



Executive summary

Tamil Nadu is India's sixth-largest state by population¹ and second largest by gross state domestic product (GSDP).² With a GSDP of USD187.6 billion in 2019–20,³ its growth has surpassed the national average for the third consecutive year, and it continues to rank among the coveted investment destinations in India.⁴

It has consistently been positioned among the top five states for foreign direct investment (FDI) equity inflows, receiving a cumulative FDI inflow of USD446.8 billion between January 2000 and September 2019, with major investments flowing in from Mauritius, Singapore, the US, Japan, and the Netherlands. Until September 2020, it bagged 42 projects worth USD1.6 billion through the State's single-window facilitation.⁵

Tamil Nadu's list of accomplishments continue to grow – It is one of the top 10 automobile hubs in the world — with the capital, Chennai, widely known as the 'Detroit of India' and 'Automobile Capital of India'.⁶ The state has the highest number of operational special economic zones (SEZs) and factories as of 2020 — with more than 37,220 facilities,⁷ making it the largest employer of industrial workers. It holds the top spot in the Good Governance Index 2019 and ranks second in the India Innovation Index 2019. It also ranked third in Export Preparedness Index in 2020⁸ and is the third-largest exporter among Indian states.⁹

Multiple factors, including robust infrastructure, surplus power availability, conducive regulatory environment, sector-


specific incentives, single-window clearance for fast-track approval process, the Industrial Policy 2014 and Business Facilitation Act 2018, new-age technology policies and labour reforms have engineered Tamil Nadu's growth.

The state has a diversified manufacturing sector and features among the top states in India for several industries such as automobiles, pharmaceuticals, textiles, leather products and chemicals. Among services, information technology (IT) and enabled services (ITeS), healthcare, tourism and telecommunications continue to make strides.

The availability of a vast pool of skilled workers in manufacturing (33 percent in gross state value added or GSV in 2019-20) and services (53 per cent of GSV) sectors has served as the engines of growth.¹⁰

Tamil Nadu, with its skilled workforce, could also play a vital role in the Atmanirbhar Bharat Abhiyaan. Sectors including electronics, automobiles, software, hardware, leather, textiles and tourism could witness growth with focus on greater self-reliance. Across industries, several recent policies introduced by the state, such as the Electronics Hardware Manufacturing Policy, Aerospace and Defence Industrial Policy, New Integrated Textile Policy and Electric Vehicle Policy can provide the required growth impetus for localisation.

The state aims to emerge as the preferred hub for aerospace and defence sectors and endeavours to acquire a 30 percent share of



India's defence sector, create high-end employment for 100,000 people¹¹ and generate investments worth USD15 billion over the next 15 years.

With the new Tamil Nadu Electric Vehicle Policy, 2019, the government intends to build a domestic production ecosystem for electric vehicles (EV) — creating new opportunities across the electric mobility value chain. The state could play a critical role in India's Automotive Mission Plan 2016–26, which targets 3x growth and aims to establish the country as a manufacturing base and export hub.

Healthcare will continue to remain a priority for the government, with parameters such as expanded primary healthcare network, multi-functional infrastructure, national health protection coverage and adoption of digital technology. In April 2020, the government announced special incentives such as capital subsidy and duty waivers for manufacturing of COVID-19-related medical equipment and drugs — a move lauded by medical equipment manufacturers who expressed interest in foraying into the state.

It is also investing in infrastructure and has enlisted 179 projects worth INR8.6 trillion to build on the Infrastructure Vision 2025.¹² From the energy perspective, Tamil Nadu ranks among the top nine renewable energy markets in the world. Going forward, in addition to transforming the state's energy mix, which is skewed towards renewables and natural gas, the government can look to enable digital intervention to ensure affordable, clean and reliable power supply.

Better urban planning, efficient use of industrial corridors and clusters, and strengthening rural infrastructure to promote growth of agro-based industries can rank amongst the state's priorities.

Economies globally are witnessing major setbacks due to COVID-19 and Tamil Nadu has not remained unscathed. The government has been taking multiple initiatives to restore economic growth and investments through this catastrophe. In May 2020, the state set up a special committee, headed by former RBI governor C Rangarajan, to identify measures to revive the state's economy post-COVID-19.¹³ In April 2020, it set up a

special task force to scout for potential investors and infrastructure projects, frame guidelines to ensure speedy clearances and formulate special incentive packages investments. With this, the government's aim is to encourage investors from countries such as the US, Japan, South Korea, Singapore, and Taiwan, which are expected to reassess and relocate investments post-COVID-19.¹⁴

The pandemic has also altered our world in ways we never envisioned. More importantly, it has accelerated the pace of digital transformation across industries, businesses and functions. The state is also in the process of digitising all government-to-business interaction for approvals and services — to facilitate faceless, contactless and paperless processes.¹⁵ It is actively engaged in developing a robust single window portal, end-to-end online services and computerisation of commercial courts to create a robust investment ecosystem.

