

## **ECONOMIC DEVELOPMENT OF TAMILNADU – HISTORICAL PERSPECTIVE**

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### **ABSTRACT**

Economic development is a long-term process and it can be attained over a period of time. There are several factors determining economic development. They are classified into quantitative and qualitative factors. The authors in this paper examined and explained development in terms of quantitative variables such as the data on the components of GSDP, GDP and Per capita income. As per the available data, the quantitative indicators indicate that Tamil Nadu witnesses' changes in the indicators in favour of development.

### **INTRODUCTION**

Development in general refers to expansion of economic, social and political activities determine the overall development of an economy. These variables may be quantitative and qualitative. The authors in this paper attempted to explain the economic development in terms of quantitative variables.

### **OBJECTIVES**

The authors made an attempt to examine and indicate the economic development of Tamil Nadu.

### **METHODOLOGY**

To justify the objective of this study, secondary data especially quantitative variables which are related development are used to serve the purpose.

### **CONCEPTS AND ISSUES**

The term Development and Growth are used generally with similar meanings. In economic literature, they are not one and the same. Development is a broader term which also includes growth. Growth is a quantitative variable that can be measured numerically. Whereas economic development is the combination of both qualitative and quantitative variables. Development is a process whereby the real per capita income of a country increases over a period of time. It is clear from the statement that development refers to a long term process. It cannot be achieved in the short run. This also can be explained or indicated by per capita income. The term process refers to many qualitative aspects like economic policies, government rules and regulations, quality of human resources, nature and pattern of production, labour relations, technological development, strength of population, efficient governance, etc.

On the other hand, the term growth refers to increase or change in the quantitative variables like, increase in the level of national income, agricultural and industrial output, etc.

### **FACTORS DETERMINING ECONOMIC DEVELOPMENT**

Development cannot be rained down from heaven, it should be achieved by the people and for the people. Development is a general term which includes economic, social, political, technological, environmental and human resource development. Economic development cannot be determined by economic factors alone but many more non-economic variables influence it.

### **DEMOGRAPHIC FACTORS**

The strength of the population, age structure of population, educational level of population, people's attitudes and aptitudes, literacy rate can influence and facilitate economic development in an economy.

### **FACTORS ENDOWMENT**

The level of economic development, the rate at which development takes place and the gestation period of development depends upon the factors endowment of the economy. That is the quality and the quantity of natural resources available in an economy will determine whether development can be achieved shortly or in the long run. For example, available water sources, quantity and fertility of cultivable land, available minerals, richness of forest etc. are responsible for economic development of the country.

### **ECONOMIC FACTORS**

Capital formation, human capital, national and per capita income overall economic activities like, agricultural, industrial and service sector's production and also the level of input use efficiency will determine economic development of a country.

### **SOCIAL FACTORS**

All non-economic factors like demographic factor, health, education, labour force environment, military, geography, social system, social relationship, religious practices, inter and intra – personal relationship, people's attitudes and characters and culture are also responsible for economic development.

### **PSYCHOLOGICAL FACTORS**

People's psychological factors such as, people's behaviour, attitudes, outlook, mind-set, character, thought pattern, values and ethics play a major role in economic development of a country. For example, poverty may be defined in terms of income and expenditure but ultimately it is the weakness of mind. The psychological factors are mainly responsible for physical and mental health which in turn determine the quality of human capital.

### **ENVIRONMENTAL FACTORS**

Quality of environment such as the quality of soil, air, water and the sustainability of them are very important for economic development of an economy.

## **POLITICAL FACTORS**

Political stability, characteristics of politicians, political policies, ethical values of political parties and politicians are play a major role in economic development. For example, honesty and integrity among the politicians and the economically viable political manifesto will influence economic development to a large extent.

## **GOOD GOVERNANCE**

Evolving and making economic policies should be implemented more effectively and efficiently. It requires suitable policies and effective governance and bureaucrats with honesty and integrity. In fact, implementation of macroeconomic policies or government rules and regulations depends upon the able governance of the government which is, in fact, the software and the government is the hardware of the economic computer.

## **FINANCIAL STABILITY**

The level of investment, savings, tax and monetary and fiscal policies play a major role in economic development. Macroeconomic policy should be evolved in such a way to enhance the level of savings, investment, public expenditure and revenue which may result in more employment and income generation. Investment is an important variable which leads to more production and employment generation which may result in economic development.

## **LIMITATIONS OF THE STUDY**

In this study, the authors considered only the quantitative factors such as the contribution of various sectors towards State income, the level of Gross State and Per capita income to examine the level of economic development in Tamil Nadu. The study assumes other things like social, political, environmental and demographic factors are in favour of economic development.

## **THEORIES OF ECONOMIC GROWTH AND DEVELOPMENT**

According to Rostow's Theory of growth, economic growth will take place gradually and come across different stages of economic conditions. For example, different economic conditions facilitate the growth process which starts from traditional society and it passes on through pre-condition to take off stage, take of stage then to drive to maturity and the last stage of high mass consumption.

