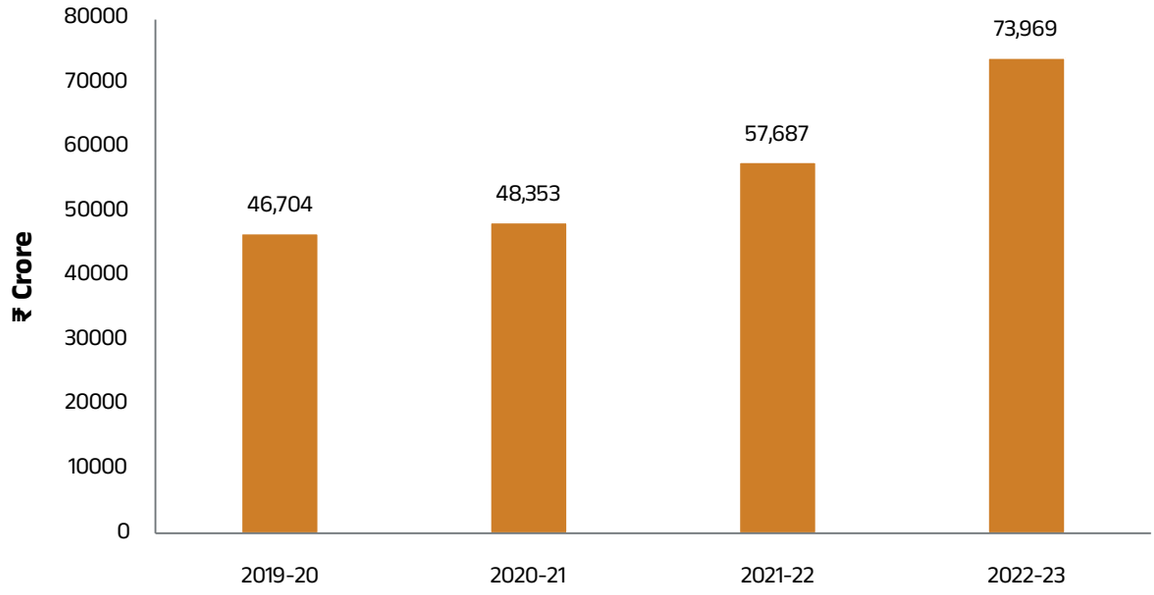


Source:Vahan Dashboard: https://vahan.parivahan.gov.in/vahan4dashboard/

5.5 Software Exports

5.21 IT and IT enabled services have played a crucial role in maintaining India's balance of trade through export earnings. Tamil Nadu ranked fourth in software exports in the country, next only to Karnataka, Maharashtra and Telangana. The state's software services exports have steadily increased from ₹ 46,704 crore in 2019-20 to ₹ 73,969 crore in 2022-23 (Chart 5.9).

Chart 5.9: Software Exports in Tamil Nadu



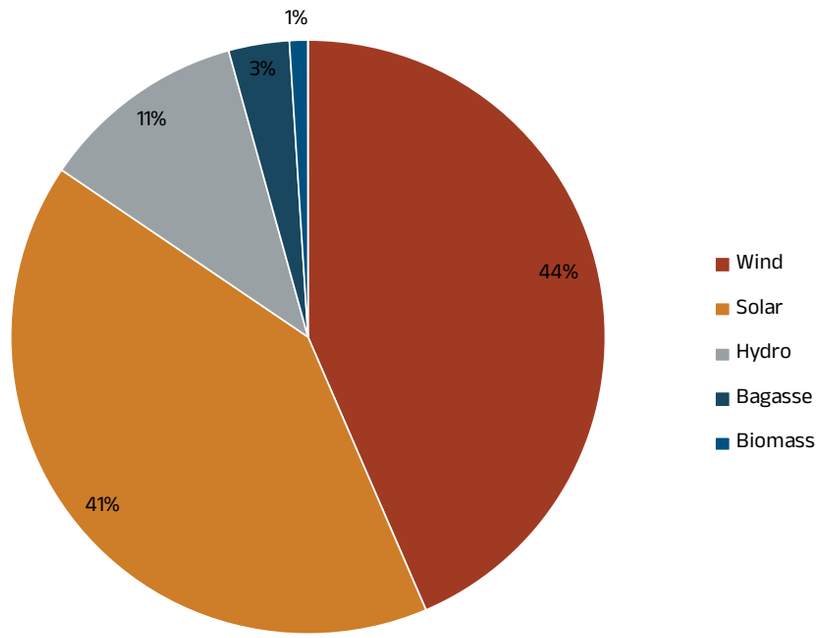
Source: https://stpi.in/en/stpi-annual-reports.

5.6 Energy

(i) Electricity:

5.22 The power sector in Tamil Nadu has seen significant growth over the years. The total installed electricity capacity from all sources increased to 36,563 MW in 2023-24. The installed capacity from coal-based power generation (of state, central and captive projects) decreased marginally over the years, while the capacity from renewable energy sources (solar, wind, bio-mass, hydro and co-generation) increased to 20,724 MW. The installed capacity from other sources includes gas, nuclear, power purchases from open access and independent projects. With an installed capacity of 9015 MW from wind, 8496 MW from solar, 684 MW from bagasse, 207 MW from biomass and 2322 MW from hydro in 2023-24, Tamil Nadu ranks third in the country for total electricity installed capacity from renewable energy sources (Chart 5.10).

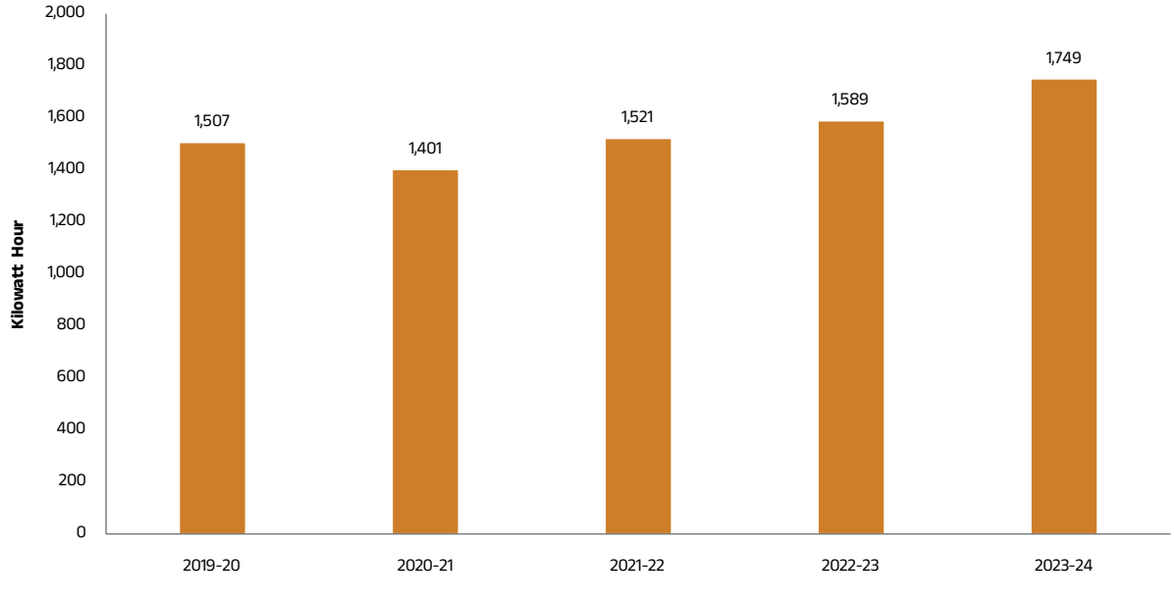
Chart 5.10: Electricity Installed Capacity (MW) from Renewable Energy Sources



Source: Policy Note, Energy Department 2024-25, GoTN.

5.23 The per capita power availability in Tamil Nadu was 1,507 Kwh in 2019-20 and it increased to 1,749 Kwh in 2023-24, significantly higher than the pre-COVID level (Chart 5.11).

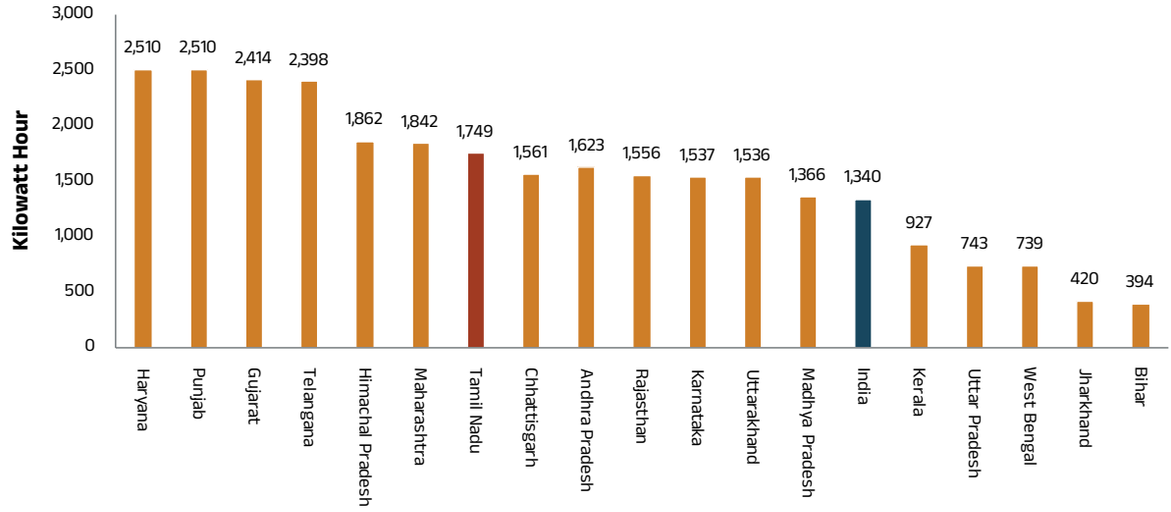
Chart 5.11: Per Capita Power Availability in Tamil Nadu



Source: Handbook of Statistics on Indian States

5.24 Interstate comparison reveals that Tamil Nadu (1749 kwh) ranked 7th among the major Indian states in 2023-24 in per capita power availability (Chart 5.12). Haryana had the highest per capita figure of 2510 kwh.

Chart 5.12: Per Capita Power Availability in Major Indian States in 2023-24

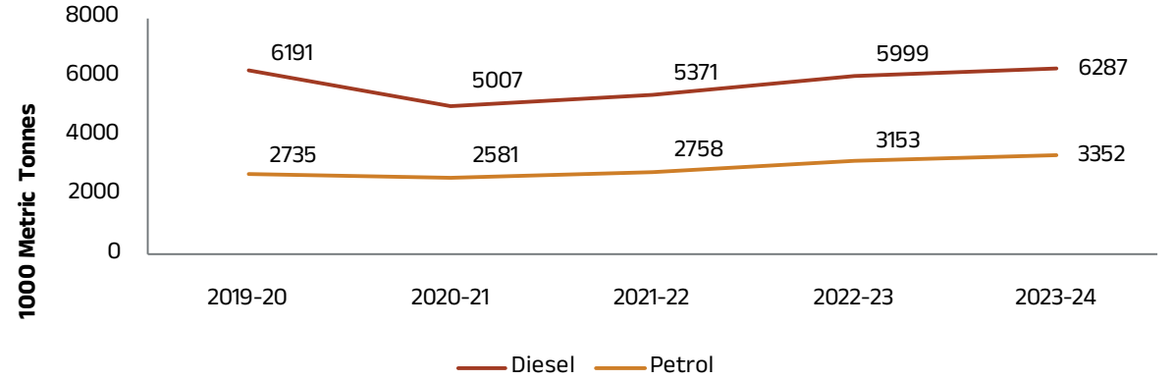


Source: Handbook of Statistics on Indian States

(ii) Petrol and Diesel Consumption:

5.25 In line with the growing vehicle population, the consumption of petrol and diesel in Tamil Nadu has also increased over the years. The diesel consumption has increased from 61,91,000 metric tonnes in 2019-20 to 62,87,000 metric tonnes in 2023-24 (Chart 5.13).At the same time, the petrol consumption increased from 27,35,000 metric tonnes to 33,52,000 metric tonnes.

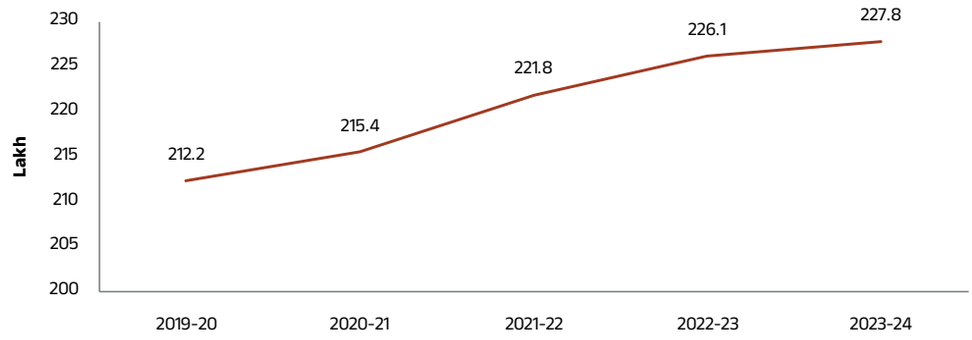
Chart 5.13: Petrol and Diesel Consumption in Tamil Nadu



Source: Petroleum Planning and Analysis Cell, GoI.

5.26 It is noted that the number of active LPG consumers in Tamil Nadu has steadily increased from 2.12 crore in 2019-20 to 2.28 crore in 2023-24 (Chart 5.14).

Chart 5.14: LPG Consumers in Tamil Nadu

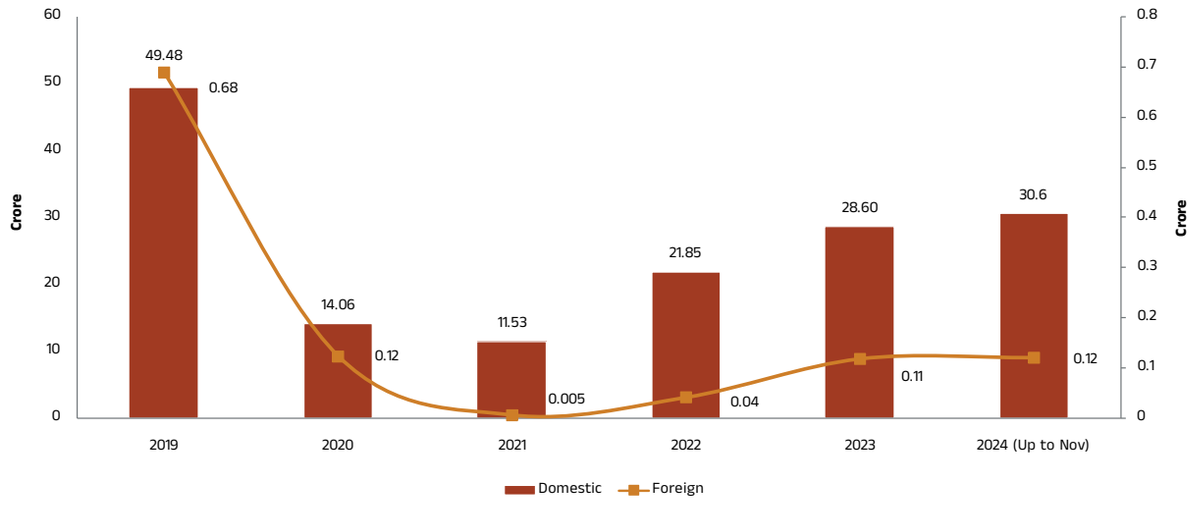


Source: Petroleum Planning and Analysis Cell, GoI

5.7 Tourism

5.27 Tamil Nadu has many popular tourist destinations, including hill stations (Ooty, Kodaikanal, Yercaud), UNESCO world heritage sites (Mamallapuram etc), wildlife tourist sites, religious sites (Madurai, Rameswaram etc) and beaches (Mamallapuram beach, Marina beach etc). In 2019, the state has 49.5 crore domestic tourist arrivals. But this declined significantly in 2020 and 2021 due to the pandemic. Since then, the number of domestic tourist arrivals (DTAs) has been on the rise (Chart 5.15). A similar trend is observed in the case of foreign tourist arrivals (FTAs). The number of foreign tourists visiting Tamil Nadu was 0.69 crore in 2019. While foreign arrivals dropped during the COVID-19 years, they have started to pick up gradually, a similar trend observed for many states and all India.

Chart 5.15: Tourist Visit Arrivals in Tamil Nadu



Source: Department of Tourism, GoTN

5.28 Tourism plays a crucial role in the economy, contributing 6.23% to the national GDP and providing 8.78% of total employment. It also stimulates various sector such as travel, hospitality, and food services, supporting local businesses. Additionally, tourism is a significant source of foreign exchange earnings. While there was a sharp decline in 2020 due to COVID-19, domestic tourism has rebounded, although foreign tourism is yet to return to the pre-pandemic levels. With 2023 and 2024 showing strong growth trends, the state's rich cultural heritage, temples, beaches, and hill stations continue to attract millions of visitors.

5.8 Banking Services

5.29 The credit-deposit ratio (CDR) is a useful indicator to measure the interstate disparities in banking development and the role of banking in economic activity. Among major states, Tamil Nadu continues to rank high on the CDR which is reflective of its higher economic activity in the country. Table 5.2 shows the CDR of Tamil Nadu and India from 2019-20 to 2023-24. Both the all-India and Tamil Nadu's CDR increased from 76.5% to 79.6% and from 109.2% to 117.7%, respectively during this period, indicating that the economic activity is gradually picking up at the state and national level. The high CDR essentially implies that savings from other states are flowing into Tamil Nadu..

Table 5.2: Deposit and Bank Credit of Scheduled Commercial Banks (₹ Crore)

Year	Tamil Nadu			All India		
	Deposits	Credits	Credit-Deposit Ratio (%)	Deposits	Credits	Credit-Deposit Ratio (%)
2019-20	8,99,038	9,81,665	109.2	1,37,48,655	1,05,18,812	76.5
2020-21	10,08,731	10,46,952	103.8	1,54,43,510	1,10,78,050	71.7
2021-22	11,17,412	11,58,606	103.7	1,70,08,795	1,22,58,748	72.1
2022-23	12,11,394	13,25,333	109.4	1,87,42,311	14,1,98,006	75.8
2023-24	13,44,553	15,82,851	117.7	2,12,53,358	1,69,13,694	79.6

Source: RBI's Database on Indian Economy

5.30 Table 5.3 presents the CDR of the top six states from 2019-20 to 2023-24. Although Tamil Nadu is among top 3 and behind Andhra Pradesh and Telangana in some years, its credit and deposit amounts are significantly higher than both Andhra Pradesh and Telangana in absolute terms. For example, in 2023-24, Tamil Nadu disbursed credits of ₹15,82,851 crore against ₹7,63,501 crore by Andhra Pradesh and ₹ 9,40,895 crore by Telangana. Tamil Nadu made deposits of ₹13,44,553 crore compared to ₹4,80,580 crore by Andhra Pradesh and ₹7,88,091 crore by Telangana.

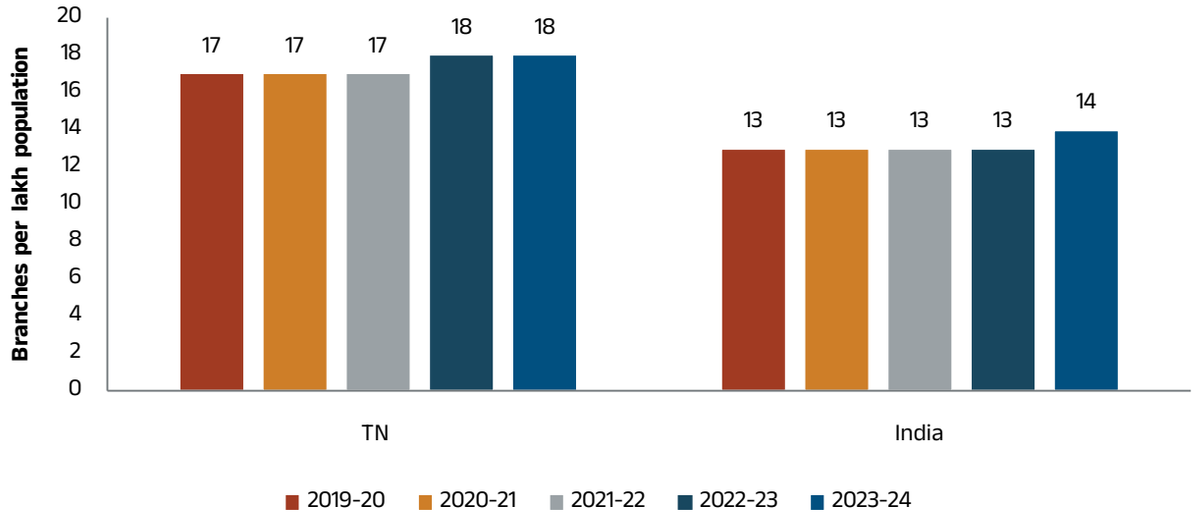
Table 5.3: Credit Deposit Ratio in Top 6 States

Year	Tamil Nadu	Andhra Pradesh	Telangana	Maharashtra	Rajasthan	Gujarat
2019-20	109.2 (3)	128.9 (1)	110.5 (2)	89.4 (4)	83.9 (5)	82.8 (6)
2020-21	103.8 (2)	135.2 (1)	99.3 (3)	79.2 (6)	81.9 (4)	79.5 (5)
2021-22	103.7 (2)	142.7 (1)	103.4 (3)	77.8 (6)	83.4 (4)	81.7 (5)
2022-23	109.4 (3)	149.2 (1)	111.9 (2)	85.0 (5)	86.6 (4)	80.6 (6)
2023-24	117.7 (3)	158.9 (1)	119.4 (2)	86.3 (5)	91.8 (4)	83.2 (6)

Source: RBI's Database on Indian Economy

5.31 Bank branches and ATM (Automated Teller Machine) infrastructure are important for banking services, as they provide a wide range of financial services to the public. The number of commercial bank branches (i.e., functioning offices) in Tamil Nadu was 13,189 in 2023-24, compared to 1,67,772 branches across the country. From 2019-20 to 2023-24, the number of offices per 1 lakh people increased from 17 to 18 in Tamil Nadu while it increased from 13 to 14 in the country (Chart 5.16).

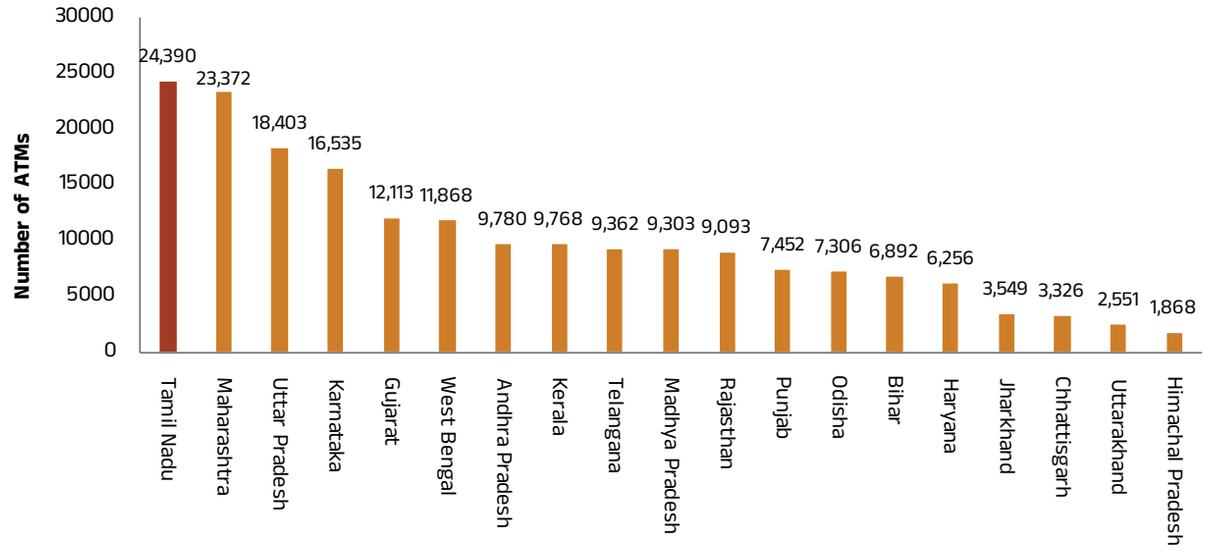
Chart 5.16: Number of Functioning Offices of Commercial Banks per 1 Lakh Population



Source: RBI Website.

5.32 It is worth noting that Tamil Nadu, with 24,390 ATMs, is one of the largest banking networks in the country (Chart 5.17).

Chart 5.17: State wise ATMs of Commercial Banks in 2024



Source: https://www.rbi.org.in/Scripts/StateRegionATMView.aspx

5.33 The rise of digital banking and the adoption of UPI (Unified Payments Interface) have significantly transformed the financial landscape of the state. These technologies enable fast and seamless transactions, benefiting both rural and urban areas and driving greater financial inclusion. UPI, is especially valuable in regions where traditional banking infrastructure may be limited. In rural areas, where access to physical bank branches can be a challenge, mobile phones and digital payment systems are bridging the gap, making financial services more accessible than ever before. For small businesses, the shift to digital payments is truly transformative. It also reduces dependence on cash, allowing businesses to track their finances more efficiently and promoting greater transparency in the economy.

