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RECENT TRENDS IN INDUSTRIAL INVESTMENT INMANUFACTURING SECTOR IN TAMIL NADU

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ABSTRACT--*Industrial investment plays a considerable role in economic growth, as it stimulates positively domestic investments, employment generation, skill development and technology. A strong infrastructure is an indispensable factor for any manufacturing sector. The expansion of industrial sector plays a crucial role in economic upliftment. Traditionally, Tamil Nadu has been always in the vanguard of industrialisation with a strong presence in the manufacture of engineering and auto components, textiles, leather, sugar and the like. Countries like India have started to provide various incentives in order to attract industrial investment. The manufacturing sector attracted significant amount of FDI in the past fifteen years of which a major chunk accrued to technology intensive sectors, while the labour intensive ones received negligible inflows. Unlike loans, FDI can bring enlargement of capital without reimbursement commitments and uniquely potent bundle of capital, contacts, managerial and technical knowledge with potential benefit of host country firms. Tamil Nadu continues to be safe haven for the investors owing to ideal business climate and healthy socio economic conditions. In this paper, manufacturing sector has been divided into various subsectors for analyzing its trend. Further, the trends of FDI inflow into the sector are projected for a period from 2010-2011to 2019-2020 using trend analysis.*

***Key words*:** *Manufacturing Sector, FDI, DIPP*

I. INTRODUCTION

Economic development depends on its internal as well as external investments for industrialisation[1].Manufacturing sector is considered as a leading sector for economic growth. Manufacturing sector refers to the sector of economy, which is engaged in processing of raw material in to finished goods for consumption or partly finished goods for further production by other industries[2]. The manufacturing sector in Tamil Nadu is relatively export-intensive, as industries like textiles and garments, leather goods, automobile spare parts and other engineering goods are popular in overseas markets[3].

One of the most significant trends in the world economy over the past decades has been increasing global economic integration. Developing counties had to depend less on the dwindling official resource flows to assist the process of economic development.The industrial corridors assist in integrating, monitoring and developing a friendly environment for the industrial development and will promote advance practices in manufacturing. It provides a sound base for economic growth and development by enhancing the fiscal position of the economy[4].

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In recent years, the manufacturing sector has been major focal point of Indian Government. Realizing the importance of manufacturing sector and the amount of employment it can generate, many schemes are being taken up by the current government to foster the augmentation of this sector. The government is providing ample infrastructure like electricity and strong network of roads, railways for easy transportation of goods and services[5].

Tamil Nadu is one of the industrialized states in the country. It is the largest manufacturing hub in South India[6]. Tamil Nadu produces a range of manufacturing products like automobiles, auto components, light and heavy engineering, garments and textile products, leather products, chemicals and plastics[7]. Tamil Nadu will be one of the top three preferred investment destinations in Asia and the most preferred in India with a reputation for efficiency and competitiveness[8].

II. STATEMENT OF THE PROBLEM

Industrial investment enhances the per capita economic growth as well as SGDP and GDP of a nation. The Chief Minister of Tamil Nadu also conducted Global Investors Meet, besides visit to some countries including USA for attracting investors to Tamil Nadu. There are some sectors, whichare investment intensive sectors while some others seem to be extensive investment sectors. At present (2019-2020) service sectorwhich attract the highest industrial investment and the manufacturing sectors secured second place so, the study was undertaken by the researcher for analyzing the trend of industrial investments in manufacturing sector for attracting more investment and attaining the first place among all the other sectors.

III. OBJECTIVE

The main objective of the paper is to analyse the trends in industrial investment in Tamil Nadu with special reference to top five units/sub sectors in manufacturing sector.

IV. METHODOLOGY

The researcher attempted to examine FDI inflows for a period from 2010-11 to 2019-20 (June.) in manufacturing sector in Tamil Nadu. The research design was toanalyse the industrial investment based on available secondary data, which have been comprehensively used in this paper. In addition, some information from journals and websites are used for the analysis. The data have been presented in tabular form and the trend percentages have been used to depict the trend shown by the sectors under study by considering2010-11 as base year.Thus this paper is an attempt to study the trends of industrial investment in manufacturing sector taking into account the top five-investment intensive sectorsaccording to the DIPP published in 2019-2020. The data is collected in the year 2019-2020 till June, hence this accounting year is not considered for the interpretation.