However, with this massive digital transformation, the fundamentals of cybersecurity need a overhaul. Addressing this, the Tamil Nadu government launched its cybersecurity policy in September 2020 — the first such policy aimed at protecting public data.¹⁶

These initiatives have helped the state maintain a healthy inflow of investments. Even during the pandemic, Tamil Nadu ranked second among other states, with investments worth INR233 billion on 32 projects in Q2 of 2020–21.¹⁷ The state is hopeful to continue its growth trajectory and is working on a new industrial policy and a host of investor-friendly initiatives to cement its economic and industrial growth – across industries.

With COVID-19 triggering large-scale realignment in supply chains across the globe, India has a unique opportunity to take on a more inclusive and proactive role in leveraging its vast pool of skilled resources, competitive costing and developed eco-system for select sectors and gain an edge in the global supply chain reconfiguration race. Tamil Nadu, being among the most industrialised and urbanised states and second-largest state by GDP,¹⁸ is well-positioned to capitalise on this opportunity.

Tamil Nadu, India's economic powerhouse, has a conducive business environment, integrated infrastructure and proactive governance^{19,20,21,22,23,24,25,26,27,28,29,30,31,32,33}

#1



Urbanisation rate



International and domestic tourist arrivals



Renewable power generating state (October 2019)



Cargo handling capacity



Teledensity (March 2020)



Higher education institutes ranked amongst the top-50 in NIRF 2020



Highest number of operational SEZs and factories in 2020



Number of industrial workers employed in 2020



Access to electricity (measured by consumption – 1,228 kWh)



Good Governance Index 2019



Penetration of among competing locations in India

#2



Gross state domestic product at constant prices FY19



Net state value added at constant prices FY19



NCAER State Investment Potential Index 2018



Chennai (amongst Indian metros) Ease of Living Index 2018



Human Development Index amongst India's 13 largest states 2018



Lowest infant mortality rate



India Innovation Index 2019



R&D spender state-wise on agriculture, research and education FY19



Public Affairs Index 2018 (essential infrastructure, law and order)

#3



Per capital income, FY20



Number of doctors per 1,000 people, FY18 (1.19)



Export Preparedness Index 2020



Number of engineering colleges



State that exports the most in India



Number of R&D institutions in India (October 2020)



Number of broadband connections



Economic



Socio demographic



Infrastructure



Industrial

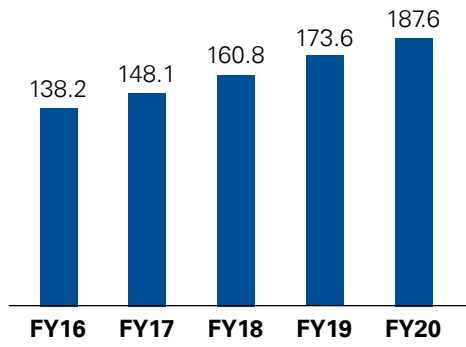


Governance

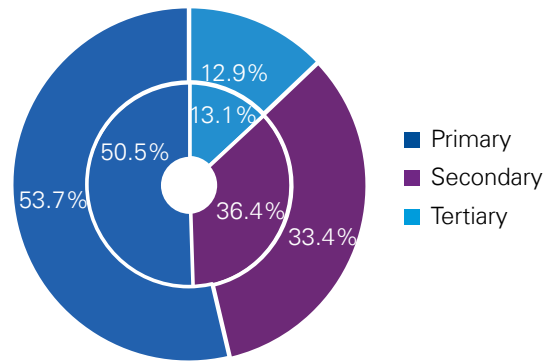
Note: SEZs – Special Economic Zones, NIRF – National Institutional Ranking Framework, NCAER – National Council of Applied Economic Research, R&D – Research and development, FY – Financial year