5.9 Real Estate

5.34 The number of documents registered in Tamil Nadu has shown consistent growth over the years. It increased from 25.88 lakh in 2019-20 to 33.23 lakh in 2023-24 (Table 5.4). During the same period, the revenue generated from this service also increased significantly from about ₹ 11,028 crore to ₹ 18,825 crore. There has been a steady

rise in building permits issued to the over the years. After a major reform, the introduction of self-certification scheme in July 2024, there has been a sharp increase in issuing building plan permissions, with permissions issued already reaching 59,910 in the current year surpassing total permits issued in the previous year.

Table 5.4: Documents Registered and Building Permits Issues to Private Sector

Year	Documents Registered	
	Number	Revenue (₹Crore)
2019-20	25,87,816	11,028.23
2020-21	26,95,650	10,643.08
2021-22	29,98,048	13,913.65
2022-23	34,41,248	17,296.84
2023-24	33,22,857	18,825.32
2024-25	33,34,997*	22,814.79*

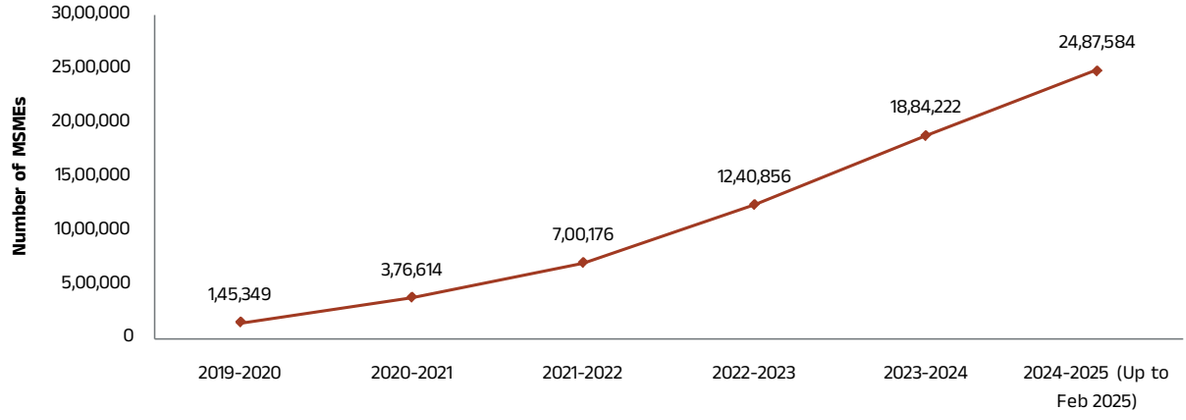
Source: Policy Note, Stamps and Registration Department for documents registered and Housing and Building Activities in Tamil Nadu: Annual Report on Private Sector, DES, GoTN

** Estimated values for 2024-25.*

5.10 Service Based MSMEs

5.35 The evidence presented above clearly demonstrates the revival of services sector in Tamil Nadu. This revival is further reflected in the significant increase in the number of services-oriented MSMEs registered with Udyam Registration Certificate from 2021-22 onwards. Between 2019-20 and 2024-25, the number of such companies grew from 1.45 lakh to 24.88 lakh (Chart 5.18). Among the total companies, 99.18% are micro enterprises, 0.78% are small and 0.004% are medium enterprises.

Chart 5.18: Number of Services Oriented MSMEs in Tamil Nadu

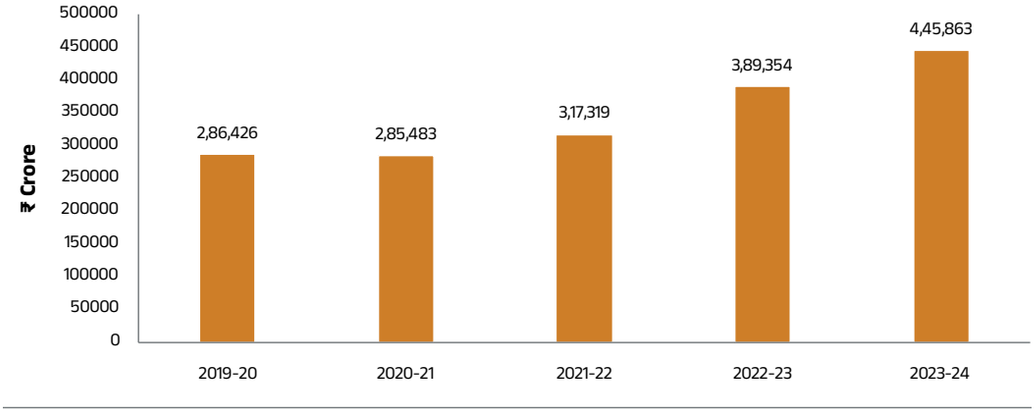


Source: Director of Industries and Commerce Government of Tamil Nadu.

5.11 Credit to Services Sector

5.36 Scheduled commercial banks extend credit to various sub-sectors of services including transport, professional services, trade, hotels and restaurants, recreation, IT and telecommunication, financial services, and more across the country. In Tamil Nadu, the total credit to services sector increased from ₹2.86 lakh crore in 2019-20 to ₹4.46 lakh crore in 2023-24 (Chart 5.19).

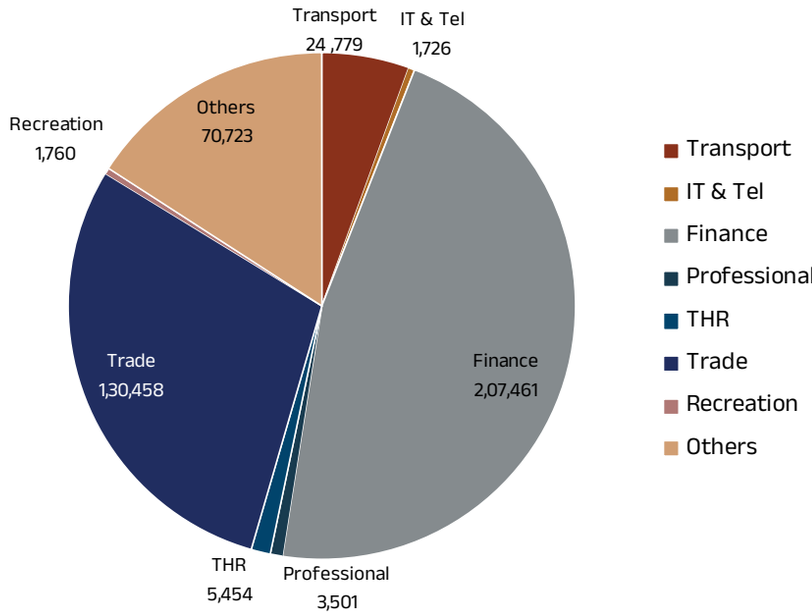
Chart 5.19: Credit to Services Sector by SCBs in Tamil Nadu



Source: RBI's Database on Indian Economy

5.37 In 2023-24, credit extended to financial services represented approximately 47%, credit to trade accounted for about 30%, and credit to transport stood at about 5.6% in 2023-24 (Chart 5.20). Together, these three sub-sectors comprised over 80% of the total credits extended to the services sector in Tamil Nadu.

Chart 5.20: Credits to Subsectors of Services (₹Crore) in Tamil Nadu in 2023-24



Source: RBI's Database on Indian Economy

5.12 Conclusion

5.38 Services sector is extremely critical for sustaining the growth story of Tamil Nadu. Though this is a residual sector comprising of both low end and highly skilled services, the state has a strong base in IT and IT-enabled services, healthcare, educational services, tourism and finance among others. Given the technological advancements in information processing, there is a strong case for the state to leverage its strengths in higher education to move into more technology intensive services like artificial intelligence based services, design , services based on hybrid technologies .The state is also well poised to take advantage of the growing servitisation and digitalisation of manufacturing as well. The government needs to massively invest in critical infrastructure services such as digital connectivity, power and transport. Considerable capacity addition will be required especially in the power sector in the next 10 years to meet the growing demand due to increased urbanisation, industrialization and rising income levels. Initiatives that would reduce travel time across the state, particularly urban growth centres would go a long way in stimulating growth of multiple centres in all regions. These may include expansion of roads, elevated corridors, metro connectivity, rail connectivity and suburban transport system etc. Anticipating future air traffic flow, as the state economy grows and gets connected to the global economy, capacity of airports and ports in the state needs to be substantially upgraded, including the Chennai Greenfield Airport at Parandhur. Sectors with huge untapped potential for growth such as tourism require substantial investment. The multiplier effect of investing in tourism would be one of the highest among important sub sectors. Over the years, there has been under investment in the sector that needs to be rectified.

Chapter 6

EMPLOYMENT

6.1 Introduction

6.1 Employment generation is vital for both economic growth and social stability, playing a key role in translating growth into overall development. By providing individuals with the means to support themselves and their families, it drives consumer spending and stimulates local economies. According to the World Bank, every 1% increase (or decrease) in employment leads to a 0.6% rise (or fall) in GDP growth. When more people find jobs, demand for goods and services increases, leading to business expansion and the creation of even more jobs.

6.2 A lack of employment opportunities can increase unemployment, resulting in social instability and crime. It is therefore essential for governments and private sector to perform a proactive role in creating job opportunities, especially for youth. There are a few challenges with regard to employment generation for the youth of Tamil Nadu. Despite having one of the highest Labour Force Participation Rate (LFPR) for women in India, there is still considerable scope to increase this rate. The gross enrolment rate for women in tertiary education is one of the highest in the country, but participation of such skilled women is relatively low. Second, as a transitioning economy, the share of agriculture in terms of output and employment has fallen more sharply than most states, but substantial share of household continue to depend on agriculture for their livelihoods. Third, employment generation has to respond to the less skilled youth who account for more than 50% of this demographic category, as well as for those with tertiary educational qualifications. Finally, considering rapid technological advancements, including Artificial intelligence, the future contributions of labour force will depend significantly on their skill sets. A large percentage of the workforce is currently in the unorganized sector, and evidence shows that the existing employability skills are inadequate.

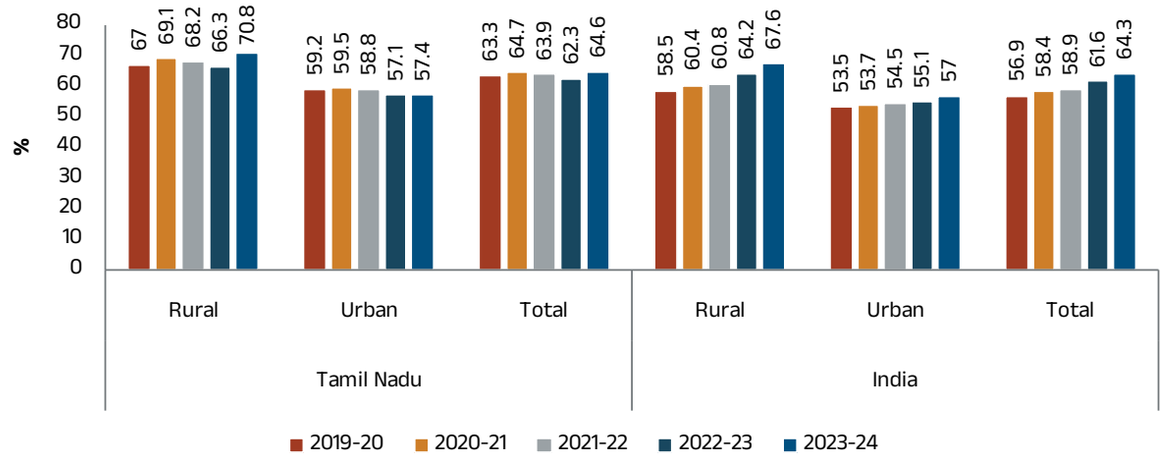
6.3 Tamil Nadu is a leading industrial hub in India, known for its strong presence in sectors such as automobiles, textiles, IT, and manufacturing. This industrial prominence significantly contributes to employment generation within the state, providing numerous job opportunities across various skill levels.This chapter examines the current employment landscape in Tamil Nadu, focusing on the employment status of women and youth, trends in factory employment, and the Government of Tamil Nadu's initiatives to create job opportunities and enhance skills for employability.

6.2 Current Employment Landscape

6.4 According to the Periodic Labour Force Survey (PLFS) conducted by NSSO, estimates of the labour force in the usual status (which includes both principal and subsidiary status) encompass individuals who either worked or were available for work during the 365 days preceding the survey date. Additionally, it includes those from the remaining population who worked for at least 30 days within the reference period. The activity assessed based on the last 7 days prior to the survey is referred to as the current weekly status (CWS) of an individual.

6.5 Tamil Nadu's Labour Force Participation Rate (LFPR) for individuals aged 15-59 years in the usual status has consistently remained above the national average. In 2020-21, the state's LFPR stood at 64.7%, compared to the all-India average of 58.4% (Chart 6.1). By 2023-24, Tamil Nadu's LFPR had risen to 64.6%, driven by a significant improvement in rural LFPR. Notably, in both Tamil Nadu and India, the rural LFPR has consistently exceeded the urban LFPR.

Chart 6.1: Labour Force Participation Rate (%) in Tamil Nadu and India*

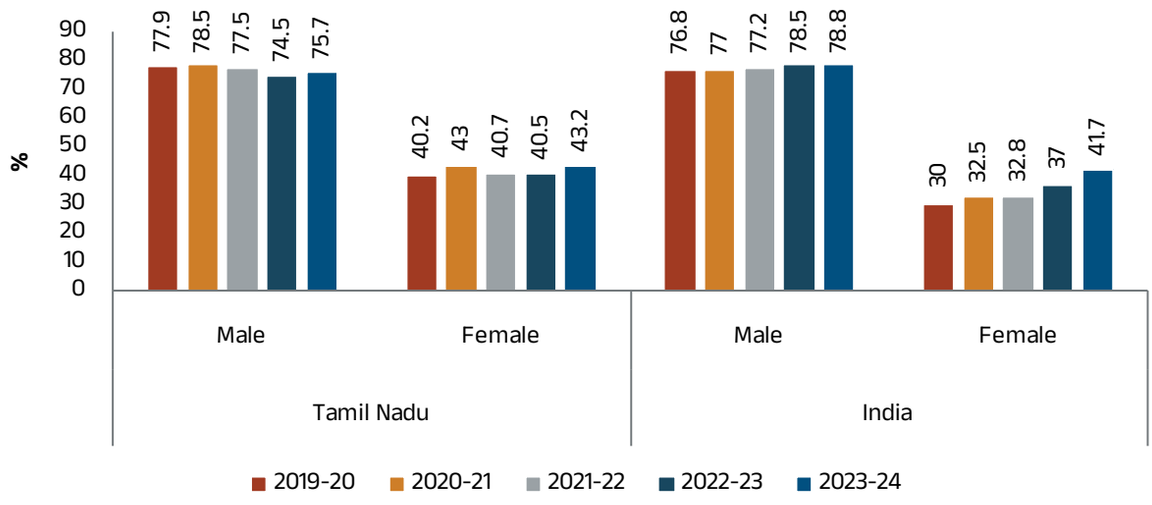


*Source: Annual Report, PLFS (various years), NSSO; * Age group 15-59 years*

6.6 From 2019-20 to 2023-24, the gap between Tami Nadu's and India's LFPR narrowed. This can be attributed to two factors: (i) Tamil Nadu has a much higher share of youth in higher education who are postponing their entry into the labour market in order to equip themselves with better educational qualifications and (ii) in states with lower levels of economic opportunities and social security, workers are forced to enter into self-employment for survival with poor returns.

6.7 The LFPR based on usual status for individuals aged 15 and above has consistently been higher for males than for females in both Tamil Nadu and India (Chart 6.2). In Tamil Nadu, the female LFPR experienced steady growth, rising from 40.2% in2019-20 to 43.2% in 2023-24. Meanwhile, the male LFPR remained strong at 75.7% in 2023-24, reflecting sustained workforce participation.

Chart 6.2: Labour Force Participation Rate for Male and Female (%)



*Source: Annual Report, PLFS (various years), NSSO; * Age group 15 years and above*

6.8 Regarding the employment status of individuals aged 15 and older, 34.2% of the total workforce in Tamil Nadu is self-employed (Table 6.1). In contrast, 58.4% of the workforce in India is self-employed.

Table 6.1: Category wise Employment Status (ps+ss) in Tamil Nadu and India (2023-24)

Rural/ Urban	Male/ Female	Tamil Nadu			India		
		Self Employed	Regular Wage/ Salary	Casual Labour	Self Employed	Regular Wage/ Salary	Casual Labour
Rural	Male	36.9	28.2	34.9	59.4	15.8	24.9
	Female	38.3	14.5	47.2	73.5	7.8	18.7
	Person	37.5	22.3	40.2	64.7	12.7	22.5
Urban	Male	28.4	51.8	19.8	39.8	46.8	13.4
	Female	31.3	55.4	13.3	42.3	49.4	8.3
	Person	29.3	52.9	17.8	40.4	47.5	12.1
All	Male	33.1	38.8	28.1	53.6	24.9	21.5
	Female	36.1	27.3	36.6	67.4	15.9	16.7
	Person	34.2	34.4	31.3	58.4	21.7	19.8

*Source: Annual Report, PLFS (various years), NSSO; * Age group 15 years and above (usual status), *(ps+ss) principle and subsidiary status*

6.9 In Tamil Nadu, the workforce is more evenly distributed across different employment categories compared to the national average regular wage/salaried workers account for 34.4% of Tamil Nadu's workforce, compared to just 21.7% in India. In Tamil Nadu, among female workers, 14.5% are employed in regular wage or salaried positions in rural areas, while this figure is 55.4% in urban areas. Overall, a higher share of the state's workforce, including women workers, is in regular employment, indicating relatively better quality of employment.

6.10 It is also noteworthy that 41.1% of the rural workforce in Tamil Nadu is still engaged in agriculture and allied activities (Table 6.2). In India, nearly 60% of rural work force remains in this sector. In Tamil Nadu, 21.5% of rural work force is employed in construction, compared to 12.48% in rural India. In urban Tamil Nadu, 21.7% are of the workforce is employed in manufacturing, while this figure stands at 20.53% for India. 16.28% of urban workforce in Tamil Nadu is involved in trade, repair of motor vehicles and motorcycles.

Table 6.2: Distribution of Working Person by Industry of Work in Tamil Nadu and India (2023-24)

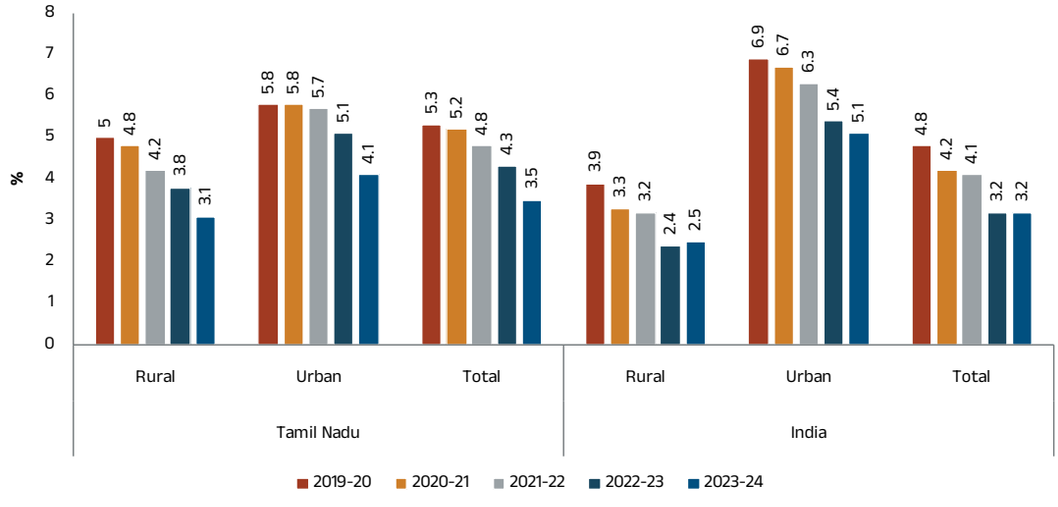
Industry	Tamil Nadu (%)			India (%)		
	Rural	Urban	Total	Rural	Urban	Total
Agriculture & allied	41.17	7.98	27.98	59.84	6.73	46.07
Construction	21.5	10.7	17.21	12.48	10.54	11.98
Manufacturing	12.17	21.73	15.97	8.26	20.53	11.44
Trade, repair of motor vehicles	7.92	16.28	11.24	7	19.47	10.23
Transport and storage	5.3	7.53	6.19	3.45	6.65	4.28
Education	2.71	5	3.62	2.15	5.61	3.04
Accommodation &food services	2.11	4.86	3.21	1.25	4.14	2
Information & Communication	1.06	6.28	3.14	0.29	4.39	1.35
Other services	6.07	19.64	11.44	5.29	21.95	9.6
All	100	100	100	100	100	100

*Source: Annual Report, PLFS (various years), NSSO; * Age group 15 years and above (usual status)*

6.3 Unemployment

6.11 Chart 6.3 shows a declining trend in the Unemployment Rate (UR) for individuals aged 15 and older in both Tamil Nadu and India.[24] In 2023-24, the UR was 3.5% in Tamil Nadu and 3.2% in India. Notably, the unemployment rate has consistently been higher in urban areas compared to rural regions.

Chart 6.3: Unemployment Rate in Tamil Nadu and India (%)



*Source: Annual Report, PLFS (various years), NSSO; * Age group 15 years and above (usual status)*

[24] *UR is the percentage of unemployed persons in the labour force*

6.12 Table 6.3 displays the unemployment rate for individuals aged 15 and older based on their highest level of education completed. The UR is notably higher among those with degrees, post graduate qualifications, and diploma or certificate courses. In Tamil Nadu 24.3% of female graduates in the labour force are unemployed, while the UR for female with post graduate qualifications is 11.6%. In India, the corresponding figures are 20.4% and 22.5% respectively. Additionally, 7.4% of females with diploma or certificate qualifications in Tamil Nadu are unemployed, compared to 12.5% in India.

Table 6.3: Unemployment Rate by Education Level in Tamil Nadu and India (2023-24)

Completed Education Levels	Tamil Nadu (%)			India (%)		
	Male	Female	All	Male	Female	All
Not literate	0.5	0	0.2	0.4	0.1	0.2
Up to primary	0	0.1	0	0.8	0.2	0.6
Middle	1.3	0.5	1.1	1.8	0.9	1.6
Secondary	2.7	1.8	2.4	2	1.7	1.9
Higher secondary	3.4	2.1	2.9	4.3	4.5	4.4
Diploma/certificate courses	7.1	7.4	7.1	7.8	12.5	8.6
Graduate	9.9	24.3	14.1	10.6	20.4	13
Post graduate and above	3	11.6	6.4	7	22.5	12.4
Total	**3.4**	**3.8**	**3.5**	**3.2**	**3.2**	**3.2**

*Source: Annual Report, PLFS (various years), NSSO; * Age group 15 years and above (usual status)*

6.4 Youth Employment Scenario

6.13 The demographic dividend is a crucial factor for sustained high growth. In India, the LFPR for male youth (aged 15-29 years) increased from 60% in 2019-20 to 63.5% in 2023-24 while the LFPR for female youth increased from 20.6% to 28.8% (Chart 6.4). In contrast, Tamil Nadu experienced a decline in LFPR for male youth, dropping from 63.6% to 59%, and for female youth, from 26.8% to 23.8%. One reason for the declining Labour Force Participation Rate (LFPR) in Tamil Nadu is the rising enrolment in higher education. Additionally, the state's higher wages, supported by a strong social security system and schemes like Tamil Nadu Urban Employment Scheme, enable youth to invest more in education and seek employment opportunities that align with their qualifications and expectations.

Box 6.1 Tamil Nadu Urban Employment Scheme

The Tamil Nadu Urban Employment Scheme (TNUES), a pilot scheme, is aimed to enhance livelihoods in urban areas by providing employment opportunities for low, semiskilled workers in select Urban local bodies (ULBs). Modelled along the lines of the MNREGA, the scheme sought to provide 100 days of employment based on demand in these ULBs. An assessment study was conducted to evaluate the scheme's impact, focusing on employment.

Key Findings:

- Women constitute 83% of the workforce under TNUES, with many previously unemployed or engaged in low-income work.
- Around 22% of the participants are agricultural workers, while 25% serve as primary breadwinners, and 18% belong to female-headed households.
- Nearly 99% of participants support the scheme's expansion, highlighting its positive role in empowering women and improving livelihoods.