V. ANALYSIS AND INTERPRETATION

The analysis and interpretation of the data related to industrial investment in Tamil Nadu are presented as follows, with a special focus on top five units/sub sectors viz.,

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i. Computer Software and Hardware Units,
ii. Construction and Development Units,
iii. Automobile Units,
iv. Drugs and Pharmaceuticals Units and
v. Chemicals Units

The authors thought it fit to discuss the above individually so as to focus when and why there were fluctuations in the trend percentages relevant to a particular sub sector. This would highlight the need for the future corrective measures to boost up such a sector in the interest of the overall industrial development in Tamil Nadu.

Industrial Investment in Computer Software and Hardware Units

The investment climate in the computer software and hardware units is explained below, in Table 1, for the period 2010-11 to 2019-2020 (June.). This sector ranks first among the five taken for analysis. The authors understood from Table 1 that the actual flow of investment in 2011-12 was higher than the previous year 2010-11 to the level of ₹ 253 Cr.,which indicated (+) 6.65 per cent. However there was a declining trend in the year 2012-13i.e, (-) 43.22 per cent. But, in the subsequent three years 2013-14, 2014-15 and 2015-16 there was a positive trend respectively from 61.48 per cent to 49.16 per cent and in the next year further rising of 64.63 per cent.A tremendous downtrend of (-) 55.87 per cent is seen in 2016-17. Even though there is a positive growth of 37.98 percent and 12.42 per cent in the years 2017-18 and 2018-19 and the trend value fell down to (-) 190.65 in the subsequent year of 2019-2020 (up to June.).

Table1: Industrial Investment in Computer SoftwareandHardware

Sl No	Year	Actual Inflow (₹ in Cr.)	Difference (+/-)	Trend (%)
1	2010-11	3551	0 (Assumed)	0
2	2011-12	3804	253	6.13
3	2012-13	2656	(-)1148	-43.22
4	2013-14	6896	4240	61.48
5	2014-15	13564	6668	49.16
6	2015-16	38351	24787	64.63
7	2016-17	24605	(-)13746	-55.87
8	2017-18	39670	15065	37.98
9	2018-19	45297	5627	12.42
10	2019-2020 (up to June.)	15585	(-)29712	-190.65

Source: DIPP Fact Sheet on FDI, 2019

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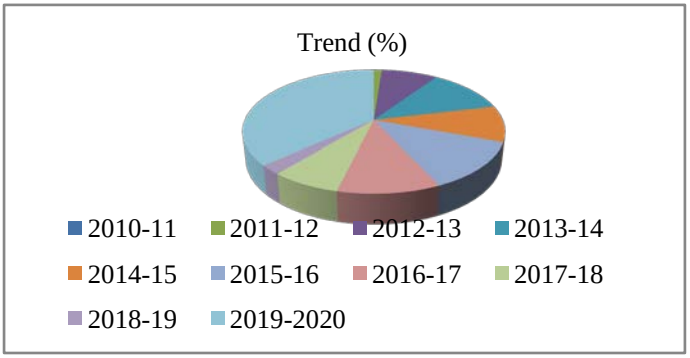

Figure1: Industrial Investment in

Computer Software and Hardware

The computer software and hardware sector is predominantly technology intensive sector with a growing market, which attracted most industrial investments. The above table shows that the industrial investment have fluctuated year after year from2010-11 to 2019-2020. This sector also changed a lot with the highest value percentage of 64.63 in 2015-16. This shows there is a drastic change in the computer software and hardware sector and new investments are taking place for the development of this sector. The lowest and negative trend shows during the year 2016-17i.e.,(-) 55.87per cent, due to demonetization[9]. The industrial investment in computer software and hardware showed an increasing trend exceptin2012-13 and 2016-17 which means that there is a consistent and appreciable prospects for the chosen sub sector during the study period.

