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# Engines of Prosperity: An Economic Analysis of Tamil Nadu's Growth Sectors

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**Abstract--** This is a brief overview of the Tamil Nadu economy in the year 2024-25. It covers broad aspects of the Tamil Nadu economy, including growth trends, sectoral performance, social issues, challenges of changing times, and growth opportunities. The Tamil Nadu economy is strong on many fronts. The growth rate of Tamil Nadu between 2005-06 and 2022-23 has closely tracked India's overall growth trend. While India was growing at 6.71 per cent for the fiscal year, the Tamil Nadu economy is growing at 7.8 per cent. This trend should be maintained to reach the \$1 trillion economy status soon. Also, changes in technology can change India, as well as Tamil Nadu, to remain mysteriously absent. The details provided in the study can help readers understand the numerous challenges and opportunities facing the Tamil Nadu economy.

**Keywords--** challenges, opportunities, tracked, mysteriously, the numerous

## I. INTRODUCTION

Tamil Nadu is one of the most progressive states in India, contributing 12.25% to the country's real GDP. It ranks first in the number of factories, exports, urbanization, and low rates of infant mortality and birth. It also leads in headcount ratio, debt-to-income ratio, life expectancy at birth, literacy, and median income. The state has a strong startup ecosystem and numerous engineering and technical institutions. It is growing rapidly, with growth in automotive units, textile centers, software exports, and manufacturing all contributing to India's progress. Tamil Nadu emphasizes economic growth and social welfare, particularly in education and health. The state ranks first in the gross enrollment ratio in higher education and for women in higher education. The government promotes women's and children's development through initiatives like the Chief Minister's Welfare Scheme and free transport for women. However, the state faces challenges. It had an average growth rate of 8.06% in the last two years following the COVID-19 pandemic and an average real growth rate of 6.21% from 2012-13 to 2022-23. To reach its full potential, the state needs to increase growth by about 10%.

Though Tamil Nadu is a highly urbanized and industrialized state, its agricultural sector is developing but vulnerable to external factors. The growth of the state's services sector has slowed since 2012-13, showing an average growth of 11.28% from 2005-06 to 2011-12. This was followed by a decline of 5.93% from 2012-13 to 2022-23. The agricultural sector's growth is dependent on monsoons, while the Gross State Domestic Product is lagging. The state's average inflation is usually higher than the national average, though it has been lower in the past two years. High investment-led growth is currently underway to meet rising consumption demands and support cashless growth. The growth outlook for Tamil Nadu in 2023-24 and 2024-25 has been reviewed, with suggestions made to tackle short-term challenges.

## II. METHODOLOGY OF THE STUDY

The study adopted a comparative analysis. This study is mainly based on secondary data. Collected for information and Data for Journals, Articles, Economic-Reports, News-Papers to used for a Data collections.

## III. OBJECTIVES OF THE STUDY

- To identify and analyze the key sectors driving Tamil Nadu's economic growth
- To examine sectoral performance trends
- To compare Tamil Nadu's sectoral growth performance with national averages and peer states.
- To provide policy recommendations

### *Economic Growth in Tamil Nadu and India*

The Indian economy experienced steady GDP growth of approximately 6.5%. The economy is growing due to the strong domestic demand, infrastructure, and government support of the economy. Tamil Nadu is exceeding even pending national targets, as it achieved an annual real GSDP growth of 11.19% which is among the highest for example states in India.



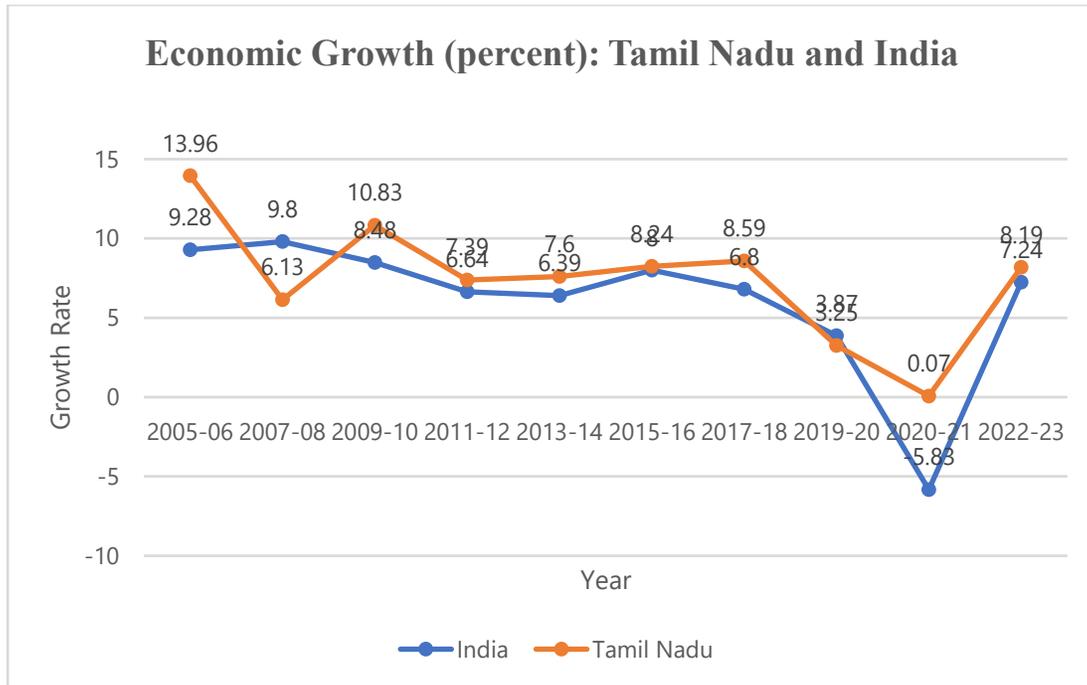
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For the first time in 14 years, Tamil Nadu achieved an annual double-digit growth with a high industrial output and growth in services supported by smart investment in