Recommendations:

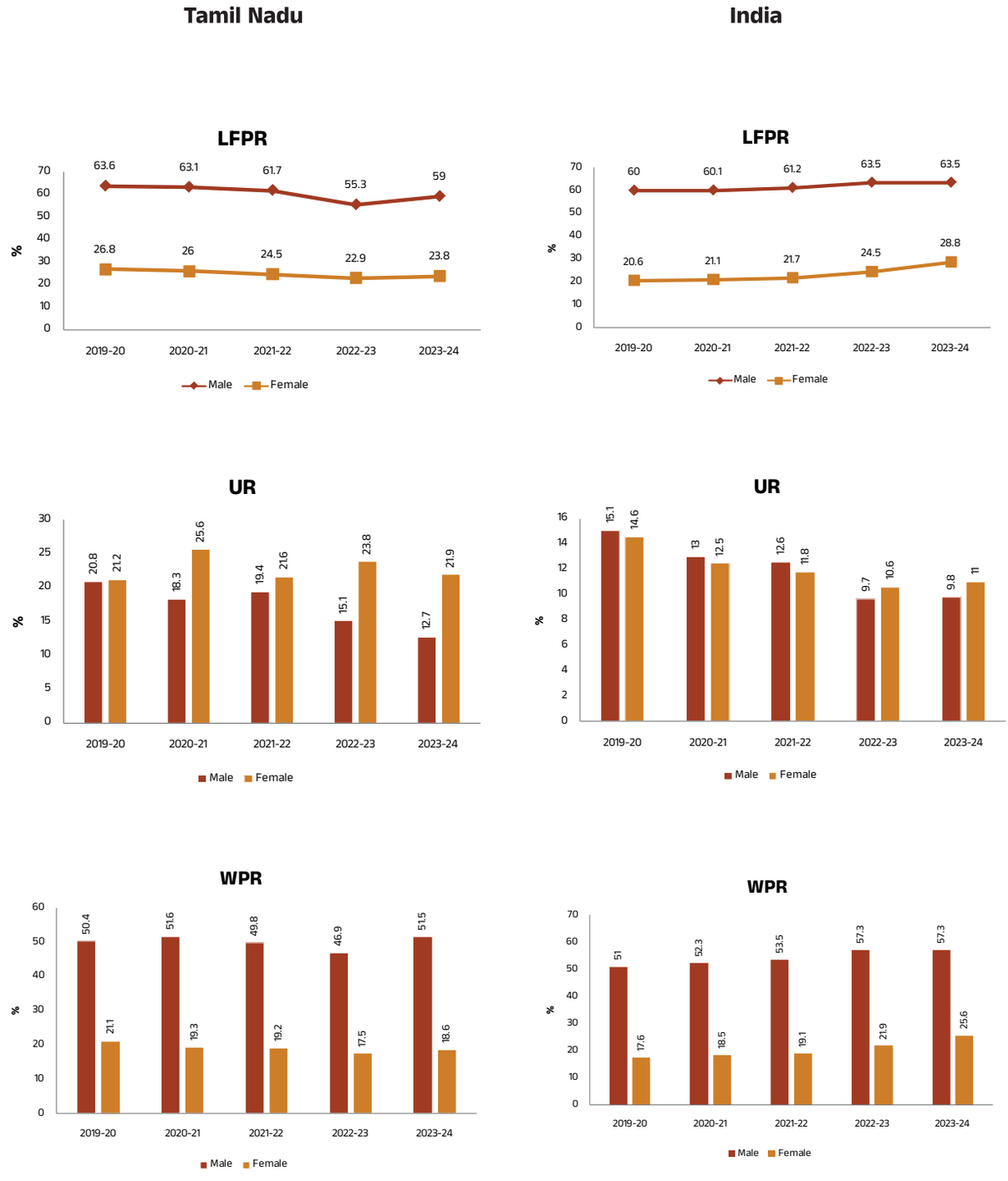
With better implementation and task identification, the scheme can contribute to employment and social security among socially and economically vulnerable households in urban TN, particularly in town panchayats.

Source: Rapid Assessment of Tamil Nadu urban Employment scheme, SPC, 2023

6.14 Despite this decline in LFPR, the WPR for male youth in Tamil Nadu increased from 50.4% in 2019-20 to 51.5% in 2023-24. During the same period, the WPR for male youth in India increased from 51% to 57.3%. For female youth in Tamil Nadu, it declined slightly from 21.1% to 18.6%, whereas the WPR for female youth in India increased from 17.6% to 25.6%.

6.15 It is noteworthy that the UR for both male and female youths declined from 2019-20 to 2023-24 in both Tamil Nadu and India. However, the unemployment rate for male youth in Tamil Nadu was 12.7% in 2023-24, compared to the national figure of 9.8%. For female youth in Tamil Nadu, it stood at 21.9%, against the all-India figure of 11%. Moreover, the URs for both male and female youth in Tamil Nadu and India are lower than those for individuals aged 15 and above. The state therefore has a sizeable pool of skilled women labour to draw from as it seeks to diversify into more skilled and value-adding activities

Chart 6.4: LFPR, UR and WPR for Youth in Tamil Nadu and India

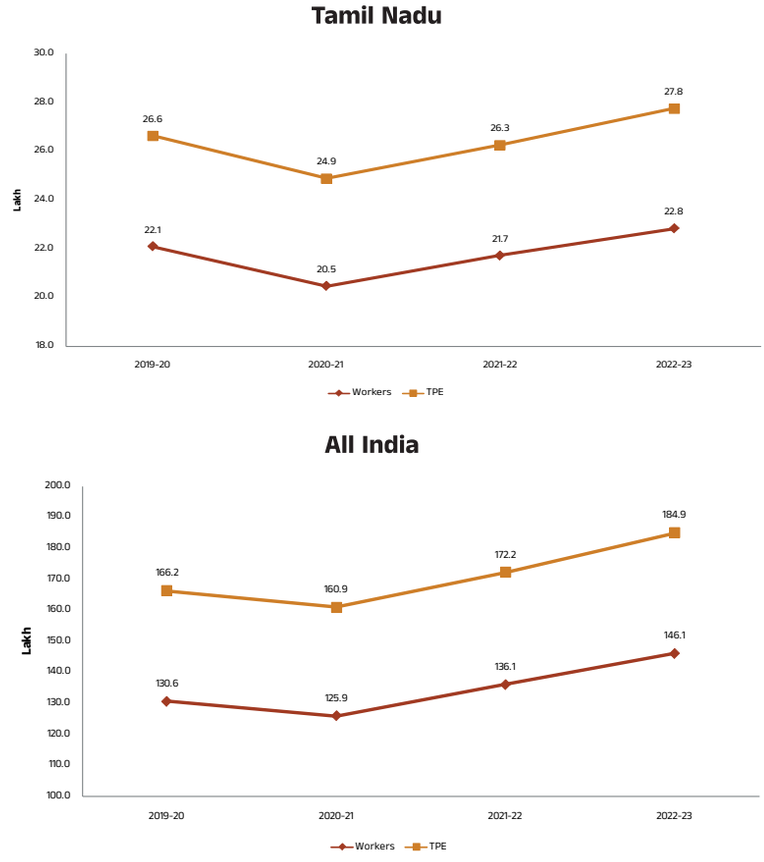


*Source: Annual Report, PLFS (various years), NSSO; * Age group 15-29 years.*

6.5 Factory Employment

6.16 Chart 6.5 presents the trends in employment within the organized manufacturing sector in India and Tamil Nadu, based on data from the Annual Survey of Industries (ASI).[25] In 2022-23, Tamil Nadu recorded 22.83 lakh factory workers, and 27.75 lakh total persons employed (TPE) in Tamil Nadu. Notably, the number of factory workers in Tamil Nadu consistently increased from 22.1 lakh in 2019-20 to 22.8 lakh in 2022-23, registering an average growth rate of 3.1%, compared to India's growth rate of 3.96%. However, due to the impact of COVID 19 pandemic, the number of workers in the state declined to 20.5 lakh in 2020-21. A similar trend was observed for India.

Chart 6.5: Trends in Employment in Organized Manufacturing Sector



Source: Annual survey of Industries Report, MoSPI.

6.17 The trend in employment per factory as shown in Chart 6.6 indicates a steady increase from 56.8 in 2019-20 to about 57.56 in 2022-23. Following a decline during the COVID-19 pandemic in 2020-21, employment per factory recovered to pre-pandemic levels, rising to 58 in 2022-23. This trend is consistent with the overall pattern observed in India.

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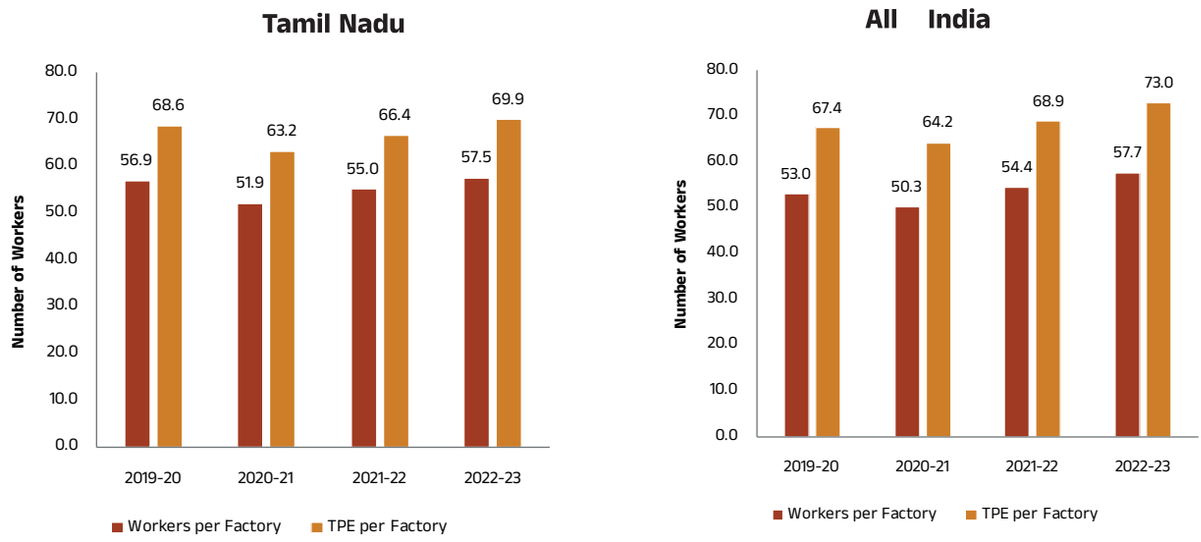
[25] *The ASI covers the entire Factory sector comprising (manufacturing) industrial units (i.e., factories) registered under the Factories Act, 1948, having 10 or more workers with electricity or 20 or more workers without electricity.*

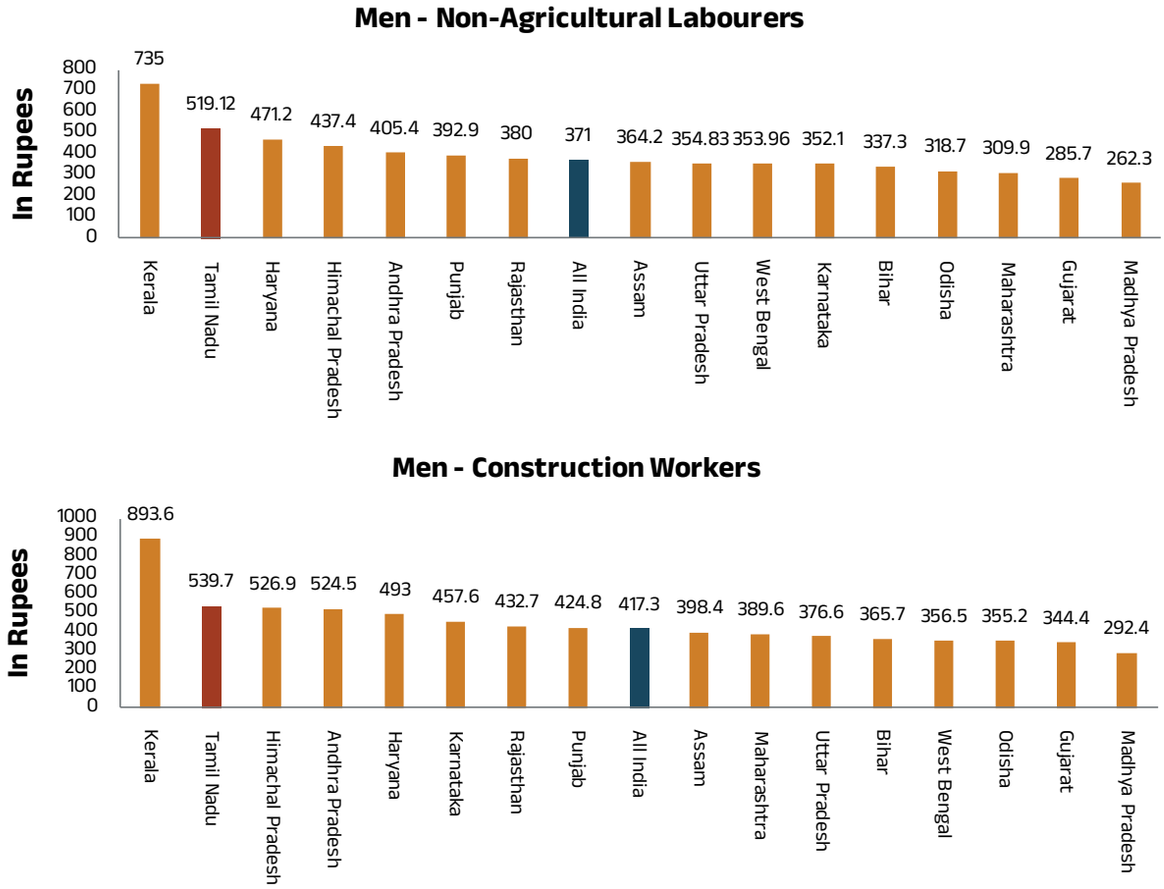
Chart 6.6: Trends in Employment Per Factory



Source: Annual survey of Industries Report, MoSPI.

6.18 The average daily wages in Tamil Nadu were the second highest in the non-agriculture and construction sectors in rural areas for 2023-24 (Chart 6.7). Both were higher than the All-India average as well.

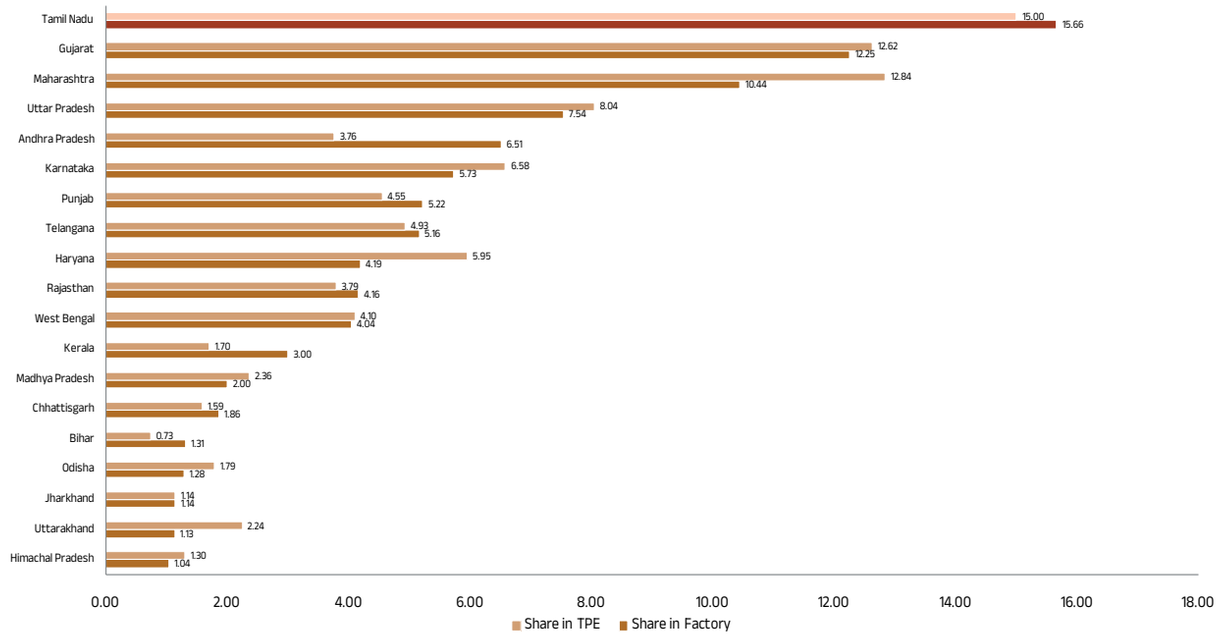
Chart 6.7: State wise Average Daily Wages in Rural Areas in 2023-24



Source: RBI's Handbook of Statistics on Indian States.

6.19 An interstate comparison (shown in Chart 6.8) reveals that in 2022-23, Tamil Nadu ranked first in both the share of number of factories (15.7%) and the share of total persons employed (15%).

Chart 6.8: Share of Factories and Employment: Major States in 2022-23



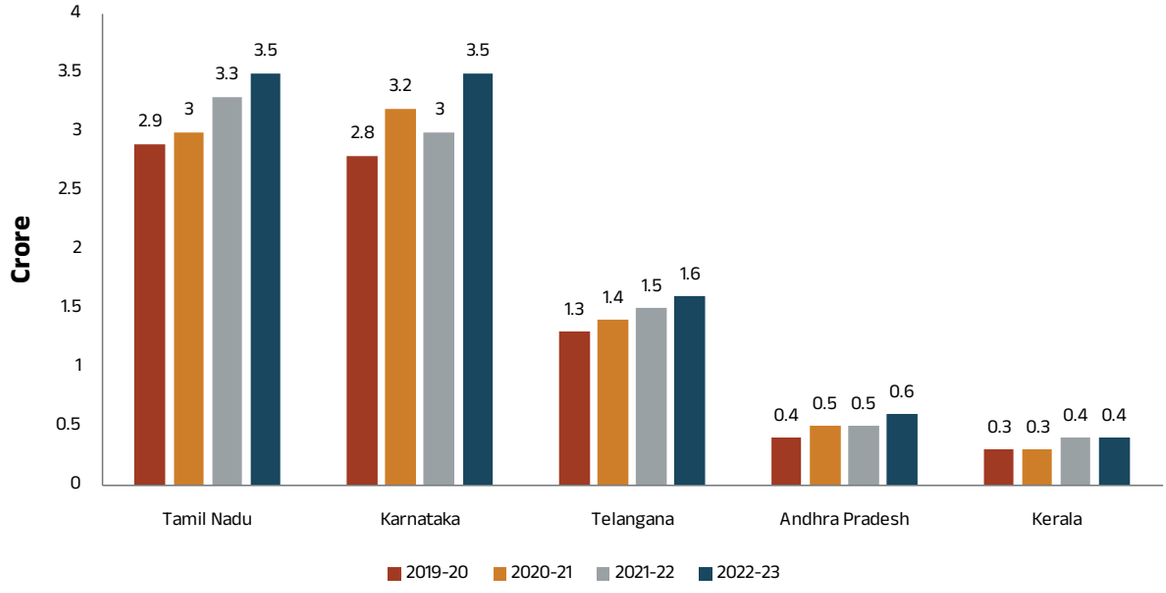
Source: Annual survey of Industries Report, MoSPI.

6.6 Enrolment in EPFO

6.20 This Chart 6.9 presents an interstate comparison of Employees' Provident Fund Organisation (EPFO) membership across five southern states—Tamil Nadu, Andhra Pradesh, Karnataka, Telangana, and Kerala—from 2019-20 to 2022-23. Tamil Nadu consistently shows and increasing trend in EPFO membership among the five states. The number of members increased from 2.9 crore in 2019-20 to 3.5 crore in 2022-23, possibly reflecting a steady rise in formal employment and social security coverage.

6.21 Tamil Nadu and Karnataka dominate EPFO membership, suggesting formal sector employment and industrial growth. Andhra Pradesh and Telangana show steady but slower growth, indicating gradual formalization of employment. During the same period, membership for India increased from 15.8 crore to 29.9 crore, recording 8.27% rise.

Chart 6.9: Interstate Comparison of EPFO Membership



Source: Annual Report available in EPFO at https://www.epfindia.gov.in/site_en/Annual_Reports.php

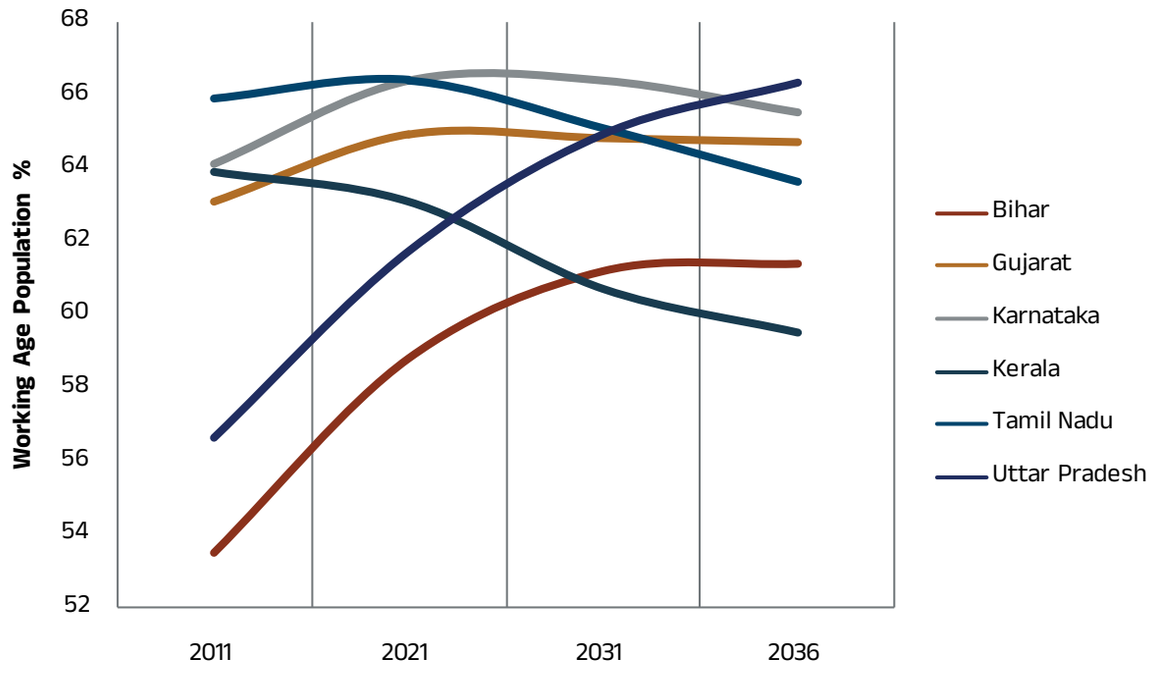
6.7 Demographic Window

6.22 Tamil Nadu is currently benefiting from a demographic advantage, with its working-age population at its highest point. This presents a key opportunity to accelerate economic growth by boosting workforce productivity, prioritizing skill development, and fostering innovation. Although the working-age population is expected to see a slight decline from 66.4% in 2021 to 63.6% in 2036, this shift paves the way for a more skilled, technology-driven workforce, positioning the state for sustainable and high-value economic progress.

6.23 The state is experiencing a transformative demographic shift, characterized by an increasing share of elderly individuals in its population. Between 2011 and 2031, the state's elderly population is projected to grow by 71.7% (Chart 6.10). The old-age dependency ratio is expected to increase from 20.5 in 2021 to 32.7 by 2036, emphasizing the need for robust healthcare, financial planning, and senior-friendly infrastructure.

6.24 Unlike younger states like Bihar and Uttar Pradesh, which are seeing rapid increases in their working-age populations, Tamil Nadu is well-positioned to lead in high-value industries, automation, and knowledge-driven sectors. By strategically investing in education, job creation, and workforce upskilling, the state can ensure sustained economic prosperity, fiscal resilience, and a smooth transition into an aging yet dynamic economy.

Chart 6.10: Working Age Population Percentage Over Time for Selected States



Source: Population projections by National Commission on Population under MoHFW

6.8 Conclusion

6.25 Tamil Nadu has emerged as a leader in economic growth and social development through a holistic approach that prioritizes skill development, job creation, and industrial expansion. Aware of the fast-evolving workforce and economic landscape, the state has implemented various progressive initiatives. These programs aim to equip the youth with industry-relevant skills, generate sustainable employment opportunities, and attract investments across key industrial sectors. By encouraging innovation, supporting MSMEs, and building strong infrastructure, Tamil Nadu is reinforcing its position as a hub for economic activity and inclusive growth.

6.26 Ensuring fair wages and dignified work remains a significant challenge, even in developed economies. Rapid technological advancements, such as Artificial Intelligence, robotics, and big data analytics, have transformed the types of jobs emerging in the market and the skills required for new entrants and existing employees. In response to this shift, the State Government should consider launching new courses, upgrading lab infrastructure, developing teaching faculty expertise, establishing incubation centres, and offering financial support for students to

pursue skill development programs. Industry 4.0-standard labs set up in ITIs and Polytechnics should be leveraged to introduce new courses, provide training for workers in MSMEs, and conduct research to address challenges faced by local industries.

6.27 Certain industries, such as non-leather footwear and electronics assembly, employ more women, creating a significant demand for increased investment in safe and supportive facilities like working women's hostels, industrial housing, and improved transit infrastructure for commuting to workplaces. Given the growing enthusiasm among aspiring entrepreneurs through various entrepreneurship schemes, the State Government may consider revising current programs and launching new ones tailored to women and motivate our vulnerable sections of the societies.

6.28 Building world-class industrial infrastructure, including industrial parks and plug-and-play facilities, is vital for strengthening the industry-friendly ecosystem in the state. Additionally, the land bank, or the land available for industrial allocation, should be significantly increased, with an emphasis on less industrialized regions.

6.29 Competency mapping for students, which involves self-assessing their skills, matching them with industry needs, and addressing skill gaps through initiatives like Naan Mudhalvan, should be given serious attention. Programs like Recognition of Prior Learning and finishing school initiatives should be prioritized. Along with programs like Pudumai Penn, the state can invest in women-centric courses at Polytechnics and ITIs to increase female participation in the workforce. Moreover, the State Government must ensure that women feel safe in their workplaces and institutions. To create a supportive environment for women's economic participation, the government should develop more creches and support facilities near workplaces.

