



Decentralised Industrialisation in Tamil Nadu

For Prelims: [Gross Value Added \(GVA\)](#), Decentralised Industrialisation Model, Cluster Development, [Production-Linked Incentive](#), [Service sector](#)

For Mains: Role of cluster capitalists in industrial development, India's Industrial Sector, Government Initiatives for Growth of the Industrial Sector

Source: [IE](#)

Why in News?

Tamil Nadu's economic landscape is undergoing a significant transformation, moving beyond its agricultural roots to embrace a **more diversified and industrialised economy**.

- This shift is **largely attributed to the emergence of cluster capitalists** and **'entrepreneurs from below,'** who are driving growth in various industry sectors.

How Diversified and Industrialised is Tamil Nadu's Economy?

- Tamil Nadu's farm sector accounts for a **lower share (12.6%)** of its [gross value added \(GVA\)](#) and **employed labour force (28.9%)** compared to the national average.
- The state has a **higher share of industry, services, and construction** in its economy relative to the all-India figures.
- Tamil Nadu's **agriculture** itself is diversified, with the [livestock subsector](#) contributing a significant **45.3% of the farm GVA**, the highest among all states.
- The state has developed numerous industry clusters across various sectors like textiles, engineering, leather, food processing, etc.
- **Gujarat is more industrialized than TN**, with the factory sector generating 43.4% of the state's GVA and engaging 24.6% of its workforce, compared to TN's 22.7% and 17.9% respectively.
 - However, Gujarat also has a higher share of agriculture in its GVA (15.9%) and workforce (41.8%) compared to TN's 12.6% and 28.9%.
 - This **makes Gujarat's economy less diversified and balanced compared to TN.**

SECTOR-WISE SHARES OF GVA & WORKFORCE: 2022-23 (%)

	Gross Value Added*		Workforce	
	All-India	Tamil Nadu	All-India	Tamil Nadu
Agriculture	18.19	12.55	45.76	28.87
Industry**	18.80	22.69	12.27	17.88
Construction	8.84	11.70	13.03	18.04
Services	54.18	53.05	28.94	35.21

*At Basic Prices; ** Includes manufacturing, mining, electricity and utilities. GVA is GDP net of product taxes and subsidies.

Sector-wise shares of GVA and workforce for the year 2022-23

What Factors have Driven Tamil Nadu's Economic Transformation?

▪ Decentralised Industrialisation:

- Tamil Nadu has only a **few major business entities with annual revenues over Rs 15,000 crore.**
- However, TN's economic **transformation has been driven by medium-scale businesses** with turnover ranging from **Rs 100 crore to Rs 5,000 crore**, with some reaching the Rs 5,000-10,000 crore level.
 - The industrialisation has been decentralised and spread out through the development of clusters.
 - This decentralised approach has allowed for a more diverse and balanced economic landscape.

▪ Cluster-Based Development:

- Cluster development is a **form of economic development that involves placing businesses in a specific geographic area.**
 - The goal is to increase productivity and maximise regional efficiency.
- **Examples of successful clusters in TN:**
 - **Tirupur:** Cotton knitwear (employs 800,000 people);
 - **Coimbatore:** Spinning mills and engineering goods;
 - **Sivakasi:** Safety matches, firecrackers, and printing;
- These clusters have not only created employment opportunities but also **fostered a culture of entrepreneurship and innovation**, contributing to the overall economic development of the state.

▪ Diversification Beyond Agriculture:

- The creation of employment in cluster towns has reduced Tamil Nadu's workforce dependency on farming, leading to diversification beyond agriculture.
 - This shift has expanded the state's economic base by providing alternative employment options.

▪ Entrepreneurship from Below:

- Entrepreneurs from **more ordinary peasant stock and provincial mercantile castes** have played a crucial role in driving the state's economic transformation.
 - These entrepreneurs have built and expanded businesses in various sectors, contributing to the overall industrialisation and economic development of Tamil Nadu.
- Diverse community involvement, has contributed to the success in achieving industrialisation and diversification beyond agriculture.

▪ Social Progress Indices:

- High social progress indices resulting from **public health and education investments**

have likely contributed to Tamil Nadu's relative success in achieving industrialisation and diversification beyond agriculture.

- The state's focus on social development has created a conducive environment for economic growth and transformation, leading to improved living standards and economic opportunities for its residents.

What is the Decentralised Industrialisation Model?

▪ About:

- Decentralisation involves the systematic **distribution of powers and functions across different political and economic agents** in society.
- It encompasses both political and economic dimensions, including the decentralisation of decision-making, ownership of means of production, structure of production, and location of production.

▪ Key Features:

- Dispersion of industrial activities across **rural and peri-urban areas**, reducing dependence on urban centers.
- Promotion of **small and cottage industries, owned and controlled by local communities**, to foster local entrepreneurship and economic empowerment.
- Emphasis on **labour-intensive production** methods to generate employment opportunities and alleviate rural poverty.
- The utilisation of **local resources and skills** to meet local needs and promote sustainable development.
- Interdependence between different village industries creates a self-sustaining economic ecosystem.
- Equalisation of production and distribution through the decentralised location of production units.

▪ Benefits:

- Facilitates balanced **regional development and reduces spatial inequalities**.
- Promotes **inclusive growth** by providing economic opportunities to rural communities.
- Enhances resilience to economic shocks by diversifying industrial activities across regions.
- Fosters community participation and ownership in the development process.
- Supports sustainable development by utilizing local resources efficiently and reducing environmental impacts.

▪ Challenges:

- Limited technical capacity can lead to **greater inefficiency**.
- Decentralised models may lead to increased costs due to a loss of economies of scale, especially in procurement.
- Skilled labour may not be uniformly available across regions in a decentralised model and may result in skill gaps in certain locations.

Gandhi's Concept of Decentralisation:

- Gandhi envisioned a socio-political and economic order based on an egalitarian framework, emphasising decentralisation in decision-making and ownership of means of production.
- He advocated for village-level self-sufficiency and empowerment, promoting rural industrialisation through small-scale, labor-intensive production units such as khadi and village industries.

Initiatives for the Growth of the Industrial Sector in India

- [Production-Linked Incentive \(PLI\);](#)
- [PM Gati Shakti- National Master Plan;](#)
- [Bharatmala and Sagarmala Project;](#)
- [Start-up India;](#)
- [Make in India 2.0;](#)
- [Atmanirbhar Bharat Campaign;](#)
- [Special Economic Zones.](#)

Drishti Mains Question:

Q. Evaluate the impact of decentralized industrialisation and cluster-based development in economic diversification and regional efficiency.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q. In the 'Index of Eight Core Industries', which one of the following is given the highest weight? (2015)

- (a) Coal production
- (b) Electricity generation
- (c) Fertilizer production
- (d) Steel production

Ans: (b)

Mains

Q.1 "Industrial growth rate has lagged behind in the overall growth of Gross-Domestic-Product(GDP) in the post-reform period" Give reasons. How far are the recent changes in Industrial Policy capable of increasing the industrial growth rate? **(2017)**

Q.2 Normally countries shift from agriculture to industry and then later to services, but India shifted directly from agriculture to services. What are the reasons for the huge growth of services vis-a-vis the industry in the country? Can India become a developed country without a strong industrial base? **(2014)**

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