The structural theory of economic development explains the term development by showcasing the changes in the sector wise contribution towards the Gross State Domestic Product of Tamil Nadu.

According to G.M. Meier, increase in the real per capita income will indicate economic development of an economy. In this study, the authors apply the structural theory and the quantitative variable to explain the process of economic development in Tamil Nadu. In fact, change in the components of State income will explain the development of Tamil Nadu economy

Table -1 CHANGING SECTORIAL CONTRIBUTION TOWARDS  
GROSS STATE DOMESTIC PRODUCT OF TAMILNADU

(fig. in percentage)

YEARS \ SECTORS	1980-81	1990-91	2000-01	2009-10	2022-23
Agricultural Sector	24.3	21.6	16.7	9.2	7.0
Industrial Sector	35.0	35.1	30.5	30.8	30.0
Service sector	40.7	43.3	52.8	60.1	63.0

Source: CSO (various years) – Figures are in percent

Table – 1 shows that the percentage contribution from the Agricultural sector towards the Gross State Domestic product of Tamil Nadu declines over a period of time. It was 24.3% in 1980-81 and it was reduced to 7% in 2022-23 whereas the percentage contribution of industrial sector towards State Domestic Product of Tamil Nadu was reduced to 30.0 % in 2023 from 35.0% in 1980-81. On the other hand, the contribution from service sector towards State Domestic Product was increased to 63.0% in 2022 -23 from 40.7% in 1980-81. The components of State Domestic Product clearly shows that there is structural change in the economy. The changing structure facilitates the economy to generate more income and employment in the industrial and service sector. The structural change indicates that the economy of Tamil Nadu is developing. The fall in the percentage contribution of Agricultural sector does not indicate that the primary sector is not performing well. The absolute production in the primary sector is increasing but relatively it is less when we compare with the performance of secondary and service sector. Getting more income and employment in the industry and service sector is the indication of economic development as there is less uncertainty and risk in the secondary and service sectors when we compare with the agricultural sector because the performance of the primary sector is a gamble on the monsoon and other necessary requirements for the performance of agricultural sector is beyond our reach.

The contribution from industrial and service sector not only indicates economic development but also economic stability. This also indicates that cultivation is being mechanized and modernized.

This is also true and vivid in the case of Indian economy. India's GDP also gets more from industrial and service sector when we compare with the contribution from Agriculture. This is vivid from Table -2. The change in the structure of Indian economy indicates that India develops at rapid rate.

TABLE-2  
CHANGING SECTORIAL CONTRIBUTION TOWARDS GDP OF INDIA  
(Fig. in percentage)

YEARS \ SECTORS	1980-81	1990-91	2000-01	2009-10	2022-23
Agricultural	38.1	30.9	23.9	14.5	17.59

Sector					
Industrial Sector	25.9	30.0	25.8	28.3	27.55
Service sector	36.0	39.1	50.3	57.2	54.86

Source: Economic Survey, (various years), Government of India.

Table -3 shows the per capita net State Domestic product of Tamil Nadu at current prices and per capita GDP of India at 2011 -2012 prices. Table -3 shows that the per capita Net State Domestic Product of Tamil Nadu was Rs. 8955 in 1993-94 and it was more than doubled during the year 2000-2001 and it was increased by four and half times during the year 2011-12 and it was increased by 54% percent during the year 2020-21 and it was Rs. 166729 during the year 2022-23. Similarly, per capita GDP of India was also increased from Rs. 7690 (1993-94) to Rs. 61564 (2011-12) and it was Rs. 98374 during the year 2022-23.

TABLE-3  
 PERCAPITA INCOME OF INDIA AND TAMILNADU (in Rs.)

YEARS	PERCAPITA INCOME	
	TAMILNADU	INDIA
1993-94	8955	7690
2000-2001	20367	10754
2011-2012	93112	61564
2015-2016	115875	72805
2020-2021	143482	86054
2022-2023	166727	98374

(Data related to Tamil Nadu expressed in current prices and the data for India Expressed at 2011-12 prices)

Source: Statistical hand book of Tamil Nadu and <https://www.macrotrends.net/>

Table-3 clearly indicates that per capita income of Tamil Nadu as well as India increases tremendously. People living below the poverty line are also reduced significantly (4.8% which is less relatively when we compare with other States of India). As per the data on the components of Gross State Domestic Product of Tamil Nadu and per capita Net State Domestic Product, changing structure of sectorial contribution towards Gross State Domestic Product and increasing per capita Net State Domestic Product confirm that there is a significant development in Tamil Nadu and it is also true to India.

## CONCLUSION

The available data (from 1980 to 2023) on changing sectorial contribution towards Gross State Domestic Product of Tamil Nadu and increasing Net Per capita State Domestic Product of Tamil Nadu indicate that there is a significant development in Tamil Nadu. Hence, the process of development is in progress but it is incomplete as there is poverty and unemployment in the economy of Tamil Nadu.

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