Chapter 7

SOCIAL SECTOR

7.1 Introduction

7.1 The social sector is an essential element of any economy, and its development is vital as it directly influences key areas such as education, healthcare, water supply, and housing, each of which plays a fundamental role in human development. Human development improve capabilities of people to participate in economy, therefore the state government is providing universal access to education, health care and employment and food, while also providing income support to the needy. The ultimate aim of social sector development is to create a more equitable society, ensuring equal opportunities for all and reducing disparities in living standards.

7.2 Tamil Nadu is recognized for its strong focus on inclusive growth and social welfare, especially in sectors like education and healthcare. The state consistently ranks among the top three in India across various social indicators. Tamil Nadu leads in the Social Progress Index (SPI) and Gross Enrolment Ratio (GER) in higher education. It also holds the second position for low infant mortality rate, low birth rate, and low poverty headcount ratio. Additionally, the state ranks third in the Sustainable Development Goals (SDG) index and health index. To improve attendance, learning outcomes, and nutrition for children in classes 1-5, Tamil Nadu has introduced the Chief Minister's Breakfast Scheme. Furthermore, the state has launched several initiatives to empower women, including the *Kalaignar Mahalir Urimai Thittam, Mahalir Vidiyal Payanam Thittam*, and *Pudhumai Penn Thittam.*

7.3 This chapter explores trends in social sector expenditures, poverty levels, household consumption, and key education and health indicators, providing a thorough overview of Tamil Nadu's advancements in these crucial areas.

7.2 Trends in Social Services Expenditure

7.4 The Tamil Nadu government's expenditure on the social sector (covering both revenue and capital) has steadily increased, rising from ₹79,859 crore in 2019-20 to ₹1,15,644 crore in 2023-24, reflecting a 1.46-fold rise (Table 7.1). Between 2019-20 and 2023-24, the overall expenditure on social services grew at a rate of 8.81%. During the same period, spending on education, sports, art, and culture rose by 7.22%, while expenditure on medical and public health increased by 10.26%. Family welfare spending saw a 3.11% rise, and the allocation for water and sanitation experienced the highest growth, with an increase of 24.55%.

Table 7.1: Trends in Social Services Expenditures in Tamil Nadu (₹ Crore)

Heads	2019-20	2020-21	2021-22	2022-23	2023-24
Social Sector (total)	79859	100636	103734	103291	115644
Education, Sports, Art and Culture	38747	38578	38678	45147	47223
Medical and Public Health	9340	13479	14911	14220	14217
Family Welfare	2981	3916	4102	3401	3556
Water Supply and Sanitation	2061	3410	3560	2951	4993

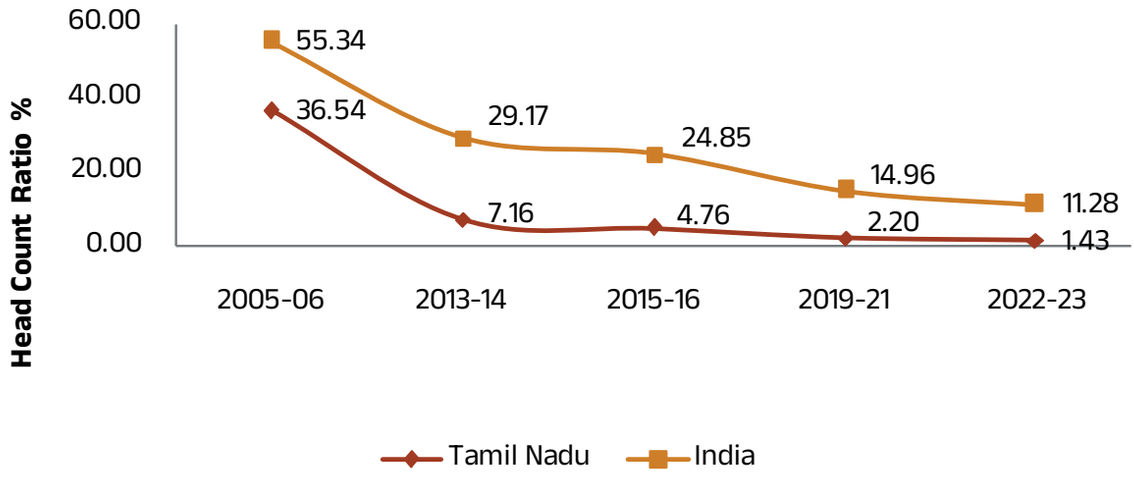
Source: Budget Documents, GoTN;

7.3 Poverty

7.5 The National Multidimensional Poverty Index (MPI) has been calculated by NITI Aayog for India and its states since 2015-16. It is aligned with the global MPI published by the UNDP and utilizes ten indicators across three key areas: health, education, and standard of living. These indicators include nutrition, child and adolescent mortality, years of schooling, school attendance, housing, household assets, type of cooking fuel, access to sanitation, drinking water, and electricity. The national MPI also incorporates two additional indicators: maternal mortality and access to bank accounts.

7.6 Chart 7.1 illustrates the trends in the headcount ratio (HCR), which represents the proportion of the population that is multi dimensionally poor, for both Tamil Nadu and India from 2005-06 to 2022-23.

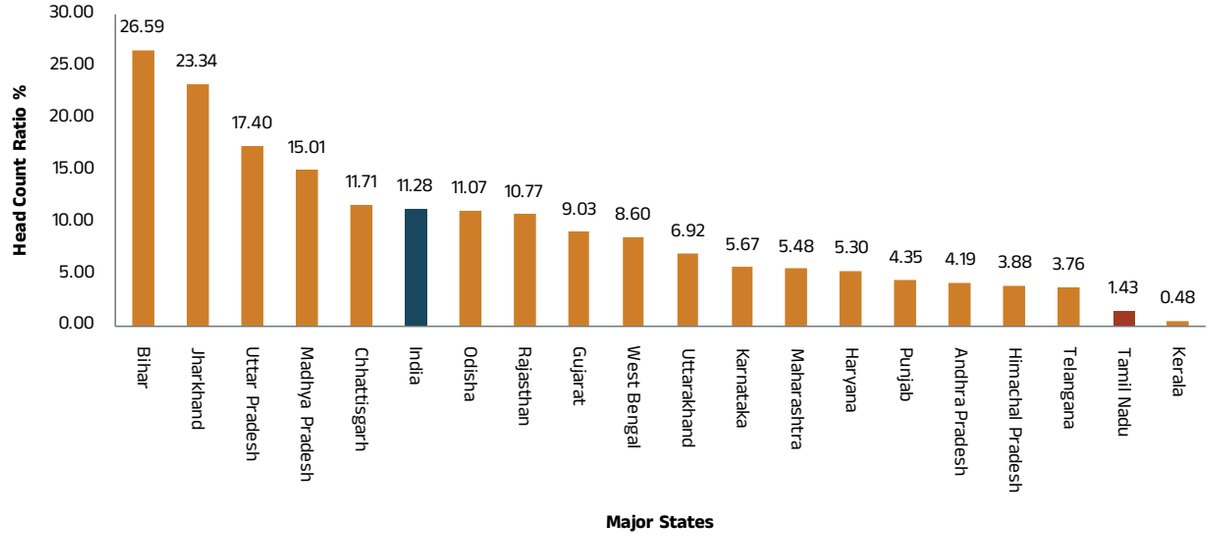
Chart 7.1: Head Count Ratio (Proportion of Population that is multi dimensionally poor)



Source: Multidimensional poverty in India since 2005-06: a discussion Paper by NITI Aayog.

7.7 State-level HCR data for 2022-23 shows that Tamil Nadu has the second-lowest HCR, surpassed only by Kerala, which has an HCR of 0.48% (Chart 7.2).

Chart 7.2: State wise HCR in 2022-23

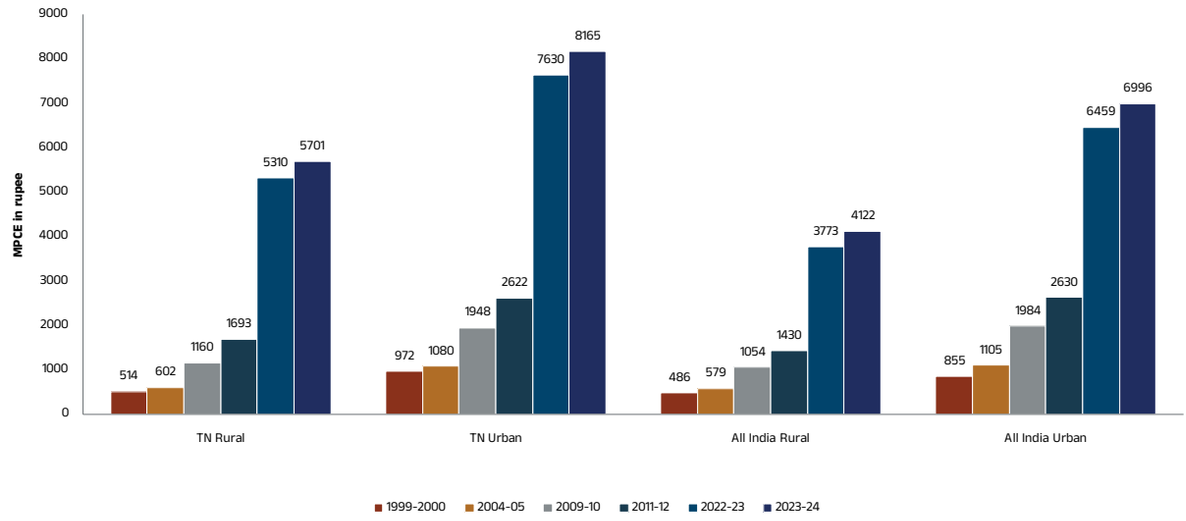


Source: Multidimensional poverty in India since 2005-06: a discussion Paper by NITI Aayog

7.4 Household Consumption Expenditure

7.8 Consumption expenditure is a crucial indicator of an economy's health. Increased spending by individuals often signals a robust economy, whereas reduced spending can indicate economic difficulties. Governments utilize consumption expenditure data to adjust interest rates, while businesses rely on it to shape their marketing strategies, among other applications. Chart 7.3 presents the average monthly per capita consumption expenditure in both rural and urban areas of Tamil Nadu and India from 1999-2000 to 2022-23.

Chart 7.3: Average Monthly Per Capita Consumption Expenditure

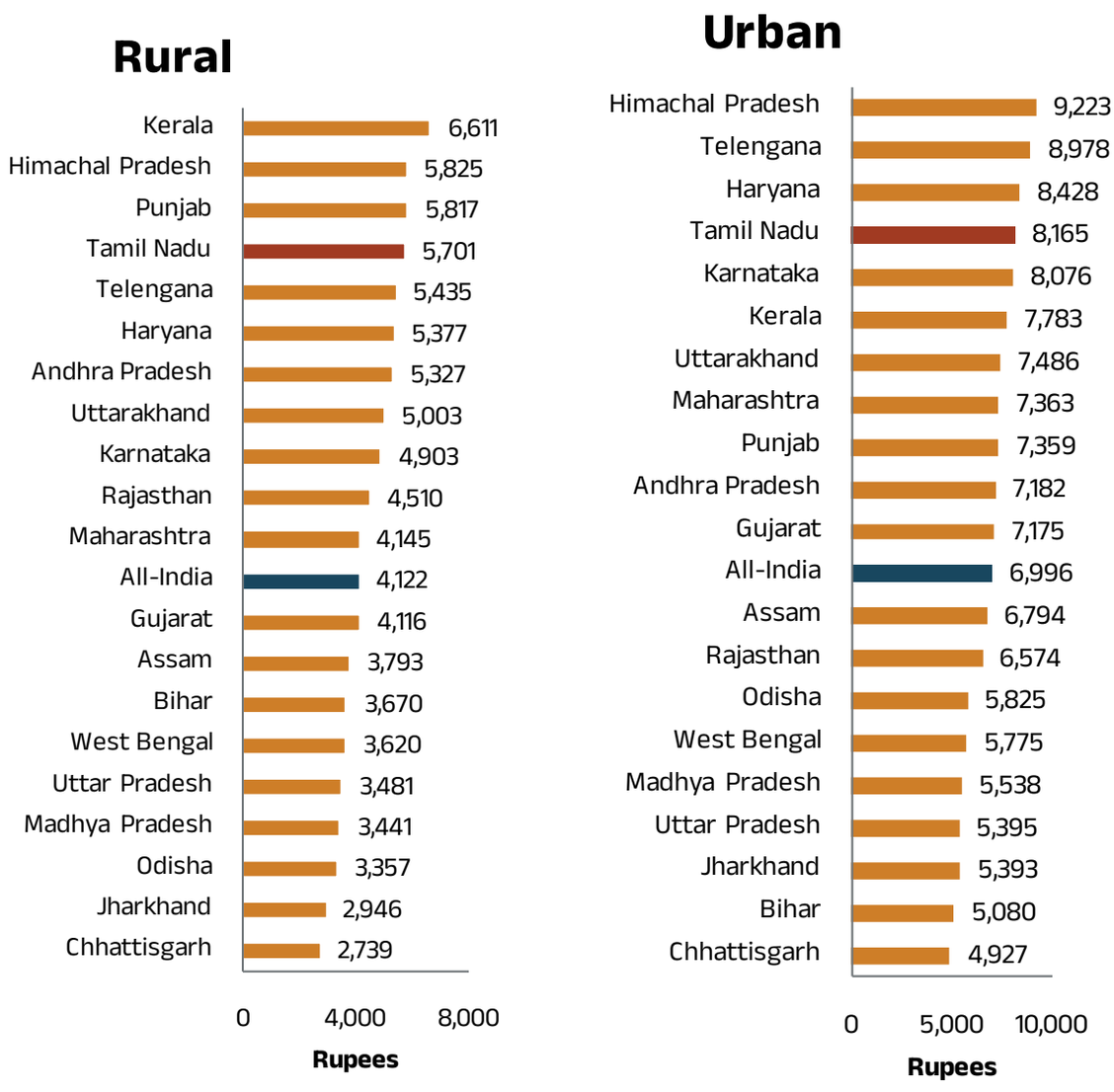


Source: Factsheet_HCES_2022-23, MoSPI (NSS Reports)

7.9 In 1999-00, the average monthly per capita consumption expenditure (in nominal terms) in rural Tamil Nadu was ₹514, and it steadily increased to ₹5,701 by 2023-24, marking an 11.1-fold rise. Over the same period, rural India's nominal average per capita consumption expenditure grew from ₹486 to ₹4,122, registering an 8.5-fold increase. In urban areas, Tamil Nadu's nominal average consumption expenditure rose from ₹972 to ₹8,165, reflecting an 8.4-fold increase, while India's urban average grew from ₹855 to ₹6,996, showing an 8.2-fold rise.

7.10 Interstate comparisons show that Tamil Nadu ranks fourth in average monthly per capita consumption expenditure in both rural and urban areas among major states in 2023-24 (Chart 7.4). These rankings are consistent with Tamil Nadu's position as the fourth highest in annual per capita income.

Chart 7.4: Monthly Per Capita Consumption Expenditures (in ₹) in Rural and Urban



Source: Factsheet_HCES_2023-24, MoSPI (NSS Reports)

7.5 Education

7.11 Education, beyond teaching literacy, numeracy, and scientific reasoning, also equips individuals with the skills and knowledge required to enhance their employability, leading to improved job opportunities and higher wages. Education is the foundation for improving social well-being. Tamil Nadu is one of the most literate states in India and has consistently performed well in terms of enrolment in elementary, higher secondary, and higher education. The state has been proactive in enhancing access to education, with a consistent increase in the number of primary, middle, and high schools since Independence. Several initiatives, including the distribution of free school essentials, bicycles, the Noon Meal Scheme, and the Chief Minister's Breakfast Scheme, have played a crucial role in keeping students engaged and ensuring regular school attendance.

School Education

7.12 Currently, 1.29 crore students are enrolled in 58,722 schools across Tamil Nadu, representing 5.24% of the total children enrolled in the country (Table 7.2). Among these, 79.7 lakh students are enrolled in elementary education, while 38.5 lakh students are enrolled in high school and higher secondary education. Tamil Nadu has 33,995 primary schools, 10,044 upper primary schools, 5,679 secondary schools, and 9,004 higher secondary schools. Of the total 58,722 schools in the state, 37,608 are government-run, 12,481 are private schools, and 8,314 are government-aided schools.

Table 7.2: Gross Enrolment in Schools in 2023-24

Education Level	Tamil Nadu	India
Total	1,29,93,050	24,80,45,828
Pre-primary	11,62,990	1,30,82,797
Elementary	79,71,425	17,09,63,726
Secondary	20,71,528	3,68,63,791
Higher Secondary	17,87,107	2,71,35,514

Source: UDISE+, 2023-24

7.13 In 2023-24, the Gross Enrolment Ratio (GER) in Tamil Nadu was 98.4% in elementary schools, 97.5% in secondary schools, and 82.9% in higher secondary schools (Table 7.3). In comparison, the national figures were 91.7%, 77.4%, and 56.2%, respectively. This shows that Tamil Nadu's GER in secondary and higher secondary education is significantly higher than the national averages. Interestingly, in both Tamil Nadu and India, the GER for girls surpasses that for boys in elementary, secondary, and higher secondary schools.

Table 7.3: Gross Enrolment Ratio (%) in 2023-24

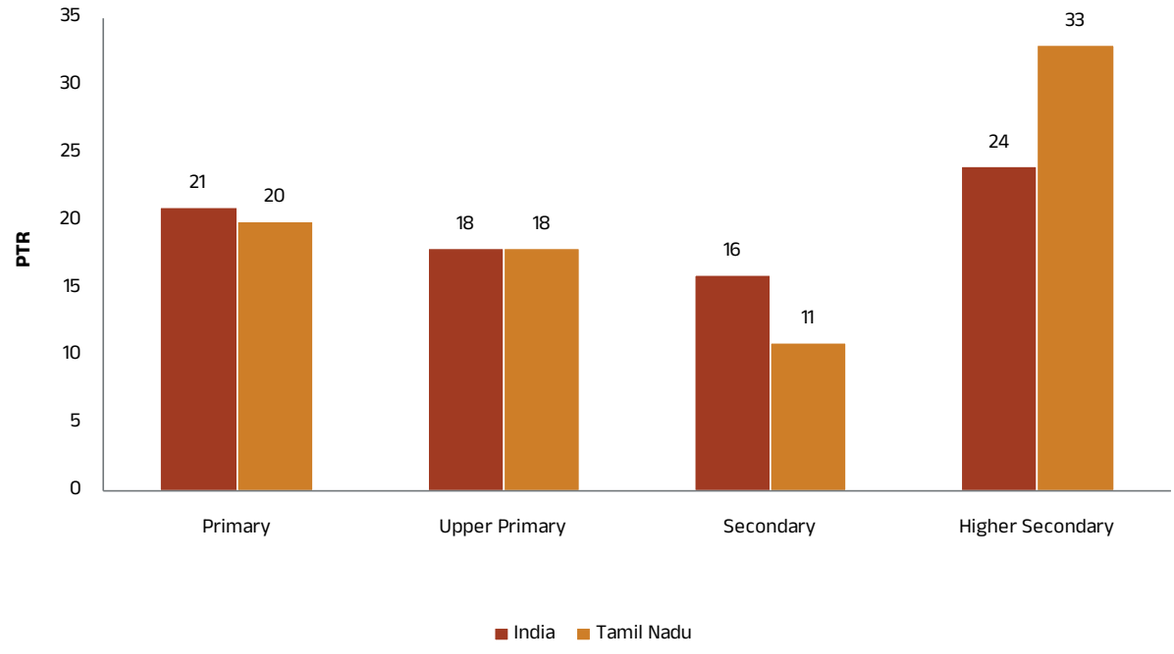
School Education	Tamil Nadu			India		
	Boys	Girls	Total	Boys	Girls	Total
Elementary Schools (I-VIII)	97.6	99.4	98.4	90.7	92.9	91.7
Secondary Schools (IX-X)	96.9	98.1	97.5	76.8	78.0	77.4
Higher Secondary Schools (XI-XII)	77.3	88.8	82.9	54.4	58.2	56.2

Source: UDISE+, 2023-24

7.14 The Gender Parity Index (GPI), which measures the ratio of girls' GER to boys' GER, is 1.02 in elementary schools, 1.01 in secondary schools, and 1.15 in higher secondary schools in Tamil Nadu. In comparison, the national GPI values are 1.02, 1.02, and 1.07, respectively. The GPI reflects the equitable participation of females in the education system. A GPI of 1 indicates gender parity, while a GPI greater than 1 signifies a disparity in favor of females.

7.15 The Pupil-Teacher Ratio (PTR), which represents the average number of students per teacher, is lower in Tamil Nadu's primary and secondary education compared to the national averages. However, at the higher secondary level, the PTR in Tamil Nadu is higher than the national average (Chart 7.5).

Chart 7.5: Pupil Teacher Ratio (2023-24)



Source: UDISE+, 2023-24

7.16 Tamil Nadu (73.4%) ranks second after Kerala (82.2%) in the School Education Quality Index (SEQI), published by NITI Aayog in 2019. The dropout rate in secondary education is also the lowest in Tamil Nadu at 4.5%, compared to the all-India rate of 12.6%. The Illam Thedi Kalvi (ITK) Scheme, launched by the Tamil Nadu government, addresses losses in learning due to school closures during COVID-19 lockdown, by engaging teacher volunteers for remedial sessions for the Classes 1-8.

Box 7.1:Tamil Nadu's Illam Thedi Kalvi (Education at Doorstep): Innovation in Public Education

The Illam Thedi Kalvi (ITK) Scheme, launched by the Tamil Nadu government, is a pioneering flagship initiative aimed at addressing learning losses, caused by the two-year school closure during the COVID-19 lockdown. The scheme focuses on supporting learning of students by engaging teacher volunteers to conduct remedial sessions for class 1 to 8 across the state. A rapid assessment was conducted to evaluate the scheme's impact.

Key Findings:

- Training programme provided to the volunteers was highly beneficial. The scheme has had a significant impact, fostering critical thinking, creativity, and making learning enjoyable and motivating for students.
- School teachers credited the success of ITK to its play-way and activity-based learning methods. Parents, teachers, and volunteers collectively affirmed that ITK centers provide a safe and child-friendly learning environment.
- There was also demand from parents, especially from working parents, to reorient ITK centers as after school care centers.

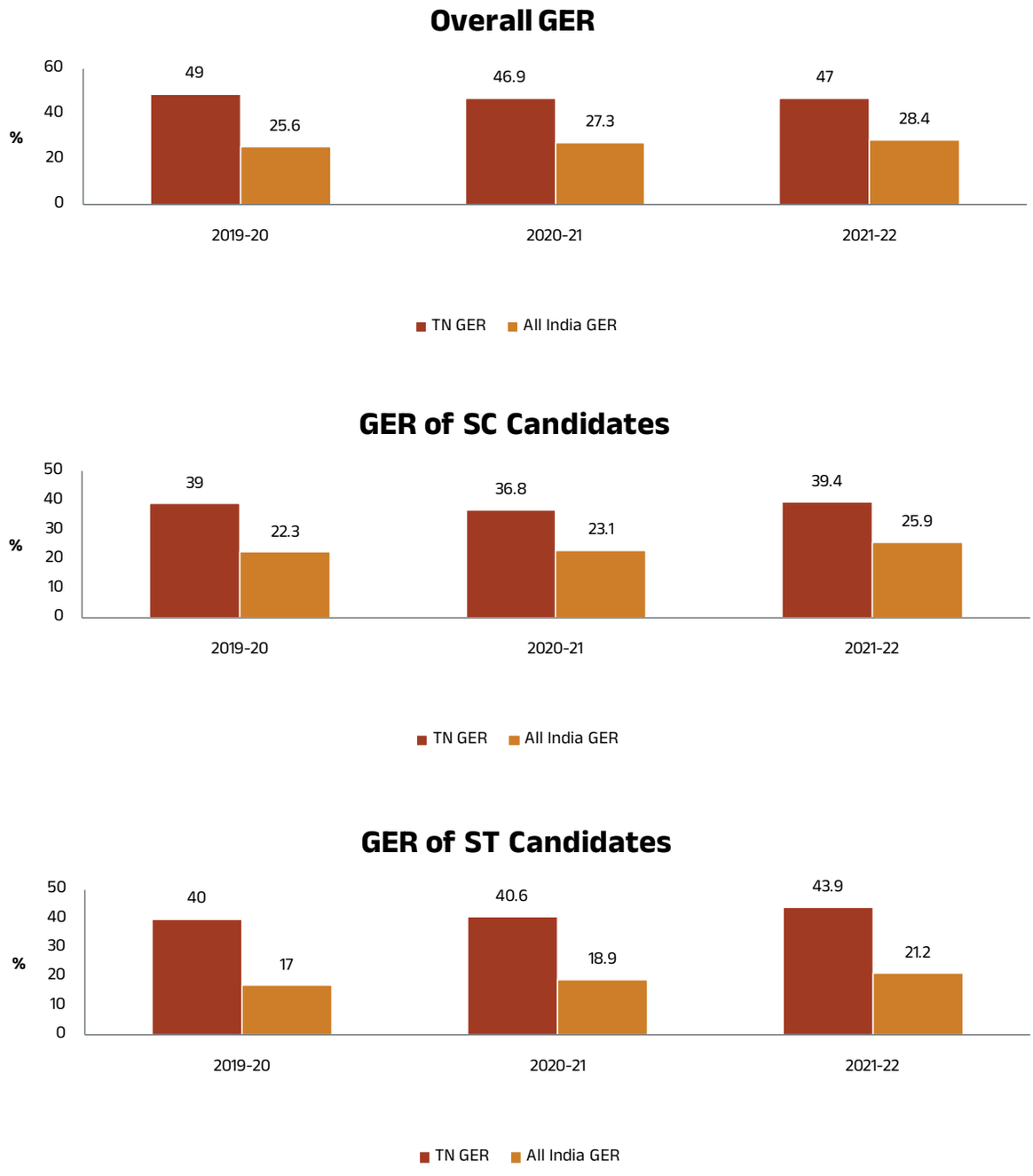
Source: Report on Rapid assessment of "Illam Thedi Kalvi scheme" bridging the learning loss-joyfully, SPC, 2023

Higher Education

7.17 Tamil Nadu excels in higher education, with three state universities Anna University (14th rank), Bharathiar University (21th rank), and Alagappa University (30rd rank)ranking among the top 50 research institutions in the country. Additionally, nine state universities are ranked among the top 100 universities in India, and four government arts and science colleges are in the top 100.Many universities in the state have also earned higher grades (A++/A+/A) in NAAC accreditation.