A favourable ecosystem is driving economic growth

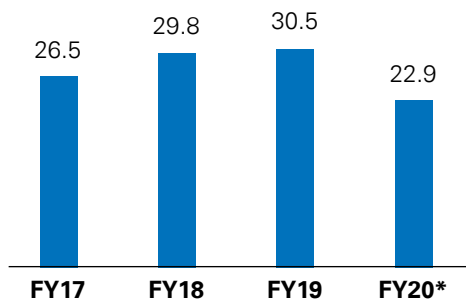
GDSP in USD billion



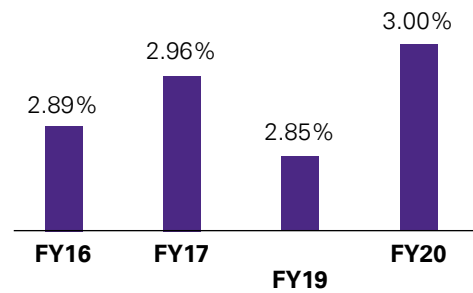
Change in GSVA sector composition – FY12 (inner circle) vs FY20 (outer circle)



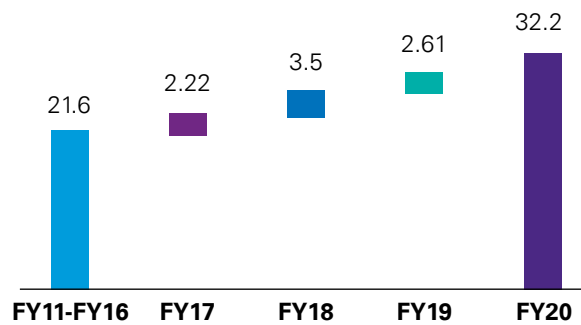
Exports in USD billion



Fiscal deficit as a per cent of GDSP



FDI inflows in USD billion

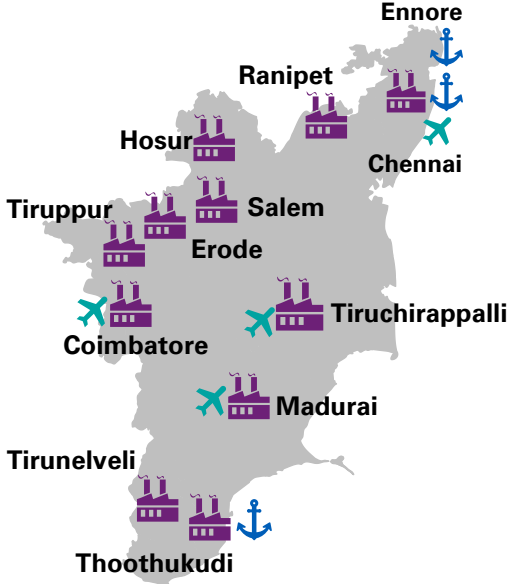







Robust and integrated physical infrastructure

Tamil Nadu has historically laid emphasis on building credible physical and social infrastructure across the state. Infrastructure investment is prioritised by policy makers as it leads to a multiplier effect, given the

corresponding increase in infrastructure demand and consequent improvement in the economy's productive capacity.

Seamless multi-modal infrastructure - a key growth enabler⁴⁰

	 Manufacturing hub
	 Railways <ul style="list-style-type: none"> Tamil Nadu has a total railway track length of 5,952 km (3,698 miles) Chennai has a well-established suburban railway network and is in the process of developing a metro* Rail lines running up to 41 kms, 8 sidings to handle a wide range of cargo, such as granite, food grains and dry bulk at Chennai port.
	 Ports <ul style="list-style-type: none"> Three major ports; Chennai is the second-largest container port in India Chennai, Kamarajar (Ennore), VOC (Thoothukudi), Kattupalli and Karaikal ports collectively handle 240 million tonnes (MT) of cargo per annum.
	 Airports <ul style="list-style-type: none"> Four international airports - Chennai, Coimbatore, Tiruchirappalli and Madurai Chennai International Airport – among the top 10 fastest-growing airports globally; 17.2 per cent growth in cargo handling Two domestic airports - Tuticorin (Thoothukudi) and Salem.
 Roads <ul style="list-style-type: none"> 28 national highways in the state, covering a total distance of 5,036 km (3,129 miles) State has total road length of 167,000 km (104,000 mi), of which 60,628 km (37,672 miles) are maintained by Highways Department. 	

* <http://www.slbctn.com/Infrastructure.asp>

Tamil Nadu, with its skilled workforce, is expected to play a vital role in the Atmanirbhar Bharat Abhiyan. Sectors including software, hardware, electronics, automobiles, leather, textiles and tourism could witness growth with the focus on greater self-reliance. Theme-based tourist circuits are

expected to further improve the tourism infrastructure in the state. Several recent policies introduced by the state, such as the Electronics Hardware Manufacturing Policy, Aerospace and Defence Industrial Policy, New Integrated Textile Policy and Electric Vehicle Policy are setting the right tone towards this end.