the services sector. Tamil Nadu is now leading the way in economic growth in India.

**Table 1:**  
**Economic Growth (percent) Tamil Nadu and India**

<b>Year</b>	<b>India</b>	<b>Tamil Nadu</b>
2005-06	9.28	13.96
2007-08	9.80	6.13
2009-10	8.48	10.83
2011-12	6.64	7.39
2013-14	6.39	7.60
2015-16	8.00	8.24
2017-18	6.80	8.59
2019-20	3.87	3.25
2020-21	-5.83	0.07
2022-23	7.24	8.19



**Graph 1: Economic Growth (percent) Tamil Nadu and India**

*Average Real Economic Growth (percent) of South Indian States*

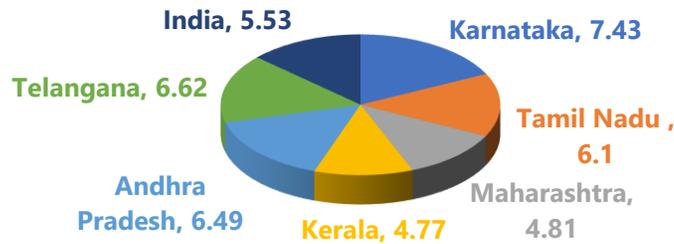
The Southern Indian states of Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, and Telangana have benefited annually from aggregate average GDP growth yearly from 2011-12 to 2021-22, which promotes their economies and positive social conditions for human development.

The average economic growth of the region in the more comprehensive period is attested to by an expanding manufacturing and service sector and modern piece of agriculture. On the other hand, different agency policy in terms of infrastructure investment and a different mix of agriculture, poultry, and services led to the state conducting benefits from different agents and export-led groups in the area. All in all, the apparent to continue major growth and the contribution by the region towards India's GDP as a growth driver illustrates the Indian spirit.

**Table 2:**  
**Average Real Economic Growth (percent) of South Indian States in 2011-12 to 2021-22**

SL No	Southern State	Average Real Income Growth
01.	Karnataka	7.43
02.	Tamil Nadu	6.1
03.	Maharashtra	4.81
04.	Kerala	4.77
05.	Andhra Pradesh	6.49
06.	Telangana	6.62
	<b>India</b>	<b>5.53</b>

**AVERAGE REAL ECONOMIC GROWTH (PERCENT) OF SOUTH INDIAN STATES IN 2011-12 TO 2021-22**



**Graph 02: Average Real Economic Growth (percent) of South Indian States in 2011-12 to 2021-22**

*Tamil Nadu's sector-wise economic growth*

The rapid economic development of Tamil Nadu has exposed the state's considerable and varied economic structure and activity. In 2022-23 and 2023-24, agriculture represented about 11 % of the Gross State Value Added (GSVA) value for the entire sector, the secondary sector (industrial) 37 % and services, represented as approximately 46 %.

In the unique year of 2024-25, the contribution from agriculture fell to -0.09 % of the overall GSVA, its first 'decline' for around eight years, whilst the 'broader' primary sector's contribution was up because of concomitant activities. The industrial sector contribution is clear, with manufacturing contributing 14.7 %, and construction contributing 11.6 %.

**Table 03: Tamil Nadu Sectoral-wise Economic Growth 2021-22 to 2024-25**

Year	Agriculture	Industrial	Service
2021-22	9.46	9.7	7.97
2022-23	3.30	10.4	7.98
2023-24	4.20	8.33	7.8
2024-25	-0.9	14.7	9.25

The sector experienced strong growth in 2021-22 but showed fluctuations afterward, including a negative growth rate of -0.90% in 2024-25. This indicates the agriculture sector's vulnerability to factors like weather variability and market conditions.

The Industrial sector demonstrated steady and accelerating growth over the period, peaking at 14.7% in 2024-25. This reflects robust industrial development and increasing investment in Tamil Nadu's manufacturing and industrial base.



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The service sector maintained consistent growth around 7.8–9.25%, with an uptick in 2024-25.

This steady expansion signifies ongoing strength in Tamil Nadu’s diverse service industries, including IT, finance, and trade.