7.18 In 2021-22, the GER in higher education was 47% in Tamil Nadu, significantly higher than the national average of 28.4% (Chart 7.6).

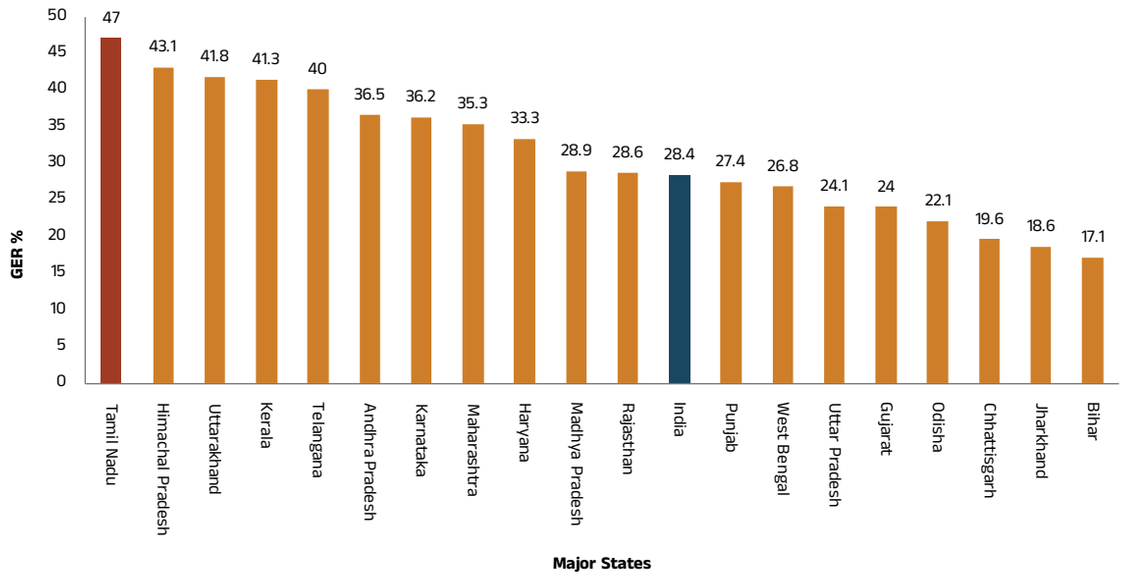
Chart 7.6: GER at Higher Education



Source: AISHE, 2021-22, Ministry of Education, GOI

7.19 Tamil Nadu ranks first among major states in the country for the Gross Enrolment Ratio (GER) in higher education (Chart 7.7). The state also leads in the GER for boys at 46.8%, followed by Uttarakhand (40.1%) and Telangana (38.5%). For girls, Tamil Nadu ranks third with a GER of 47.3%, behind Himachal Pradesh (49.7%) and Kerala (49.0%).

Chart 7.7: Gross Enrolment in Higher Education in 2021-22



Source: AISHE, 2021-22, Ministry of Education, GOI

7.20 Table 7.4 provides details on the number of arts and science colleges and colleges of education in Tamil Nadu, categorized by the type of institution and the number of students enrolled in these colleges for 2024-25. The state has a total of 1,626 arts and science colleges, with the majority (1,293) being self-financing institutions. The remaining 333 are government or government-aided institutions. In total, 4.75 lakh students are enrolled in arts and science colleges and colleges of education across Tamil Nadu.

Table 7.4: Number of Colleges and Students Admitted in 2024-25

Type of Institutions	Arts & Science and Colleges of Education		Polytechnic Colleges	
	No. of Institutions	Students Admitted	No. of Institutions	Students Admitted
Government	171	1,14,988	54	12,761
Govt Aided	162	75,960	32	7,782
Affiliated	-	-	4	145
Self-Financing	1,293	2,84,598	401*	37738
Total	**1,626**	**4,75,546**	**492**	**58,426**

*Source: Higher Education Department, Policy Note, 2024-25, GoTN. * includes 1 hotel management institution*

7.21 Tamil Nadu stands as a leader in higher education, with a total of 4.75 lakh students enrolled in arts and science colleges. Among them, 4.12 lakh are pursuing undergraduate degree courses, while 0.64 lakh are enrolled in postgraduate and doctoral degree programs.

Technical Education

7.22 There are 506 engineering colleges in Tamil Nadu, comprising 11 government colleges, 3 government aided colleges, 20 constituent colleges of Anna University, and 472 self-financing institutions. The state also has 492 polytechnic institutions, including 54 government-run, 32 government aided, 4 affiliated and 401 self-financing institutions. These polytechnic institutions collectively enrol 58,426 students.

7.23 The government covers all fees, including Tuition, Hostel, and Transportation Fees, for students admitted under the 7.5% quota for students from government schools in professional courses. In the academic year 2022-23, ₹ 129.08 crore was disbursed to 8,719 firstyear and 6,278 second-year students. In the academic year 2023-24, ₹185.59 crore was disbursed to 9,795 first-year, 8,375 second year, and 6,162 third-year students.

7.24 The First-Generation Graduate Scholarship scheme was introduced to promote higher education in families where no member is a graduate. The state government covers the full tuition fee for students admitted to professional courses, regardless of caste or income. In the academic year 2023-24, ₹ 379.31 crore was disbursed to 1,57,342 first-generation graduate students in engineering colleges.

7.25 The "*Pudhumai Penn Thittam*" was introduced to enhance the enrolment of female students in higher education, resulting in significant progress in women's education. In a similar vein, the "*Tamil Puthalvan Thittam*" will be implemented from the 2024-25 academic year to support male students who have completed their 6th to 12th grade education in government schools and are continuing their higher studies. This initiative is expected to substantially boost the enrolment of government school students in higher education.

Box 7.2 Pudhumai Penn Thittam

The Pudhumai Penn Scheme aims to empower girl students by providing a monthly stipend of Rs. 1,000. This benefit is available to all girls who studied from Class 6 to 12 in government schools (recently extended to aided Tamil medium government school students) and is continued until they complete undergraduate, diploma, or ITI courses. The scheme focuses on promoting behavioural change by reducing early marriages and increasing enrollment in higher education.

Key Findings

- A total of 2,30,820 girl students across 38 districts have benefited from the scheme.
- 7,110 (3.08%) girl students are studying in NIRF-ranked institutions. Girls from rural areas have benefited more than those from urban areas.
- Nearly 3% of the students belong to households with either a single parent or no parent.
- 82% of the beneficiaries are from households with parents engaged in the informal sector.
- There was a 6.9% increase in the number of girl students joining college in 2022 and 2023.

Recommendations:

- Early awareness and school-level promotion to encourage all eligible girls to enroll in higher education.
- Sensitizing parents about the First-Generation Education Scholarship and the 7.5% reservation policy for government school students in higher education.

Source: Evaluation of Pudhumai Penn scheme, SPC, 2024.

7.6 Health

7.26 Health plays a vital role in determining the quality of life. Good health not only enables individuals to reach their full potential but also contributes to building a stronger society and driving economic growth. Tamil Nadu performs well across various health indicators. According to the National Family Health Survey 4 & 5, between 2015-16 and 2019-21, Tamil Nadu has made significant improvements in all 14 select health indicators listed in Table 7.5. Compared to national performance, Tamil Nadu excels across all these indicators. An interstate comparison further reveals that Tamil Nadu ranks second, just behind Kerala, in both the infant mortality rate and under5 mortality rate.

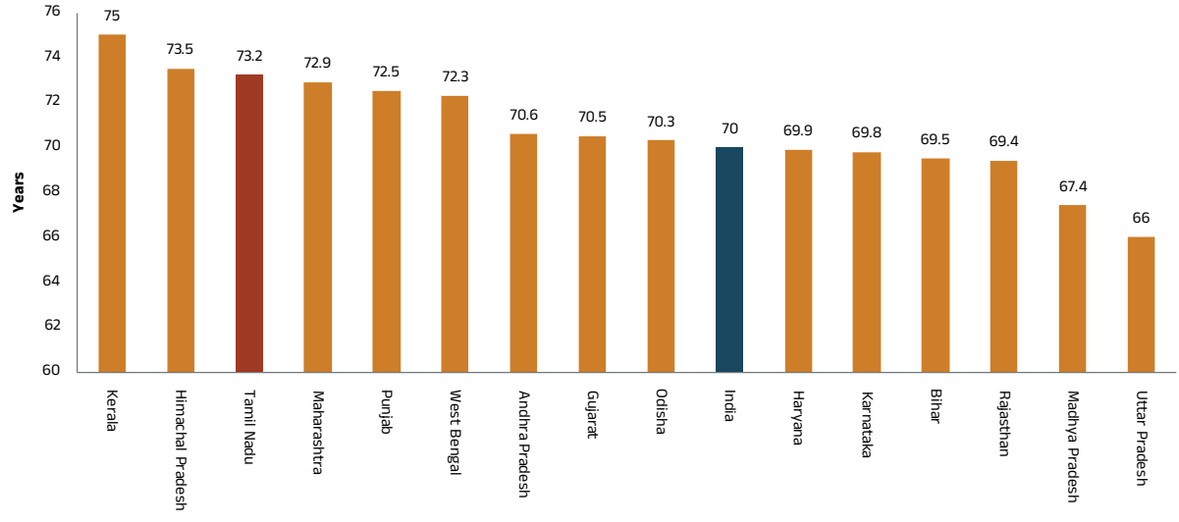
Table 7.5: Health Indicators in Tamil Nadu and India (NFHS4-5)

Indicators	Tamil Nadu			India		
	2015-16	2019-21	SRS 2020	2015-16	2019-21	SRS 2020
Fertility Rate	1.7	1.8	1.4	2.2	2.0	2.0
Infant Mortality Rate	20	18.6	13	40.7	35.2	28
Neonatal Mortality Rate	14.0	12.7	9	29.5	24.9	20
Post neonatal Mortality Rate	6.2	6	4	11.3	10.3	8
Under Five Mortality Rate	26.8	22.3	13	49.7	41.9	32
Institutional Births (%)	98.9	99.6	-	78.9	88.6	-
Children (12-23 months) fully vaccinated (%)	69.7	89.2	99.4*	62	76.4	-
Percentage of Children Stunted (Low height for age)	27	25	28.2**	38.4	35.5	-
Children under 5 years who are wasted (weight-for height) %	19.7	14.6	4**	21	19.3	-
Crude Birth Rate	15.5	13.7	13.8	19	17.1	19.5
Percentage of Children Having any anaemia	50.7	57.4	-	58.6	67.1	-
Maternal Mortality Rate	66	54	-	130	97	-

*Source: NFHS 4 & 5, *State HMISdata, **AWW Screening (FY 2024-25, EMIS portal)*

7.27 Tamil Nadu, with a life expectancy of 73.2 years (2016-2020), is one of the states with the highest life expectancy (Chart 7.8).

Chart 7.8: Life Expectancy at Birth in 2016-20



Source: Office of the Registrar General of India, Min. of Home Affairs.

7.28 While Tamil Nadu performs well in health indicators within India, it must continue striving to meet international standards in several key health parameters. For example, life expectancy at birth in Singapore is 83.9 years, the Maternal Mortality Rate (MMR) is 2 in Norway and 7 in Singapore, and the under-5 mortality rate is 2.15 in Singapore. Additionally, many advanced countries report nearly zero prevalence of child wasting.

7.29 Tamil Nadu boasts a strong health infrastructure among the states in the country. In 2023-24, Tamil Nadu had 8,713 Health Sub-Centers (HSCs), 2,336 Primary Health Centers (PHCs), and 372 government hospitals in addition to several medical college hospitals and other teaching institutions in medicine.

7.30 The state now boasts the largest government-run tertiary healthcare system in the country, with 36 medical college hospitals and 28 tertiary care specialty and multispecialty hospitals, offering a total bed capacity of 65,046. These hospitals serve an average of 1.09 lakh outpatients and handle 8,648 hospital admissions daily.

7.31 These government medical college hospitals, offering 5,050 MBBS seats, the highest in the country. The state also has 21 self-financing private medical colleges with 3,400 MBBS seats, 3 state private universities with 450 seats, and 11 deemed-to-be universities offering 2,450 seats, bringing the total number of MBBS seats in Tamil Nadu to 11,500. Furthermore, 24 government institutions offer MD/MS courses with 2,273 seats, making Tamil Nadu the second highest in MD/MS seats, following Maharashtra, which has 3,258 seats. The state also offers 201 DNB seats.

Health Insurance and Nutrition

7.32 Since 2009, the Tamil Nadu government has implemented the Chief Minister's Comprehensive Health Insurance Scheme (CMCHIS) and *Makkalai Thedi Maruthuvam* (MTM) to provide affordable quality healthcare, enhance treatment access in district hospitals, and deliver doorstep health services.

In 2018, the Government of India's Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (PMJAY) was integrated with CMCHIS. Under this scheme, the Union government contributes 60% of the premium (₹849 per year per family), while the state government covers the remaining 40% . Additionally, the state government fully covers the premium for 60.5 lakh families not included under PMJAY.

Box 7.3: Makkalai Thedi Maruthuvam (MTM)

Makkalai Thedi Maruthuvam (MTM) is an initiative launched in 2021 to deliver preventive and curative health care services at the doorstep for those unable to access healthcare facilities. The program primarily focuses on early detection of non-communicable diseases (NCDs), including cancer while also prioritizing children's eye care through the Kannoli Kappom Thittam.

Key Achievements of the Scheme

The MTM scheme has significantly improved healthcare accessibility, reaching out to 2.23 crore people across Tamil Nadu by providing medical services and preventive care.

Extensive Health Screenings & Early Detection

A total of 1.61 crore individuals were screened for hypertension and diabetes, enabling early disease management. Additionally, 4.44 lakh individuals underwent screening for cancer and workplace non-communicable diseases (NCDs), ensuring timely intervention. In the area of eye health, 42.21 lakh children were screened, and 2.62 lakh spectacles have been provided to those in need.

Specialized Care for Vulnerable Groups

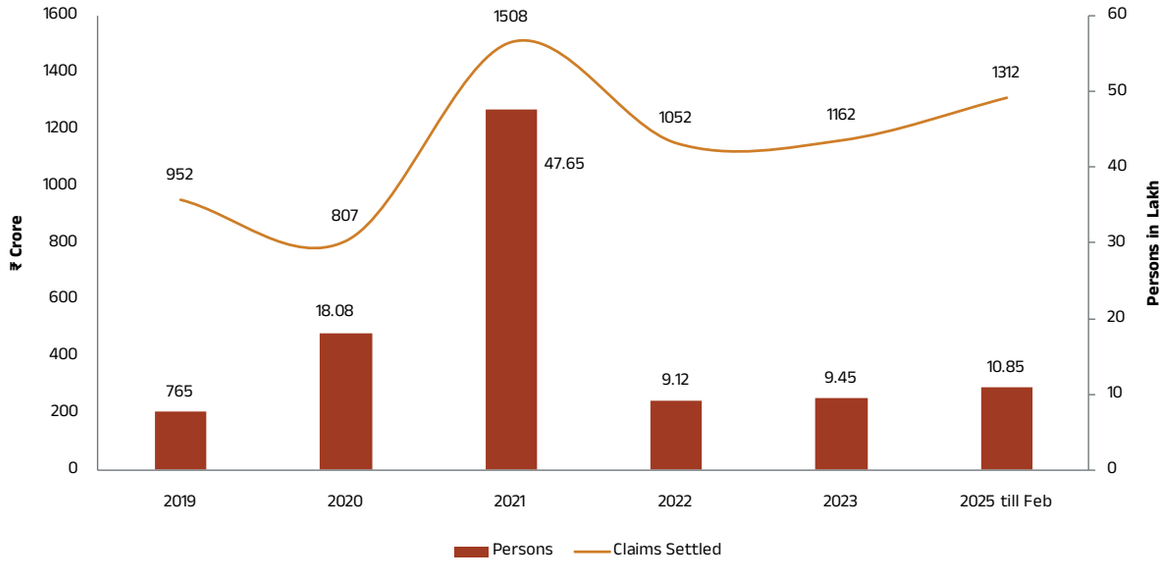
Physiotherapy and palliative care services have benefited 13.15 lakh individuals, providing essential rehabilitation and supportive care. This initiative operates through 8,713 health sub-centers and 460 urban Primary Health Centers (PHCs), ensuring last-mile connectivity and accessible healthcare.

This initiative is now recognised internationally, with the government awarded the 2024 United Nation's Interagency Task Force Award for excellence in public health and NCD management. With its widespread impact MTM continues to serve as a model for community-driven healthcare, ensuring a healthier and more resilient future for all.

Source: Evaluation of Non- Communicable Disease Cascade Care under Makkalai Thedi Maruthuvam in Tamil Nadu, SPC, 2023-2024

7.33 Chart 7.9 provides details of the claims settled and the number of beneficiaries under CMCHIS since 2019. Between 2019 and February 2025, approximately 1.02 crore people benefitted from the scheme with a total claims settlement of about ₹86,892 crore.

Chart 7.9: Claims Settled and Number of Beneficiaries of CMCHIS

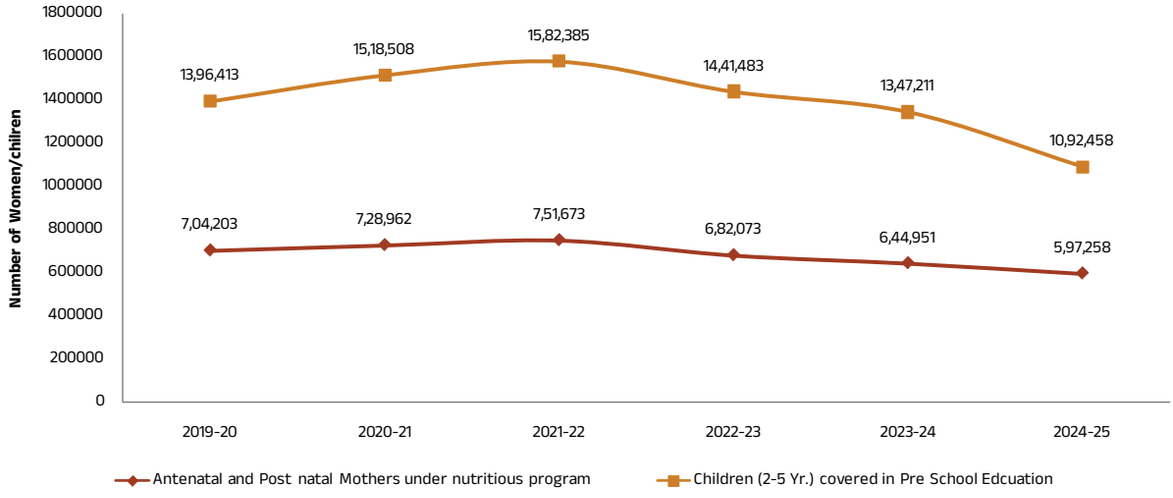


Source: The Project director, Tamil Nadu Health Systems Project

7.34 Anganwadi centres play a vital role in the public healthcare system by offering a variety of services to children and mothers. These services include basic healthcare such as immunization, health checkups, referral services, contraceptive counselling, and supplies. They also provide supplementary nutrition and non-formal pre-school education. The centres are part of the Integrated Child Development Services (ICDS) system. Tamil Nadu has 54,439 Anganwadi centres.

7.35 The total number ICDS beneficiaries in Tamil Nadu, which includes antenatal and postnatal mothers under the nutritious program and children in pre-school education program, increased from 21 lakh in 2019-20 to 23.34 lakh in 2020-21. However, it declined to 16.89 lakh in 2024-25. The number of antenatal and postnatal mothers benefiting from the scheme declined from 7.04 lakh from 2019-20 to 5.97 lakh in 2024-25, while the children receiving pre-school education dropped from 13.96 lakh to 10.92 lakh (Chart 7.10).

Chart 7.10: Beneficiaries of Integrated Child Development Services Scheme



Source; Director, Nutrition, GoTN

7.36 Evidence indicates that the nutritional status of children (0-60 months) in Tamil Nadu slightly improved from 2019-20 to 2023-24. In 2019-20, 92.9% of the 35.38 lakh children weighed had a normal weight (Table 7.6). By 2023-24, this figure increased to 94% of the 32.68 lakh children weighed. While the proportion of moderately underweight children decreased from 6.3% in 2019-20 to 4.7% in 2023-24, the proportion of severely underweight children rose from 0.2% to 1.1%. The Chief Minister's Breakfast Scheme is designed to tackle hunger and malnutrition among primary school children, ensuring they receive a nutritious meal to support their growth and well-being.

Table 7.6: Nutritional Status of Children (0-60 months) in Tamil Nadu

Year	Children weighed	Severely Under Weight	Moderately Under Weight	Over Weight	Normal
2019-20	35,38,473	21,821 (0.6%)	2,24,383 (6.3%)	4,183 (0.1%)	32,88,086 (92.9%)
2020-21	37,06,317	15,642 (0.4%)	2,01,178 (5.4%)	4,116 (0.1%)	34,85,381 (94%)
2021-22	36,05,499	19,136 (0.5%)	1,82,815 (5.1%)	5,671 (0.2%)	33,97,877 (94.2%)
2022-23	34,23,297	45,264 (1.3%)	1,79,749 (5.3%)	10,374 (0.3%)	31,87,910 (93.1%)
2023-24	32,68,932	36,356 (1.1%)	1,52,148 (4.7%)	8,361 (0.3%)	30,72,067 (94%)

Source; Director, Nutrition, GoTN

Box 7.4:The Success Story of The Chief Minister's Breakfast Scheme: Nourishing Young Minds

The Chief Minister's Breakfast Scheme, is a transformative initiative aimed at combating hunger and malnutrition among primary school children in government schools. By providing nutritious morning meals, the scheme not only improves student's health but also enhances their cognitive skills, retention rates and overall academic performance.

An ongoing study across 100 primary schools is assessing the long-term impact of the scheme on students. The evaluation focuses on attendance, classroom engagement, academic progress, and overall well-being, ensuring that the initiative continues to drive meaningful improvements in the education system.

Key Achievements of the Scheme:

- School attendance has risen to 93%, reflecting increased student engagement and commitment.
- Enhanced learning outcomes are evident, as around 85% of students benefit from the program, leading to greater participation and academic improvement.
- Reduced financial burden on families, fostering economic stability and social well-being. Acts as a major support for working mothers.
- Tamil Nadu is pioneering in this initiative while similar program has been initiated by UK and Canada.

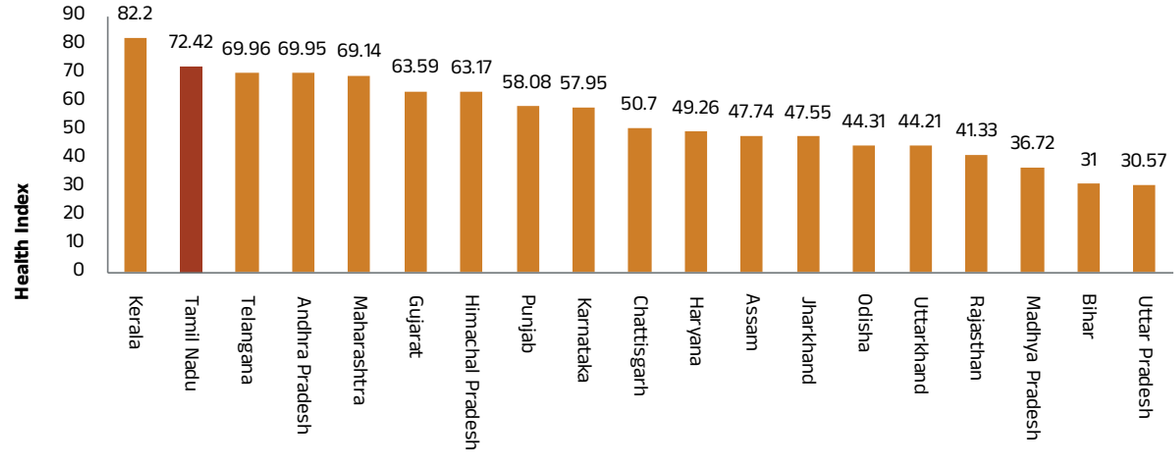
With its positive impact on students and families, the scheme stands as a model for holistic educational development, ensuring that every child begins their day with nutritious meal.

Source: The Chief Minister's Breakfast Scheme evaluation report, SPC, 2024-2025

Health Index

7.37 The NITI Aayog's Health Index (HI) is a composite index that evaluated the performance of the health sector in Indian states and union territories. It covers three domains: health outcomes, governances and health information. In 2019-20, Tamil Nadu ranked second in the HI, following Kerela (Chart 7.11).

Chart 7.11: NITI Aayog's Health Index (2019-20)



Source: NITI Aayog Health Index Round IV 2019-20

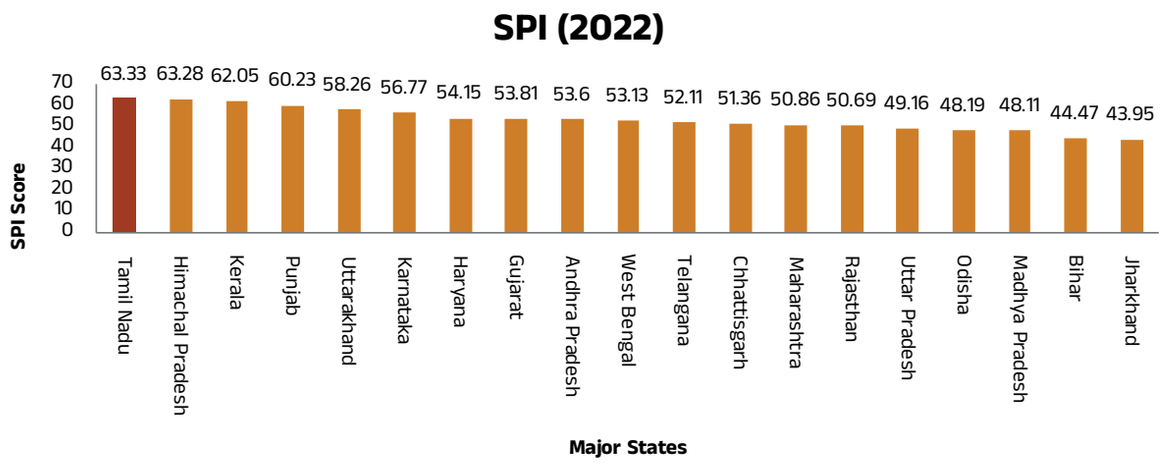
7.7 Interstate Comparisions

7.38 This section compares the performance of social sector of Tamil Nadu with that of other major states in India, using a few standard composite indices: Social Progress Index (SPI), Human Development Index (HDI) and Sustainable Development Goals (SDG) Index.

Social Progress Index

7.39 The NITI Aayog's Social Progress Index (SPI) evaluates social progress using 12 components across three dimensions: basic human needs (including nutrition, basic medical care, water and sanitation, personal safety, and shelter), foundations of wellbeing (which encompasses access to basic knowledge, information and communication, health and wellness, and environmental quality), and opportunity (focusing on personal rights, freedom and choice, inclusiveness, and access to advanced education). The SPI assesses social progress at both the national and sub-national levels. In 2022, Tamil Nadu ranked first among major states in the country in the SPI, largely due to its highest score of 63.3 in the opportunity dimension (Chart 7.12).

Chart 7.12: Social Progress Index (2022)

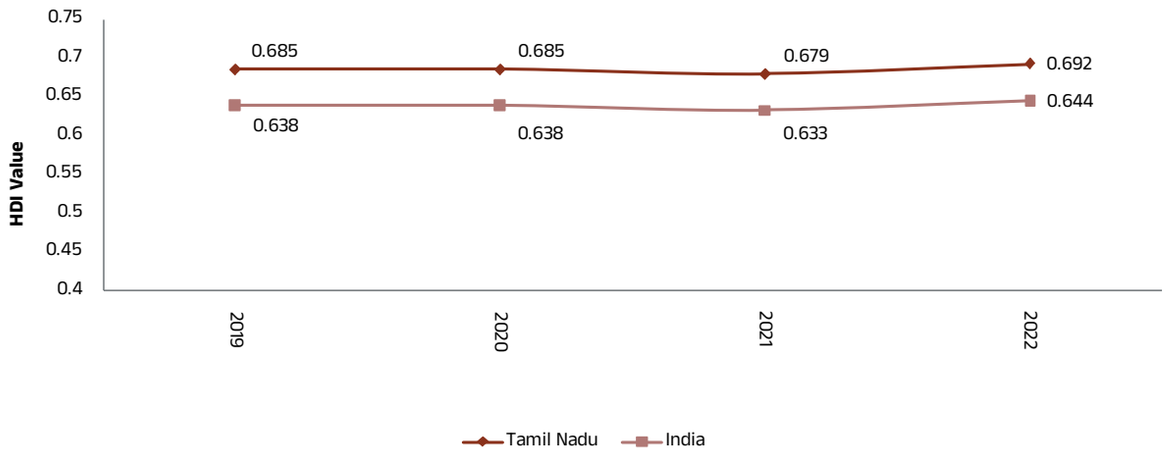


Source: NITI Aayog

Human Development Index

7.40 According to the UNDPs subnational human development data, Tamil Nadu's HDI value improved significantly, rising from 0.685 in 2019 to 0.692 in 2022. Although both Tamil Nadu's and India's HDI declined slightly during the COVID-19 pandemic years, they rebounded to pre-pandemic level by 2022 (Chart 7.13).

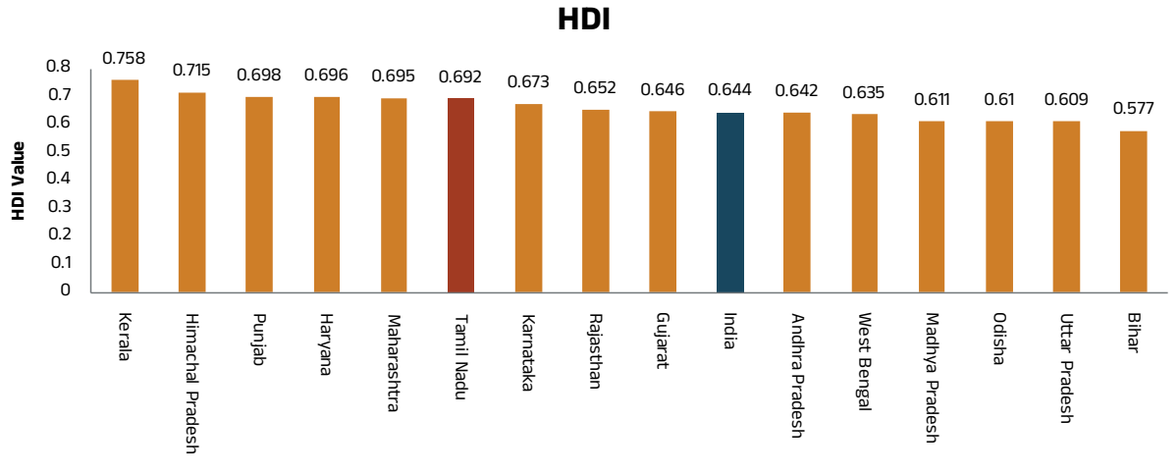
Chart: 7.13: HDI for Tamil Nadu and India Since 2019



Source: UNDP's Global Data Lab https://globaldatalab.org/shdi

7.41 However, Tamil Nadu ranked sixth in HDI (2022) among the major Indian states, next to Kerala, Himachal Pradesh, Punjab, Haryana and Maharashtra (Chart 7.14).

Chart 7.14: HDI for Major States (2022)



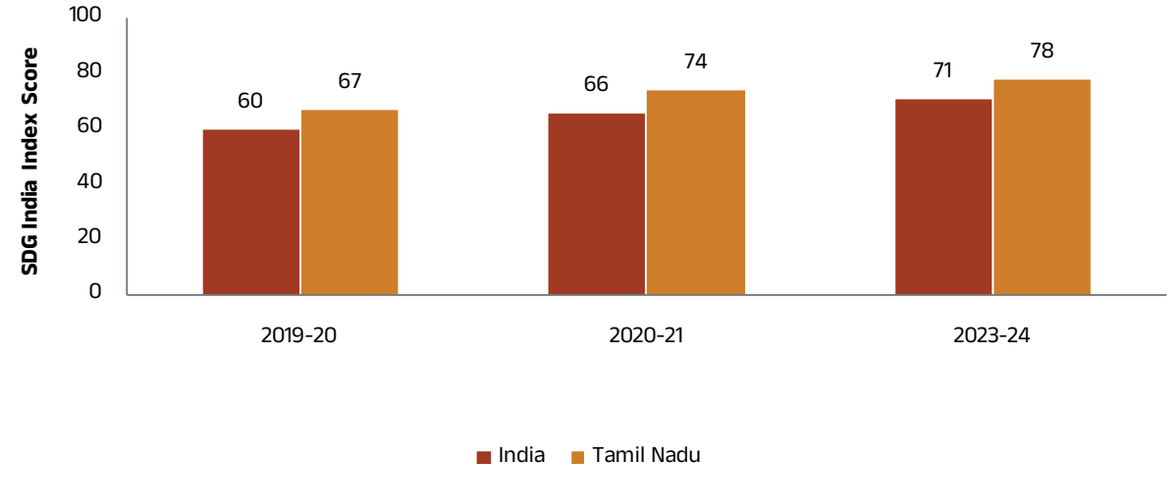
Source: UNDP's Global Data Lab https://globaldatalab.org/shdi/

Sustainable Development Index

7.42 The NITI Aayog's SDG index uses 113 indicators, representing 70 targets across 16 goals related to social, environmental and economic aspects, to assess the progress of state and union territories towards SDGs. From 2019 to 2023-24, Tamil Nadu's SDG index score increased from 67 to 78, while India's score increased from 60 to 71 (Chart 7.15).

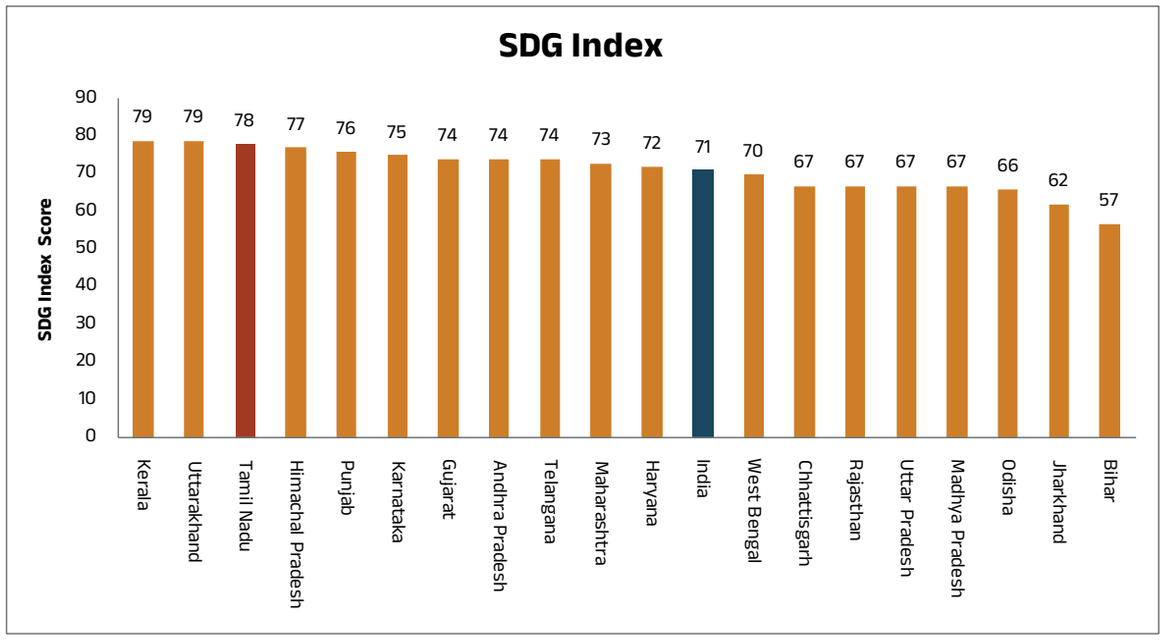
7.43 In 2023-24, Tamil Nadu ranked third in the SDG index, next only to Kerala, Uttarakhand.

Chart 7.15: SDG Index Score for Tamil Nadu and India Since 2019



Source: NITI Aayog

Chart 7.16: SDG Index Scores for Major Indian States (2023-24)



Source: NITI Aayog

7.8 Conclusion

7.44 The socio economic and demographic change that the State is undergoing also reflects in the emerging priorities in the health and social sector. From dealing with communicable diseases, the priority is shifting to dealing with non-communicable diseases, including cancer, heart disease, kidney disease, hypertension and diabetes, mental health, prevention of self-harm, and trauma care especially with road traffic accidents. Traditional communicable diseases such as tuberculosis, malaria, and dengue also have to be addressed. Universal vaccination has to be ensured in the face of fringe scepticism. In the education sector, the thrust has to be on quality and increased access to higher education. Early childhood education and childcare services have to be strengthened to continue the high labour force participation rate of women. In the light of the expected effects of Artificial Intelligence technologies, the younger generations have to be prepared a lifelong learning in a globalised world. Inclusive growth, being a cornerstone of the Dravidian Model, is continually expanding to ensure right to equality, provide health, education and social services to every marginalised segment of society.

Chapter 8

CLIMATE CHANGE

8.1 Introduction

8.1 Green House Gas (GHGs) emissions are a primary driver of global warming and climate change. Major sources of these emissions include the burning of fossil fuels for generating electricity and heat, industrial manufacturing, mining, deforestation, transportation, agriculture, and construction. In India, the impacts of climate change are already being felt. Changes in rainfall patterns and melting of glaciers threaten the country's water security. Projections from NITI Aayog indicates that by 2030, India's water demand will exceed supply by a factor of two. Rising temperatures and extreme weather events such as floods and droughts are disrupting agriculture, reducing crop yields and jeopardizing food security.[26] Coastal regions including Tamil Nadu are particularly vulnerable to rising sea levels.[27]

8.2 Tamil Nadu is one of the most industrialized and urbanized states in India. The rapid pace of urbanization is evident in the growing vehicle population and increased consumption of petroleum products. The state is home to five thermal power plants, which contribute significantly to electricity generating, but also to GHG emissions. The construction sector is also expanding at more than 5% per year, further driving demand for energy and natural resources.

8.3 The chapter analyses the climate change challenges faced by Tamil Nadu and various efforts being made to mitigate the impact of climate change and transition to a low carbon economy.

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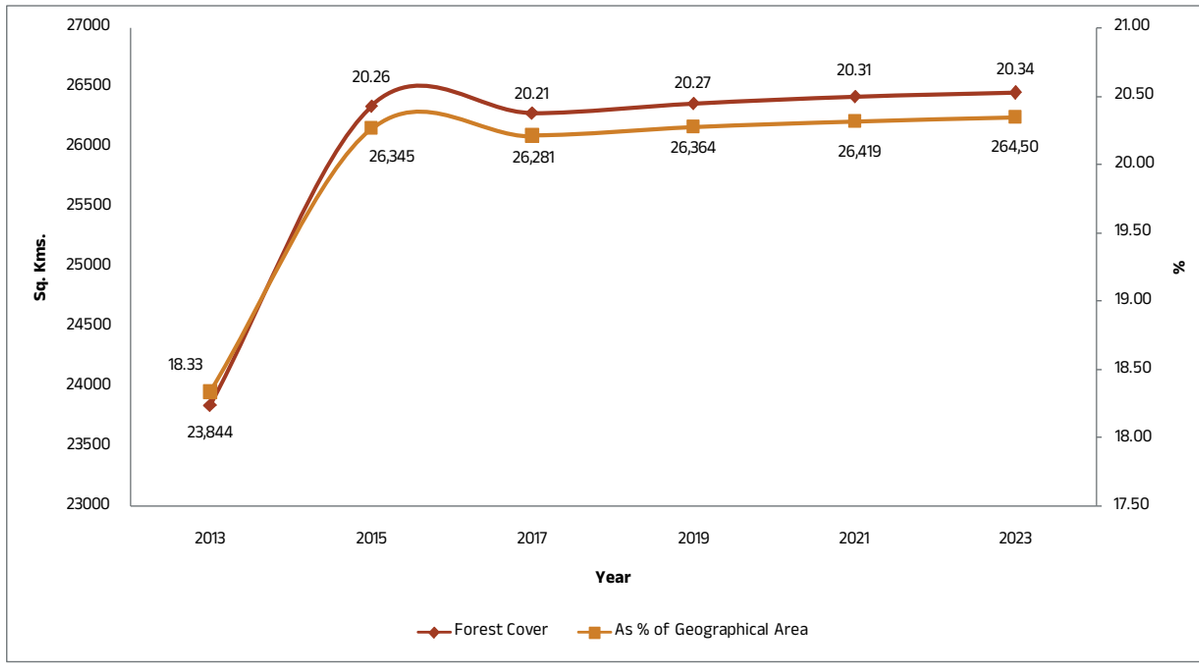
[26] *The Global Climate Risk Index 2021 ranked India the seventh most affected country in terms of extreme weather events.*

[27] *An estimate indicates that India could lose about 1500 sq.km of land by 2050 due to rising seas.*

8.2 Forest and Tree Covers

8.4 Forest cover is defined as land with tree canopy density of more than 10%. In Tamil Nadu, the forest was 23,844 sq. kms in 2013, representing 18.33% of the state's geographical area. It continuously increased to 26,450 sq. kms in 2023, which was 20.34% of geographical area (Chart 8.1). According to India's National Forest Policy, the ideal forest cover should be at least 33% of the total geographical area to ensure ecological stability.

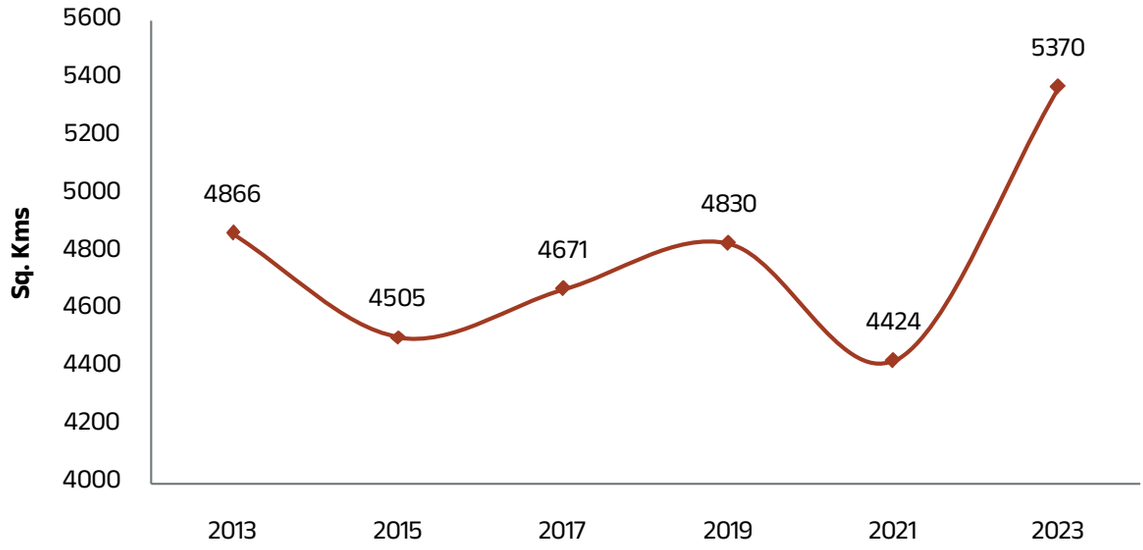
Chart 8.1: Forest Cover in Tamil Nadu



Source: India State of Forest Report

8.5 Tree cover refers to tree patches outside designated forest areas, typically covering less than one hectare. In Tamil Nadu, the tree cover was 4,866 sq. kms in 2013, but it declined to 4,424 sq. kms in 2021, which accounts for 3.4% of the state's geographical area. After that it increased to 5,370 sq. kms in 2023 (Chart 8.2).

Chart 8.2: Tree Cover in Tamil Nadu



Source: India State of Forest Report

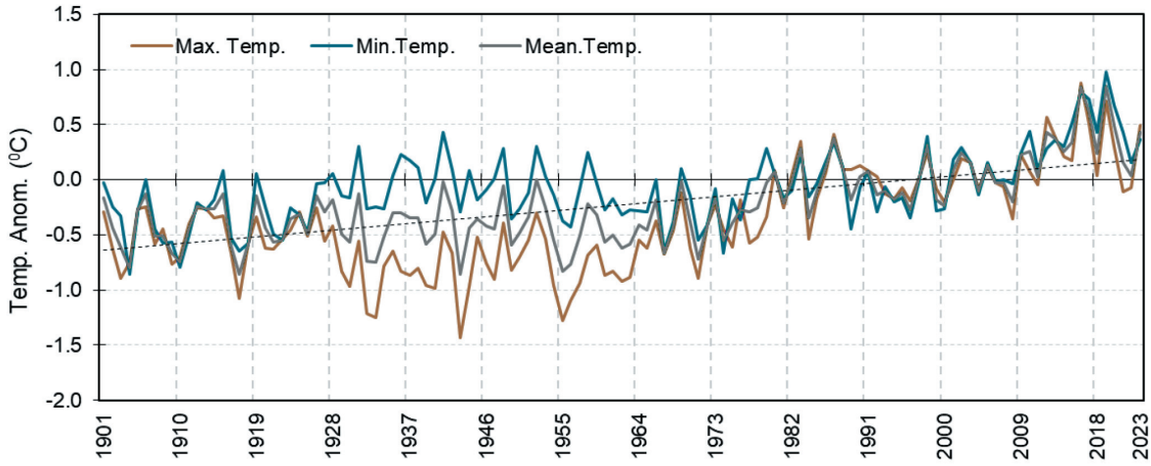
8.3 Climate Change Impact

8.6 Tamil Nadu has a tropical climate characterized by high temperatures and humidity, with minimal variation between summer and winter temperatures due to its proximity to the sea. The state receives the majority of its rainfall during the last three months of the year. This heavy dependence on post-monsoon rainfall makes the region vulnerable to both flooding and droughts, which significantly impact agriculture and livestock. In recent years, the state has experienced an increased frequency of extreme weather events, including cyclones (such as Vardah in 2016, Ockhi in 2017, Gaja in 2018, Michaung in 2023 and Fengel in 2024) and floods (notably in 2015 and 2017). These events are partially attributable to changing climatic conditions.

Temperature

8.7 Chart 8.3 shows the variation in annual maximum, minimum and mean land surface temperature anomalies over Tamil Nadu from 1901 to 2023. The temperature anomalies represent the difference between the actual temperatures and the long period average (LPA) for the base period of 1981-2010. Over this period, the state has experienced a significant upward trend in average mean temperature, with an increase of +0.68°C per century. The rate increase is higher for maximum temperature, at +0.84°C per century, while the minimum temperature has risen by +0.51°C per century.

Chart 8.3: Variations in Annual Maximum, Minimum, and Mean Land Surface Air Temperature Anomalies (Anom.) over Tamil Nadu (1901 to 2023)

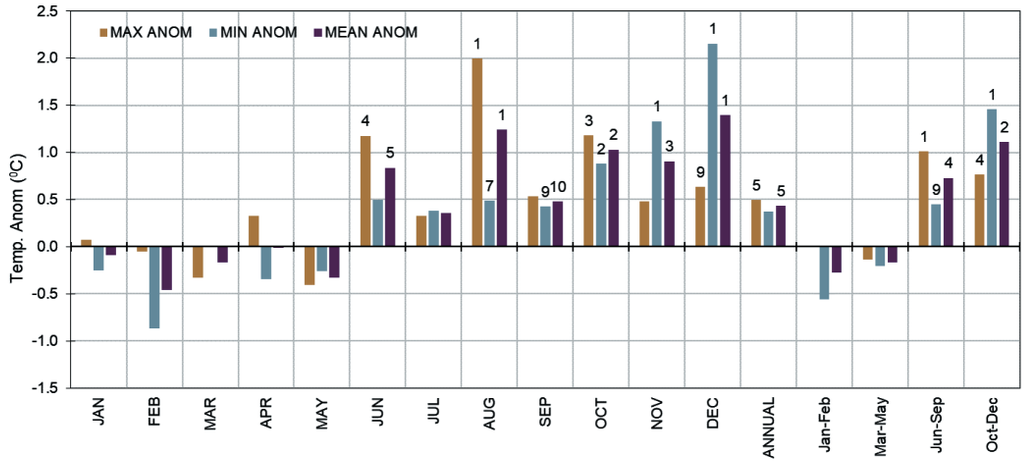


Source: Statement on Climate for the State of Tamil Nadu: 2023, IMD.

8.8 The four warmest years on record for Tamil Nadu are 2019 (anomaly+0.848 oC), 2016 (+0.837 oC), 2017 (+0.624 oC), and 2020 (+0.493 oC), all of which occurred in the recent past. In 2023, the average annual mean land surface air temperature was 27.4o C, which was +0.432 oC above the LPA, making it the 5th warmest year on record for the state since 1901.

8.9 Chart 8.4 shows the monthly maximum, minimum and mean temperature anomalies for Tamil Nadu in 2023, calculated based on the LPA for the period 1981 to 2010. August was the warmest month in terms of maximum temperature, while December recorded the highest anomaly for minimum temperature. Overall, 2023 was the 5th warmest year on record for the state since 1901. This year coincided with an El Nino, which is characterized by the unusual warming of surface waters in the eastern tropical Pacific Ocean and is known to influence weather patterns globally.