**Table 04:**  
**Sector-wise Growth Rate and Contribution of the Tamil Nadu Economy**

Sector	Growth Rate	Contribution to the Economy
Primary	+0.15%	~10–13%
Secondary	+9%	~33–37%
Tertiary	+12.7%	~53–55%

Tamil Nadu’s economy is well diversified with a strong industrial base complemented by a large and fast-growing service sector. The relatively small and slow-growing primary sector reflects ongoing structural shifts typical of a developing economy advancing toward industrialization and service orientation.

These sectoral dynamics are critical in shaping Tamil Nadu’s robust economic growth, employment patterns, and development policies, with efforts to boost industrial investment and expand services while addressing agricultural challenges.

This interpretation aligns with recent official and analytical reports on Tamil Nadu’s economy, confirming its position as one of India’s top-performing and most industrialized states with a service-driven growth trajectory.

*Policy recommendations for sustaining and boosting Tamil Nadu's economic growth sector-wise*

*01. Primary Sector (Agriculture & Allied Activities)*

- Update agriculture to incorporate precision farming, mechanization and climate wise farming practices to move agriculture away from stagnation and support resilience to climate and weather variability.
- Strengthen irrigation by further developing micro-irrigation and rejuvenating traditional water bodies in Tamil Nadu so that food can be produced year-round.
- Support crop diversification to provide farmers crop options to create higher-value added horticulture, pulses and oilseeds to improve incomes.

- Reinforce allied activities such as dairy, poultry, beekeeping and aquaculture that have always supported and grown alongside agriculture; these are opportunity areas that can continue to see sustained growth.
- Facilitate digital market links that directly connect farmers with buyers to minimize middlemen.

*02. Secondary Sector (Industry & Construction)*

- Improve existing industrial clusters in the three focus sectors; automobiles, electronics and textiles sector by developing better logistics and plug and play facilities where business can settle in and operate from.
- Support a movement towards access for MSME's; ensuring access to capital can inject a new home grown layer to manufacturing, as this will help with productivity levels. Also consider access to technology in MSME's both upgrades and new technologie an enabling environment to expand into export markets.
- Endorse a green manufacturing movement and in conjunction the adoption of renewable energy manufacturing so that manufacturing, as it relates to sustainability, can meet objectives in relation to ESG. Enticing sustainable business principles will also draw foreign direct investment.
- Facilitate infrastructure projects that are relevant to industrial and construction activity; this could include industrial corridors, ports and integrated townships.



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- New skilling programs can help target skills gaps to meet their needs; in the industrial and construction sectors this would relate to advanced manufacturing and construction technology ideas.

### 3. Tertiary Sector (Services)

- Extend IT & IT-enabled services to tier-2 locations such as Coimbatore, Madurai, and Tiruchirappalli to promote local level balanced regional growth.
- Enhance the tourism and hospitality sectors by developing heritage circuits, eco-tourism locations, and medical tourism hubs.
- Encourage financial services and financial technologies (fintech) start-ups by creating fintech zones, incubators, and providing venture funding.
- Strengthen transport & urban infrastructure to support the trade, retail and logistics sectors.
- Utilize digital public infrastructure to enhance the service delivery of healthcare, education and e-governance.

### 4. Cross-Cutting Strategies

- Continue to strengthen the ease of doing business by minimising compliance burden and embargo for clearances.
- Continue to attract FDI & domestic investments by using targeted incentives and round tables with key representatives in the larger sectors through investment summits that tie investors into states and districts.
- Continue to incentivise research & development and innovation in agriculture, manufacturing and services through partnerships and research exchange between institutions of learning and industries operating in the sectors.
- Ensure there is regional equity by ensuring proposed growth initiatives or incentives will be used to reduce unwanted variation across districts experiencing less-developed economic growth.
- Support conservation, climate action, resilience to climate impacts, and sustainability goals by utilising all the research, learning and development connected to renewable energy and waste management as well as green mobility in all economic sectors.

## IV. CONCLUSION

The data of recent relative economic performance of Tamil Nadu show that it is one of the most productive and dynamic economies in India. The content of its economy provides a blend of some agriculture, manufacturing and services and identifies an evolving economic dynamic. The Services sector has emerged as a leading part of this growth story with the Industrial sector characterised in some represented way by automobiles, testing and textiles add up to approximately half of the Gross State Domestic Product (GSDP) of Tamil Nadu. The Primary sector has been slow to grow and most take ups have differed from agriculture but the water economy, urban development and infrastructure broadly have distinguished value. The GSDP growth narrative that exemplifies better than half of the data base for Tamil Nadu for the years 2024-2025 notes the distinct success, and inclusive use of all data from two points of GSDP, infrastructure development, This GSDP growth story is part of the collective growth and value derived as changeable states are being generated based on, ideally, appropriate, clean and sustainable development, talent development, economic fairness between regions and a continued flushing out of wealth pollution. And particularly in these combined space values, through these three sectors, assuming they are optimally governed (most likely), Tamil Nadu is not bad, relative to India as a whole, and shows its markings of inclusive, clean growth across India's cross-sector and value-structure boundaries.

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