Chart 8.4: Monthly Temperature Anomalies in 2023

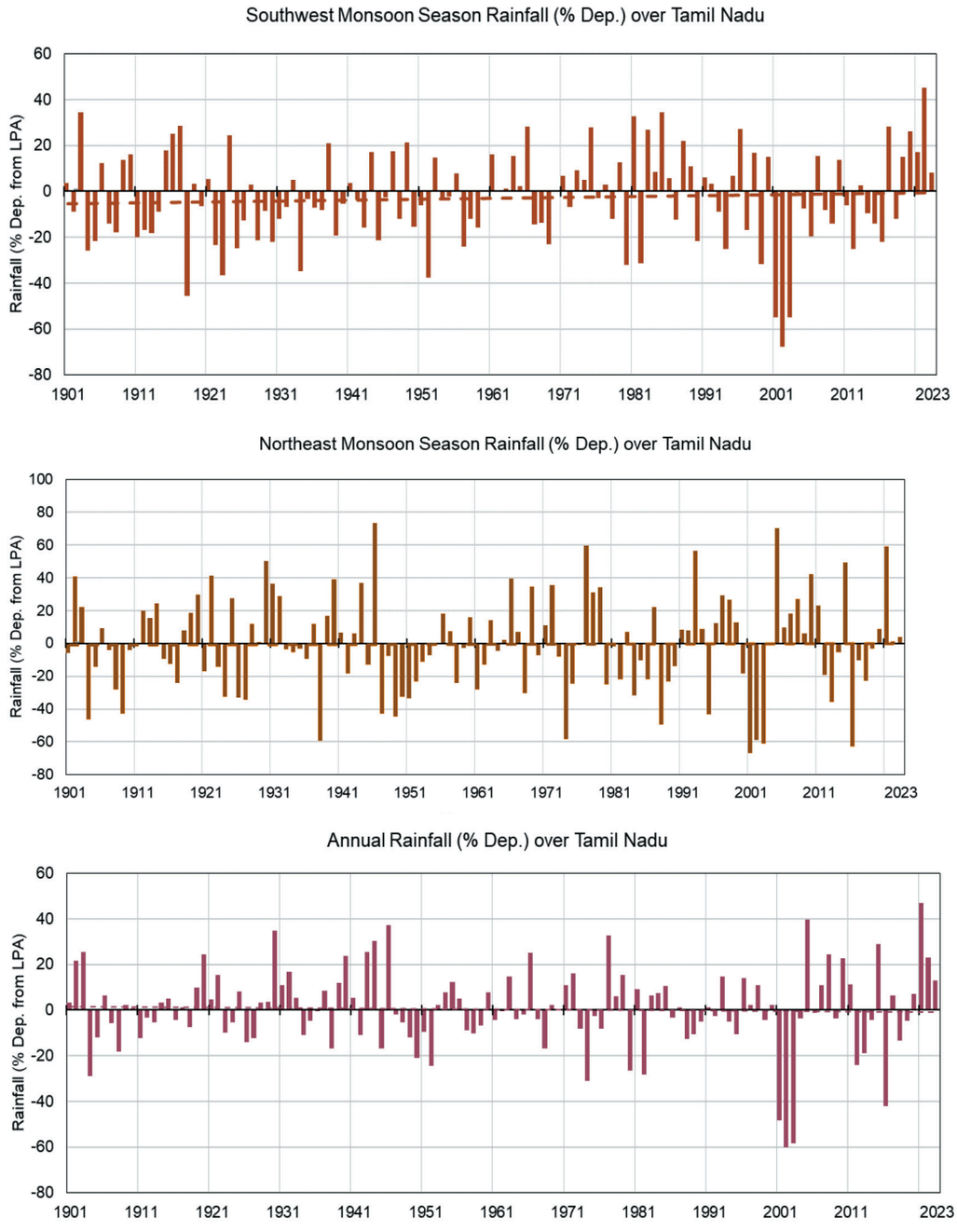


Source: Statement on Climate for the State of Tamil Nadu: 2023, IMD.

Rainfall

8.10 Chart 8.5 shows the percentage departure of Southwest monsoon, Northeast monsoon, and annual rainfall for Tamil Nadu from 1901 to 2023, with deviations calculated relative to the LPA for the period 1971-2020. It reveals a clear downward trend in the state's annual rainfall over this period.

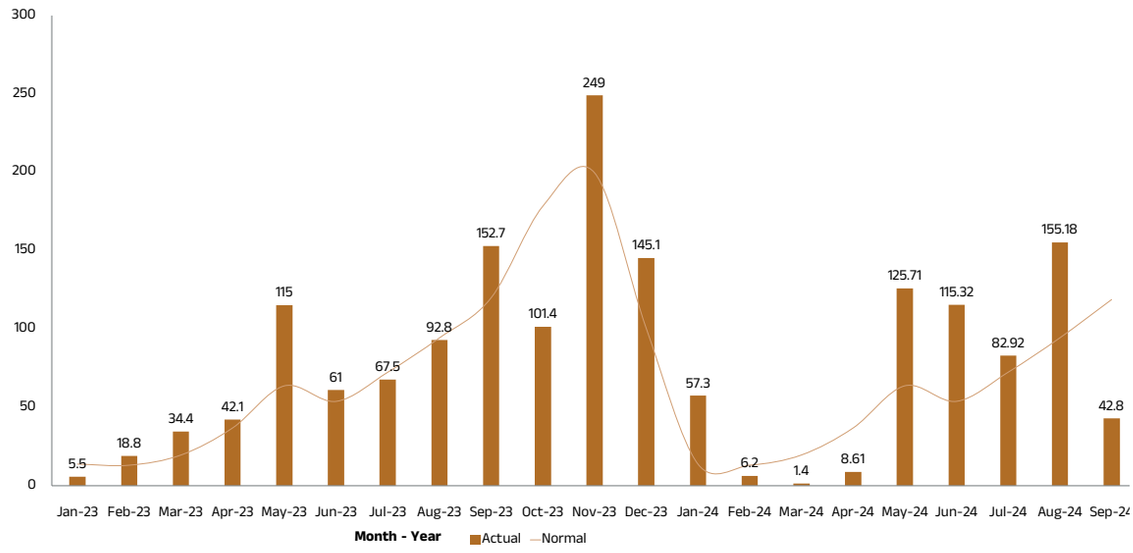
Chart 8.5: Percentage Departure of Southwest Monsoon, Northeast Monsoon, and Annual Rainfall over Tamil Nadu (1901 to 2023)



Source: IMD,Pune (2022)

8.11 The monthly rainfall from January 2023 to September 2024 shown in Chart 8.6 indicates that in 2023, the state received above normal rainfall in May, September, November and December while rainfall in October was below normal. In 2024, the above-normal rainfall occurred in January, May, June, and August, while April and September witnessed below-normal rainfall.

Chart 8.6: Monthly Rainfall (mm) from January 2023 to September 2024



Source: Directorate of Economics and Statistics,GoTN

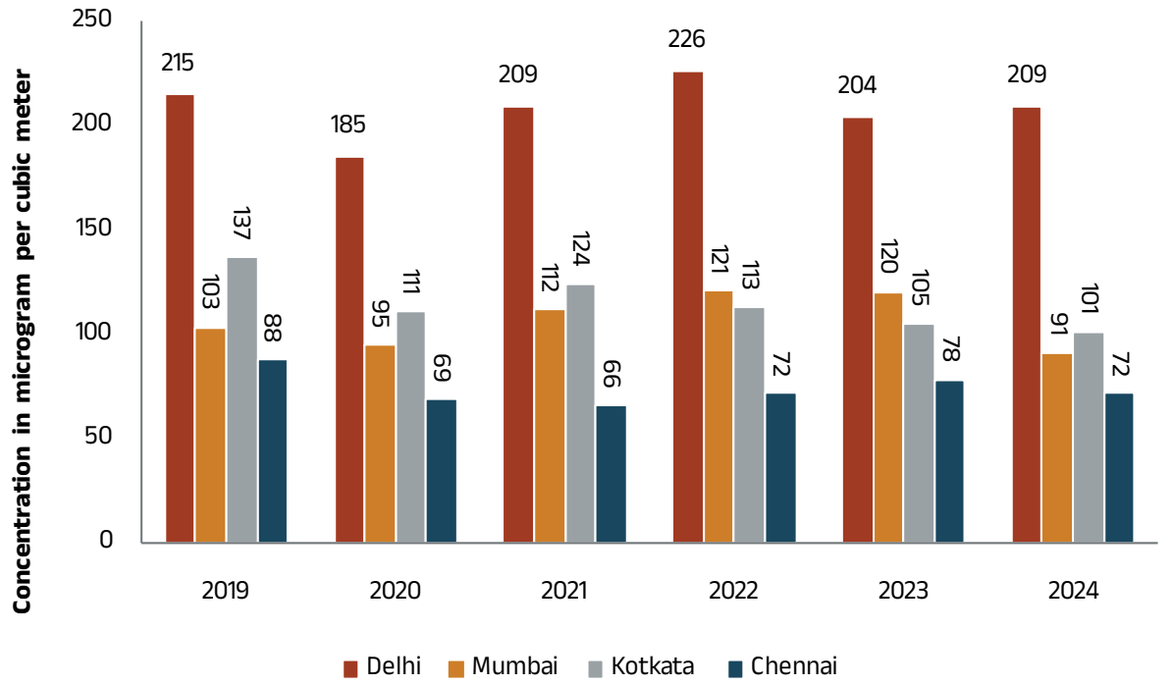
Air Pollution

8.12 Air quality is assessed by comparing the concentration of criteria air pollutants, such as particulate matter (PM10 and PM2.5) and nitrogen dioxide (NO2), sulfur dioxide (SO2), carbon monoxide (CO), ozone (O3), ammonia (NH3) and lead (Pb), with the National Ambient Air Quality Standards (NAAQS) set by regulatory authorities. In recent years, the Air Quality Index (AQI), which is represented by a single numerical value, has become an effective tool for communicating air quality information to the public and raising awareness about its harmful effects on human health and the environment.[28]

[28] *The AQI is categorized to six levels: (i) Good (0-50): Minimal Impact; (ii) Satisfactory (51-100): Minor breathing discomfort; (iii) Moderately polluted (101-200): Breathing discomfort to people with asthma, lung, and heart diseases; (iv) Poor (201-300): Breathing discomfort to most people on prolonged exposure; (v) Very Poor (301-400): Respiratory illness on prolonged exposure; and (vi) Severe (401-500): Serious health impacts, even for healthy individuals and severe effects for those with pre-existing conditions.*

8.13 Chart 8.7 presents the yearly average AQI for Delhi, Mumbai, Kolkata and Chennai from 2019 to 2024. During this period, Delhi consistently fell into the poor category, while Mumbai's air quality categorized as moderately polluted for 4 out of 6 years. Kolkata also remained in the moderately polluted category. Chennai improved to satisfactory category starting from 2019.

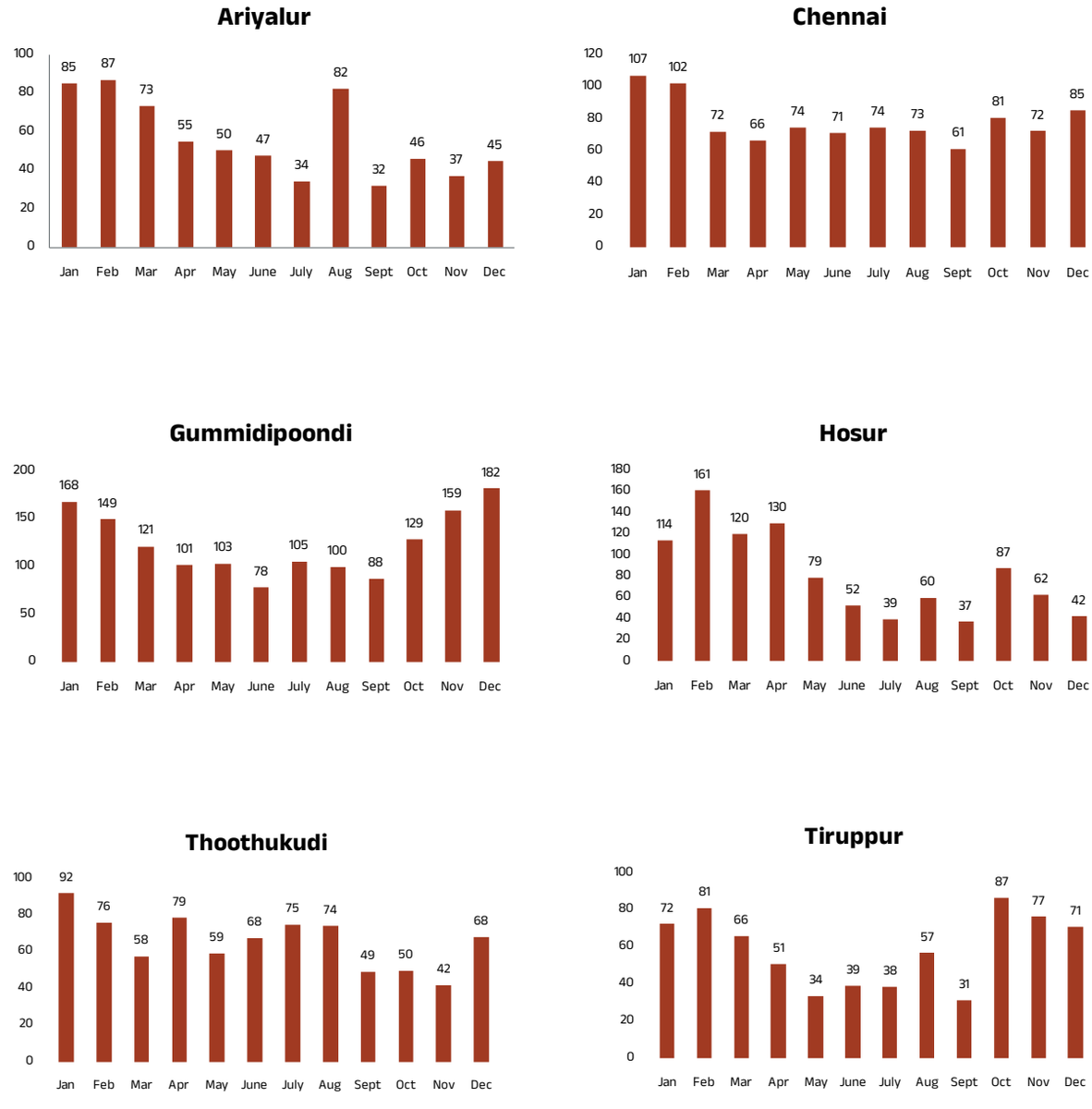
Chart 8.7: Air Quality Index for Selective Cities



Source: Central Pollution Control Board.

8.14 Chart 8.8 shows the monthly average AQI for selective towns in Tamil Nadu in 2023. Gummidipoondi recorded a moderately polluted AQI, with values exceeding 100 in all months except June and September. In Hosur, the AQI was above 100 in the first quarter of 2023, but decreased significantly after that. Chennai's AQI exceeded 100 in the first two months of the year, after which it declined. Based on these trends, Gummidipoondi emerged as the most polluted place in Tamil Nadu, followed by Hosur and Chennai.

Chart 8.8: AQI for Selective Cities in Tamil Nadu in 2023



Source: Central Pollution Control Board.

Climate Risk Assessment in Tamil Nadu

8.15 Climate Studio's (at Anna University) "Climate Risk Assessment and Adaptation Plan for Tamil Nadu (2024)" has analyzed the mean maximum temperature and annual average total rainfall for 38 districts in Tamil Nadu from 1985 to 2014 and projected the trends up to 2100 under different shared socio-economic pathways scenarios (SSP2-4.5 and SSP5-8.5), outlined in the Intergovernmental Panel on Climate Change Assessment Report 6.

8.16 It indicates that the annual mean maximum temperature in Tamil Nadu may rise by 0.4°C, 1.3°C and 1.7°C during near-century, mid-century and end-century under SSP2-4.5 scenario. The annual average rainfall may increase by 4% towards the near century, 11% in the mid-century and 16% towards the end century. Heat wave days may increase by 22 days per year during the near century, 40 days during the mid-century and 55 days during the end-century.

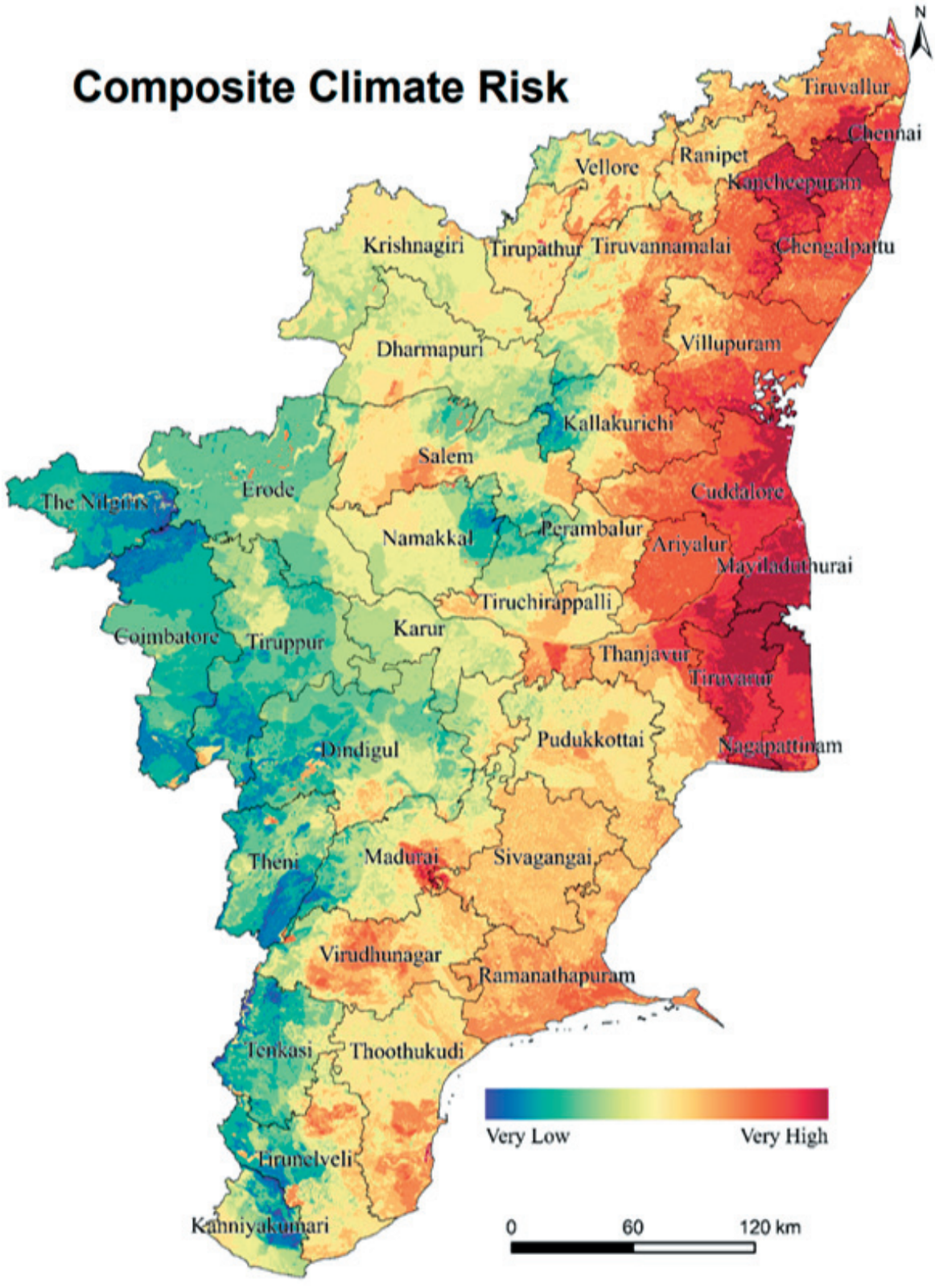
8.17 The report also provides the Composite Climate Risk Index values for all districts in Tamil Nadu (under near Century, SSP2-4.5 scenario). Northeastern coastal regions are highly vulnerable, with challenges like extreme weather events during the northeast monsoon, pluvial floods, cyclones, and sea level rise, exacerbating agricultural losses due to prolonged water stagnation. Districts like Mayiladuthurai, Thiruvarur, Kancheepuram, and Nagapattinam face elevated risks (Chart 8.9). Conversely, the lower delta regions such as Pudukottai, Sivagangai, and Ramanathapuram face lesser impacts from coastal hazards (they face only drought risk).

8.18 The western ghats exhibit lower vulnerability, benefitting from dense forests with robust carbon sinks. Palghat Pass, Sengottai Pass and Kanyakumari Aralvaaimoghi Pass receive substantial rainfall from both monsoon seasons, enhancing their resilience. Eastern Ghats suffer from degradation, contributing to heightened drought conditions, impacting agricultural productivity. The central core of Tamil Nadu spanning from Kanyakumari to Ranipet faces moderate risk levels.

8.4 Interstate Comparison

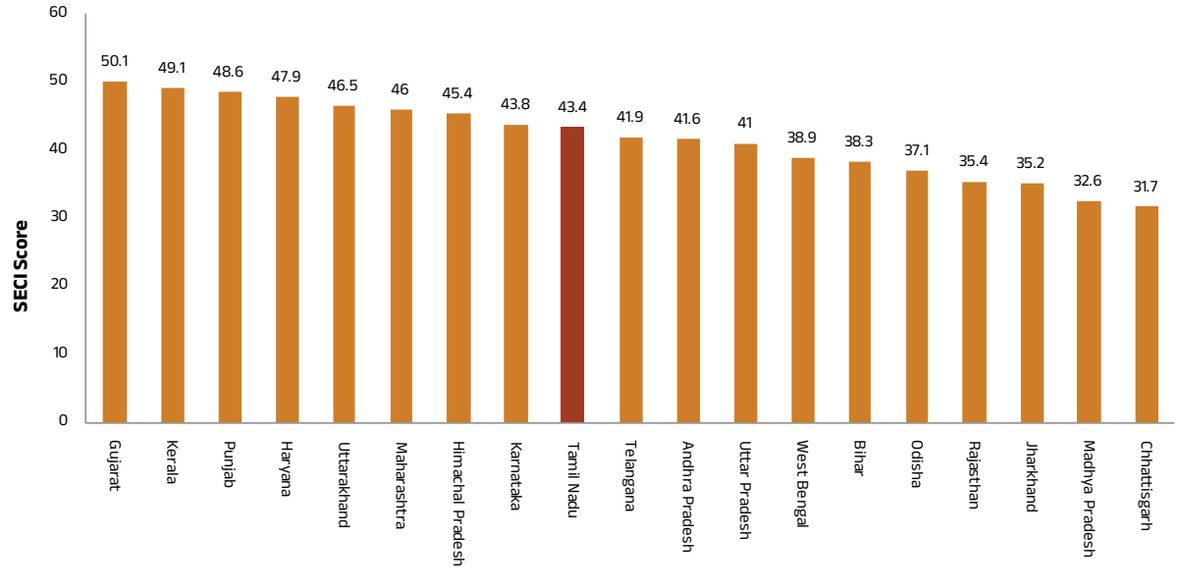
8.19 NITI Aayog (2022) developed the State Energy and Climate Index (SECI) using 27 indicators across 6 parameters: DISCOM'S performance, access, affordability and reliability, clean energy initiatives, energy efficiency, environmental sustainability and new initiatives. The index aims to encourage states to adopt best practices and accelerates this transition to clean energy. Gujarat topped the ranking with the highest score of 50.1, followed by Kerala, Punjab and Haryana, which were classified as Front-runners (Chart 8.10). Tamil Nadu ranked 9th with a score of 43.4, placing it in the Achievers category, along with Himachal Pradesh, Karnataka, Assam, Telangana, Andhra Pradesh, Uttar Pradesh, West Bengal and Bihar. The remaining states were categorized as Aspirants.

Chart 8.9: Climate Vulnerability of Tamil Nadu Districts



8.4 Interstate Comparison

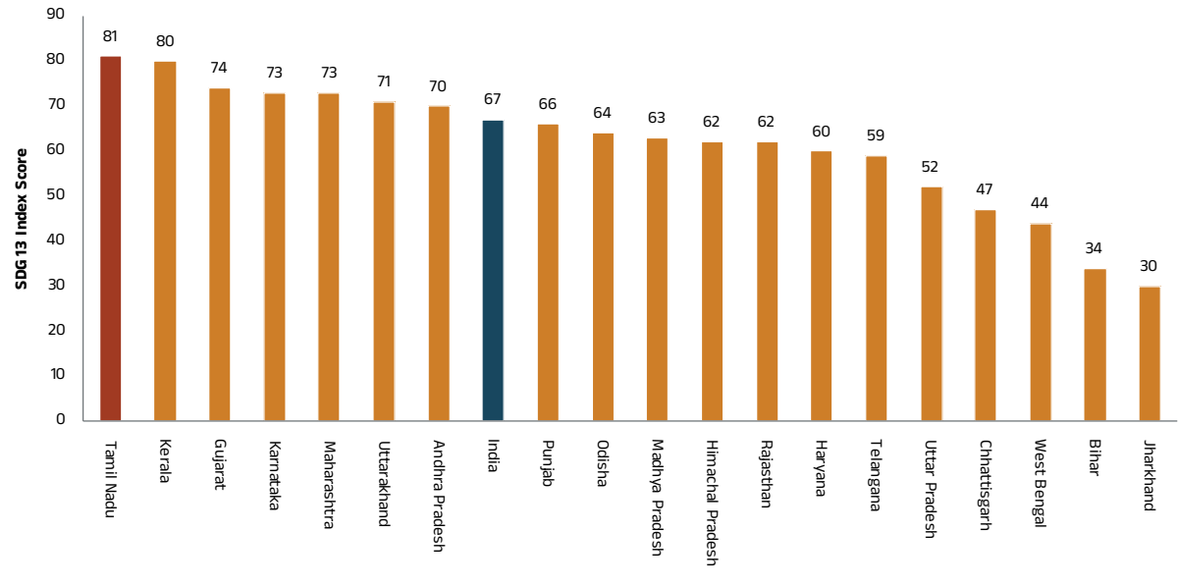
Chart 8.10: State Energy and Climate Index



Source: NITI Aayog, April 2022 based on 2019-20 data

8.20 To track the progress of states and UTs in achieving the SDGs, the NITI Aayog computes the SDG India Index, using 113 indicators. It also computes the goal-wise score on 16 SDGs, with scores ranging from 0 to 100. A higher score indicates greater progress towards the target. The SDG 13 relates to climate action, committing to 'take urgent action to combat climate change and its impacts. In the SDG 13 Index, Tamil Nadu ranked first with the score of 81, significantly higher than the national average of 67 (Chart 8.11).

Chart 8.11: SDG 13 Index Score (Climate Action) 2023-24



Source: Niti Aayog, SDG India Index, 2023-24

8.5 Conclusion

8.21 The State Government has taken a pioneering role in climate change action by establishing the Tamil Nadu Governing Council on Climate Change, chaired by the Hon'ble Chief Minister, with a team of eminent experts to guide policy directives for climate change adaptation and mitigation in the state. Additionally, the government has developed the Tamil Nadu State Action Plan on Climate Change for the years 2023-2030. Comprehensive baseline studies have been conducted in key areas such as reducing emissions from mass transport, rehabilitating coastal habitats through eco-friendly solutions, waste-to-energy initiatives, the carbon enrichment program, sustainable habitats, climate literacy, and climate-smart villages. These are commendable achievements. However, the State Government should focus on increasing electricity generation from renewable energy sources and decreasing dependence on fossil fuels. The promotion of public transport, particularly by enhancing the comfort, speed, and reliability of the public transport system, should be a top priority. Efforts to increase energy efficiency, particularly through awareness campaigns and collective actions targeting farmers and household consumers, must be emphasized. Improving the efficiency of electricity transmission and distribution networks is also crucial. Above all, there should be a strong focus on climate adaptation strategies to build resilience in the state.

8.22 Sustainable water management practices, such as optimizing groundwater extraction, enhancing irrigation efficiency, promoting effective flood control measures, and encouraging micro-irrigation, should be implemented. The agriculture and allied sectors require interventions in areas like integrated farming, agro-silvo-pastoralism, precision farming, the development of hybrid drought/tolerant seeds, reducing post-harvest losses, and establishing a social security net for rural landless laborers. Conserving biodiversity and protecting critical natural ecosystems and wildlife habitats, both on land and in the sea, must be prioritized. Increasing forest cover should also be a key focus. Additionally, addressing marine pollution, protecting mangroves and coral reefs, and implementing sustainable coastal management practices such as preventing sea erosion through natural solutions and replenishing beaches should be given utmost importance. Furthermore, promoting alternative and more sustainable practices across sectors is essential for long-term environmental health.

8.23 Livelihoods for fisher-folk in critical areas should be a key consideration in the state's climate adaptation plans. From a health perspective, the impacts of heat-waves on crops, humans, and wildlife, the increased likelihood of sudden disease outbreaks, and the escalating pollution of air, soil, and water, along with the resulting health hazards, need to be minimized. This can be achieved by focusing on the One Health Mission, improving sanitation practices, expanding preventive health outreach, and enhancing diagnostic facilities. Given that Tamil Nadu is one of the most urbanized states, significant emphasis and strategic investments are required to address urban flooding, increase blue-green spaces, establish more eco-parks, expand green tree cover, create sponge parks, ensure universal access to clean water, and improve solid and liquid waste management. Additionally, building the capacity of government officials, NGOs, civil society organizations, students, and the public on various climate change adaptation practices should be prioritized. Every government scheme should be aligned or modified to tackle the challenges posed by climate change. This requires swift and concerted action to ensure a sustainable, climate-resilient future for the state.

Chapter 9

MEDIUM-TERM GROWTH OUTLOOK

9.1 Introduction

9.1 Tamil Nadu stands at a pivotal moment in its economic and social development, with a strong foundation across industry, services, agriculture, employment, and social sectors. As one of India's most industrialized and urbanized states, Tamil Nadu has consistently outperformed national economic indicators, with high per capita income, a robust manufacturing ecosystem, and a well-diversified services sector. The state's ambitious vision to become a $1 trillion economy by 2030 reflects its commitment to sustained high growth, innovation-driven industries, and inclusive development. However, achieving this requires strategic planning, policy reforms, and infrastructure investments that address emerging challenges, including climate change, demographic shifts, technological disruptions, and changing employment landscape. This chapter outlines Tamil Nadu's medium-term outlook, highlighting sectoral strengths, potential risks, and necessary policy directions to ensure long-term resilience and prosperity.

9.2 Per Capita Income

9.2 Tamil Nadu has consistently maintained one of the highest per capita incomes in India, reflecting its strong economic base and diversified industrial and services sectors. In 2023-24, Tamil Nadu's per capita income stood at ₹3.15 lakh, placing it among the top states in the country. The state's per capita income is significantly above the national average. Compared to other major economies, Tamil Nadu's per capita income, when adjusted for Purchasing Power Parity (PPP), is comparable to nations like Argentina and Turkey. However, disparities persist across districts, with Chengalpattu and Kancheepuram leading in per capita income, while some southern and eastern districts remain below the state average. Ensuring balanced regional growth through targeted industrial investments, digital infrastructure expansion, and rural entrepreneurship development will be crucial for raising per capita incomes across all districts.

9.3 Demographic Dividend

9.3 Tamil Nadu is currently benefiting from a demographic advantage, with its working-age population at its peak. However, unlike many other states experiencing rapid labor force growth, Tamil Nadu is expected to see a gradual decline in its working-age population from 66.4% in 2021 to 63.6% by 2036. While this demographic shift may reduce labor market pressures, it also necessitates urgent measures to enhance productivity through skill development and technology adoption. The state's higher Gross Enrolment Ratio (GER) in higher education has led to an increase in skilled professionals, but the declining Labour Force Participation Rate (LFPR), particularly among women, requires policy intervention to boost workforce participation. To fully leverage the demographic dividend, Tamil Nadu must focus on enhancing employment-linked skilling programs, strengthening the gig and digital economy, and promoting high-value industries that can absorb a technologically advanced workforce.

9.4 Path To A Trillion-Dollar Economy

9.4 Tamil Nadu has set an ambitious goal of becoming a $1 trillion economy by 2030, positioning itself as a major contributor to India's overall economic growth. As of 2023-24, the state's Gross State Domestic Product (GSDP) stood at ₹27.22 lakh crore, registering an impressive real economic growth rate of 8.23%. To achieve the $1 trillion milestone, Tamil Nadu will need to sustain an annual growth rate of over 12%, driven by industrial expansion, infrastructure development, and digital transformation. The government has introduced sector-specific policies, including the Tamil Nadu Semiconductor and Advanced Electronics Policy 2024, to attract investments in high-tech manufacturing and innovation-led industries. Additionally, with its strong logistics network, rising renewable energy capacity, and leadership in IT and GCC sectors, Tamil Nadu is well-positioned to transition into a globally competitive economy. However, achieving this target will require sustained public and private investments, enhanced ease of doing business, and inclusive growth strategies that ensure all regions of the state benefit from economic expansion.

9.5 Agriculture

9.5 Tamil Nadu has a long history of irrigation and cultivation, having tapped most of its surface and groundwater irrigation potential. The state has one of the highest productivity in Rice and Sugarcane. The state also has a large area dedicated towards horticultural crops. Though the contribution of the agriculture sector to the state's GSVA is on a declining trend, it is still supporting a large workforce, necessitating the support needed for the sector.

9.6 However, its agriculture remains highly dependent on monsoons and groundwater availability, making climate resilience a critical priority. The sector must integrate climate-smart practices, mechanization, and "invisible water" management to ensure sustainability. Tamil Nadu has made strides in organic farming, expanding significantly in recent years, but broader adoption is necessary for long-term viability. Additionally, value addition and better marketing strategies for niche crops will strengthen the sector. Integration with global supply chains will unlock export potential while improving market access for horticultural crops. The state must also strengthen cooperative movements and institutions such as Farmer-Producer Organizations (FPOs) to drive transformative change in the agricultural sector.

9.7 To sustain growth, Tamil Nadu is focusing on technology adoption, irrigation improvements, and diversification into allied sectors such as livestock, inland fishing, and food processing. The livestock sector contributes over 5% to the state's GSVA, emerging as a critical pillar for rural incomes. Building on the poultry sector's success, Tamil Nadu should scale up other animal husbandry sectors for greater income generation. The state has also prioritized rural financing, with crop loan disbursements crossing ₹15,500 crore in 2023-24, making Tamil Nadu a leader in agricultural credit.

9.8 However, to ensure long-term agricultural sustainability, policy measures must focus on expanding cold storage, reducing post-harvest losses, and improving direct farmer-market linkages. With targeted reforms, resource-efficient practices, and modern infrastructure, Tamil Nadu can strengthen its position as a leader in climate-resilient, high-value agriculture while improving rural livelihoods.

9.6 Industry

9.9 Tamil Nadu's industrial and services sectors are deeply integrated with the global economy, making resilience essential in an increasingly complex and rapidly evolving world. The state has strong traditional advantages in automobile manufacturing, machinery, light engineering, and textiles, both in large-scale industries and MSMEs. Tamil Nadu has consistently ranked among the leading industrial states, with a well-developed manufacturing ecosystem and export-oriented industries. Conventional industrial policy measures, such as land allotment, common infrastructure, connectivity, and access to low-cost capital, remain crucial to supporting the sector. However, the rapidly changing global landscape demands innovative approaches, including industrial housing solutions, entrepreneurship programs within academic institutions, and common facilities for end-to-end product development, prototyping, and manufacturing. Additionally, Tamil Nadu must carefully assess and address the impact of increased EV adoption and the decline of internal combustion engine

(ICE) vehicle production, as this transition could significantly reshape the state's automotive and ancillary industries. At the same time, renewable energy presents a significant opportunity for industrial expansion and sustainable economic growth.

9.10 Tamil Nadu's industrial sector is expected to sustain its growth momentum in the medium term, supported by targeted policy interventions, infrastructure development, and investment promotion. The Tamil Nadu Global Investors Meet 2024 secured investment commitments worth ₹6.64 lakh crore, expected to generate 14.55 lakh new jobs, reflecting the state's position as a preferred manufacturing and business hub. The Chennai-Bengaluru and Chennai-Kanyakumari Industrial Corridors, along with sector-specific industrial parks, will accelerate industrial expansion, export growth, and regional economic integration. Tamil Nadu's services sector, including IT, financial services, and logistics, is also witnessing rapid evolution, driven by digital transformation and the expansion of Global Capability Centers (GCCs). Recent developments, such as L&T's partnership with HAL for PSLV assembly, Tata Power's ₹4,300 crore solar module plant, and Apple's expansion in iPhone manufacturing, highlight the state's increasing role in high-tech industries and global supply chains. Moving forward, Tamil Nadu must focus on ease of doing business, industrial infrastructure enhancement, and workforce up-skilling to attract high-value investments. With strategic planning, innovation, and sustainability at its core, Tamil Nadu is well-positioned to remain a national leader in industrial and services sector growth, driving long-term economic transformation.

9.7 Services

9.11 Tamil Nadu has established a strong foundation in IT & IT-enabled services (ITeS), tourism, finance, healthcare, and education services, making the sector a key pillar of economic growth. The state has positioned itself as a leading destination for Global Capability Centers (GCCs), which provide high-value operations, finance, and R&D services for multinational corporations. With AI-driven transformations reshaping the IT industry, re-skilling and up-skilling the workforce will be crucial to maintaining Tamil Nadu's competitive edge in the global digital economy. Meanwhile, tourism presents a significant opportunity for growth, and Tamil Nadu must actively pursue the Tamil Nadu Tourism Policy 2023 to enhance infrastructure and visitor experiences. Encouraging longer stays with immersive tourism experiences can substantially increase revenue generation. Similarly, the state's financial services sector, with a credit-deposit ratio of 117.7% in 2023-24, reflects a strong financial ecosystem, though expanding financial inclusion in semi-urban and rural areas remains a priority.

9.12 Recent developments further highlight Tamil Nadu's increasing prominence in high-value services and logistics. The logistics and warehousing sector is witnessing significant investment, with IndoSpace planning a 41% expansion over the next three years, boosting employment and trade efficiency. To sustain its competitive advantage, Tamil Nadu must focus on enhancing digital infrastructure, strengthening urban mobility, and promoting skill development in emerging fields such as AI, fintech, and cloud computing. Regulatory improvements and ease-of-doing-business reforms will also be essential in attracting new investments in the services sector. With strategic planning, innovation, and policy-driven growth, Tamil Nadu is well-positioned to reinforce its leadership in technology-driven services, global business operations, and sustainable tourism, ensuring long-term economic resilience and expansion.

9.8 Social Sector

9.13 Children born today will continue to have active lives well into the 22nd century. It is imperative to equip them with good health, strong skills, and values rooted in democracy and social justice. Tamil Nadu has made significant strides in education, healthcare, and social welfare, ensuring that its population benefits from inclusive and sustainable development. Early childhood care and education must remain a priority, with a continued focus on nutrition, vaccination, and preventive healthcare. Expanding access to critical new vaccinations such as the HPV vaccine to prevent cervical cancer can further strengthen public health outcomes. The state's proactive approach to school education, skill development, and gender-inclusive policies has yielded notable results, yet ensuring the quality of education alongside increasing enrolment will be essential to prepare future generations for a rapidly evolving world.

9.14 Tamil Nadu is also witnessing a demographic and epidemiological transition, with an ageing population and a shift from communicable diseases to non-communicable diseases (NCDs). The rising prevalence of hypertension, diabetes, cardiovascular diseases, kidney ailments, and cancers, alongside emerging concerns such as road traffic accidents, mental health issues, and suicide prevention, requires a comprehensive and multi-tiered healthcare strategy. A mission-mode approach for the prevention, early identification, and management of lifestyle diseases is necessary to reduce not just financial burdens but also prevent avoidable suffering. Strengthening primary, secondary, and tertiary healthcare systems, along with research-driven interventions, will be critical to addressing long-term public health challenges.

9.15 Tamil Nadu leads the country in Gross Enrolment Ratio (GER) in higher education, reflecting the state's strong emphasis on education. However, improving quality, enhancing critical thinking, and fostering creativity will be essential beyond expanding access. The impact of Artificial Intelligence (AI) will be felt across all sectors, requiring students not only to learn but also to develop adaptability, innovation, and the ability to harness technology from an early stage. Investments in skilled-based education, vocational training, and lifelong learning initiatives will ensure that Tamil Nadu's workforce remains globally competitive and future-ready.

9.16 Tamil Nadu is set to maintain its leadership in higher education by increasing access and promoting inclusivity, especially for government school students and first-generation graduates. The state will prioritise improving educational infrastructure, advancing research, and ensuring gender equality. With a robust network of universities and technical institutions, Tamil Nadu will continue to drive innovation and equip students with the necessary skills to tackle future challenges, solidifying its position as a prominent educational hub in India.

9.17 Moving forward, the state must continue its data-driven and people-centric approach to social development, ensuring that every citizen, regardless of their background, has access to quality education, healthcare, and opportunities for economic mobility. With a strong foundation in social welfare policies, strategic investments in human capital, and an emphasis on technological integration, Tamil Nadu is well-positioned to sustain its leadership in social progress and inclusive growth in the years ahead.

9.9 Climate Change

9.18 As one of India's most urbanised and industrialized states, Tamil Nadu faces growing climate challenges, including rising temperatures, extreme weather events, and shifting rainfall patterns. In response, the Tamil Nadu State Action Plan on Climate Change (2023-2030) focuses on reducing emissions, promoting climate adaptation, and enhancing sustainability. Key initiatives include sustainable habitat development, waste-to-energy programs, coastal ecosystem restoration, and climate-smart agriculture. With a renewable energy capacity of 20,724 MW, Tamil Nadu is among India's top renewable power generators, yet further efforts are needed to reduce reliance on fossil fuels. Expanding public transport, energy efficiency, and climate literacy will be critical in mitigating future risks.

9.19 Sustainable water management and biodiversity conservation must remain central to Tamil Nadu's long-term climate resilience. Enhancing irrigation efficiency, flood control, and micro-irrigation technologies will help manage monsoon variability. Coastal ecosystems, including mangroves and coral reefs, require urgent protection against rising sea levels and marine pollution. Expanding the One Health Mission, which integrates environmental and public health, can help address climate-induced diseases and pollution-related hazards.

9.20 Increasing forest and tree cover is crucial for climate resilience, yet challenges like deforestation and declining green spaces must be addressed. Tamil Nadu's vulnerability to heat-waves, air pollution, and urban flooding calls for urgent action in expanding green infrastructure, improving water management, and strengthening health systems. Tamil Nadu can position itself as a leader in climate adaptation and environmental sustainability by integrating sustainability into economic planning, investing in green initiatives, and enhancing governance.

9.10 Employment

9.21 Tamil Nadu, one of India's most industrialised states, has a robust job market led by automobiles, textiles, IT, and manufacturing, positioning it as a leader in organised employment and industrial workforce expansion. With a Labour Force Participation Rate (LFPR) of 64.6% in 2023-24, the state surpasses the national average, reflecting substantial regular wage employment and steady industrial growth. Tamil Nadu also holds a significant share of India's factories and industrial employment, continuously expanding its workforce and increasing formal employment through structured social security schemes.

9.22 The state's strategic initiatives have attracted global corporations like Cisco, Google, and Ford, strengthening its role in international supply chains and creating new job opportunities. While large scale manufacturing and services remain key employment generators, Tamil Nadu leads in MSME employment and startup growth, with government investments in industrial corridors, the digital economy, and high-tech manufacturing driving job creation in green energy, AI-driven industries, and logistics. However, automation and AI adoption pose challenges, necessitating re-skilling programs and vocational training. The unorganised sector still employs a large workforce, requiring stronger job security, wage protections, and labour welfare measures. In contrast, efforts to enhance women's workforce participation must focus on flexible employment policies, targeted skill training, and gender-inclusive workplaces.

9.23 Tamil Nadu must align its employment policies with global industry trends, fostering innovation, entrepreneurship, and sustainability. Strengthening digital literacy, vocational training, and adaptive workforce policies will ensure inclusive and resilient employment opportunities. By leveraging technological advancements, regulatory frameworks, and labour market adaptability, the state can sustain its position as a leading employment hub while balancing job creation with long-term economic stability.

9.11 Global/ National Scenario and its Implications for Tamil Nadu

9.24 The global economy is projected to grow at 3.3% annually in 2025 and 2026, as per World Economic Outlook (WEO), maintaining moderate but steady progress. However, economic uncertainty remains due to geopolitical tensions, high debt levels, climate risks, and sluggish investment growth in developing economies. While inflation is expected to decline to 4.2 percent in 2025 and to 3.5 percent in 2026, several challenges persist, including trade disruptions, financial market volatility, and workforce realignments due to automation and artificial intelligence (AI). Developing economies are expected to grow at around 4%, but structural issues such as low capital investment and employment uncertainties pose risks to sustained growth. In this context, resilient regional economies like Tamil Nadu must position themselves to leverage global opportunities while minimising exposure to external risks.

9.25 At the national level, India remains one of the fastest-growing major economies, with GDP growth of 6.2% in Q3 2024, driven by strong consumer demand, government spending, and rural sector expansion. Private consumption rose 6.9% year-on-year, aided by moderating inflation and better agricultural output, while government expenditure increased by 8.3%. India's industrial and services sectors rapidly expanding, with significant policy thrusts in manufacturing, digital economy, and green energy. However, the country must address challenges such as employment shifts due to automation, financial sector stability, infrastructure bottlenecks, and environmental sustainability. These national trends directly affect Tamil Nadu, shaping the state's economic policies and growth strategies.

9.26 For Tamil Nadu, these global and national trends present opportunities and challenges. The state has a diversified economy with a strong manufacturing base, a growing services sector, and a well-established digital economy. Tamil Nadu surpasses the national average in LFPR, indicating a mature job market with strong wage employment growth. Additionally, Tamil Nadu leads in organised manufacturing, contributing significantly to India's industrial employment and exports. The state is well-positioned to benefit from India's manufacturing expansion and global supply chain realignments.

9.27 However, Tamil Nadu faces several critical challenges in the medium term. Technological disruptions, particularly in AI and automation, could displace traditional jobs in the industrial and services sectors, necessitating urgent reskilling initiatives. The increasing frequency of extreme weather events poses risks to agriculture, water security, and urban infrastructure, making climate resilience a key concern. The state's ageing population will require shifts in healthcare priorities and social security measures, while low female workforce participation remains an economic inefficiency that needs to be addressed. Additionally, regional disparities in economic growth persist, with some districts lagging in per capita income, infrastructure, and industrial development. Addressing these structural challenges will require targeted policy interventions and sustained investment in education, healthcare, and rural development.

9.28 Tamil Nadu must align its policies with global and national priorities to capitalise on these evolving economic conditions, focusing on green energy adoption, digital infrastructure, workforce skilling, and industrial competitiveness. Strengthening investment promotion, innovation ecosystems, and export-oriented industries will ensure long-term economic resilience and growth. By strategically leveraging India's growth trajectory and global economic realignments, Tamil Nadu can solidify its position as a leading contributor to India's trillion-dollar economy vision while ensuring sustainable and inclusive progress.

9.12 Conclusion

9.29 Tamil Nadu's economic and social trajectory is poised for significant transformation in the medium term, provided targeted policy measures, investment strategies, and governance frameworks are effectively implemented. The state's ability to leverage its demographic dividend, expand digital and physical infrastructure, and integrate sustainability into economic planning will determine its long-term success. While challenges such as climate resilience, workforce realignment, and regional income disparities persist, Tamil Nadu's proactive approach in skilling, industrial diversification, and technological adoption positions it strongly for sustained economic leadership in India. By fostering entrepreneurship, strengthening institutional support, and ensuring inclusive growth, Tamil Nadu is well-equipped to meet the evolving demands of a rapidly changing global economy, cementing its position as a national and international economic powerhouse.

ANNEXURE

Box 1.1 Evolution of Tamil Nadu State Economy

Between 1962-63 to 2022-23, spanning a period of 60 years, Tamil Nadu's Net State Domestic Product (NSDP) experience an impressive 1827-fold increase. In 1962-63, the state's per capita income (NSDP) was ₹ 335 and it increased to ₹ 2.78 lakh in 2022-23, registering 829-fold increase.

Year	NSDP (₹ Crore)	Per Capita Income (₹)	Base Series
1962-63	1168	335	1960-61
1972-73	2839	669	1970-71
1982-83	8821	1777	1980-81
1992-93	37922	6680	1980-81
2002-03	137188	21740	1993-94
2012-13	671728	98628	2004-05
2022-23	2132546	277802	2011-12

Source: MoSPI.

The real growth of NSDP of Tamil Nadu was relatively modest between 1971-72 and 1980-81, averaging just 2.36%. However, it improved significantly to 5.67% during 1981-82 to 1993-94. Further, it registered a double-digit growth of 10.45% from 2005-06 to 2011-12. However, this gradually slowed down, declining to 6.21% from 2012-13 to 2023-24.

Period	1961-62 to 1070-71	1071-72 to 1980-81	1981-82 to 1993-94	1994-95 to 2004-05	2005-06 to 2011 - 12	2012-13 to 2023-24
Growth(%)	2.85	2.36	5.67	5.27	10.45	6.21
Prices	(1960-61 prices)	(1970-71 prices)	(1980-81 prices)	(1993-94 prices)	(2004-05 prices)	(2011-12 prices)

Source: MoSPI.

At the time of Independence, Tamil Nadu's economy was primarily agrarian, with agriculture receiving priority, particularly in the 1960s, to boost productivity. In the 1970's, it shifted its focus to industry, driven by availability of raw materials across various regions. A large number of engineering and polytechnical institutions were established to train the skilled man powers needed for industrial growth. In 1960-61, the primary sector accounted for 52% of the NSDP, but its share declined continuously to 12.65% in 2023-24, making a decline of 39.34 percentage points. At the same time, the secondary sector's share increased by 11.7 percentage points, and the share of tertiary sector increased by 18.14 percentage points.

Sectors	1960-61	1070-71	1980-81	1993-94	2004-05	2011-12	2023-2024
Primary	51.99	39.86	25.92	26.24	12.35	12.79	12.65
Secondary	17.59	26.12	33.49	32.16	27.98	31.89	29.29
Tertiary	30.42	34.02	40.60	41.60	59.67	46.65	48.57
NSDP	100	100	100	100	100	100	100

Source: MoSPI. Net State Value Added (NSVA) for 2011-12 onwards.

Box 1.2 Correlation among Economies (2005-06 to 2023-24)

	Tamil Nadu	India	Global
Global	0.76	0.52	1
India	0.68	1	-
Tamil Nadu	1	-	-

The following regression analysis further confirms that Tamil Nadu's economy has a stronger positive association/correlation with the global economy than with the Indian economy:

TN Economic Growth = 0.285 + 0.908 Global Economy + 0.368 Indian Economy; R2: 0.7; DW:1.9

(t statistics) (0.246) (3.352) (2.423)

Government of Tamil Nadu

State Planning Commission