Industrial Investment in Construction and Development Units

The investment atmosphere in the construction and development units is explained below, based on Table 2 for the period 2010-11 to 2019-2020 (June). This sector ranks second among the five taken for analysis. It is understood from Table 2 that the actual flow of investment in 2011-12 was more than the previous year 2010-11 to the tune of ₹ 7646 Cr., which indicated (-) 50.18 per cent and there was a further positive trend witnessed in 2012-13, with a positive growth of ₹ 3805 Cr., to make an upward trend of 52.49 per cent. This was almost maintained in the next year, 2013-14 with a mere increase of Rs 260 Cr., recording just 3.46 per cent.

But, in the subsequent three years 2014-15, 2015-16 and 2016-17 there were negative trend respectively from (-) 63.86 per cent to a phenomenal downfall of (-) 530.26 per cent and in the next year a further low of (-) 3.41 per cent. A recovery witnessed in 2017-18 to ₹ 2769 Cr., with 79.75 per cent which succeeded with a repeated downtrend of (-) 131.00 per cent in 2018-19 and a further negative trend of (-) 182.52 per cent in 2019-2020 (June.)

Table2: Industrial Investment in Construction and DevelopmentUnits

Sl No	Year	Actual flow (₹ in Cr.)	Difference (+/-)	Trend (%)
1	2010-11	5149	0 (Assumed)	0
2	2011-12	3443	(-)1706	-49.55

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3	2012-13	7248	3805	52.49
4	2013-14	7508	260	3.46
5	2014-15	4582	(-)2926	-63.86
6	2015-16	727	(-)3855	-530.26
7	2016-17	703	(-)24	-3.41
8	2017-18	3472	2769	79.75
9	2018-19	1503	(-)1969	-131.00
10	2019-2020 (up to June.)	532	(-) 971	-182.52

Source: DIPP Fact Sheet on FDI,2019

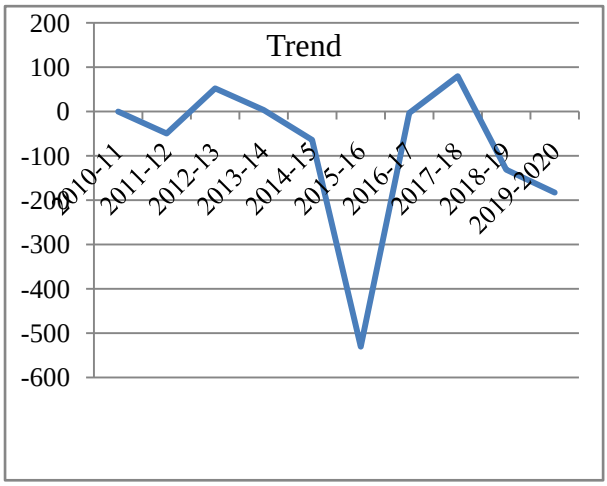

Figure 2: Industrial Investment in Construction and Development Units

Investment in the construction and development sector reached its peak in the year 2017-18, which recorded a hike to ₹ 3472 Cr., from ₹ 703 Cr., in the previous year but trends of industrialinflows shows atremendous decreasing trend except a few years.In 2015-16 it recorded low investment of ₹ 703Cr., in the construction and development sector due to land reforms and agricultural policies of the Government[10].

Industrial Investment in Automobile Units

The investment ambiance in automobile units is illustrated in the Table 3, for the study period from 2010-11 to 2019-2020 (June.).This sector ranks third among the five taken for analysis. From the Table 3 it is understood that the actual flow of investment in 2011-12 and 2016-17 is on adownward path as compared to the previous year 2010-11to the tune of ₹ 1517Cr., which indicated a downfall to disheartening (-) 34.89 per cent and in 2015-16 to be marked at ₹ 5613 Cr., which implied a declining trend of (-) 51.86 per cent. Even though in the subsequent four years 2012-13, 2013-14, 2014-15 and 2015-16 there were positive sign respectively from 48.15 per cent but this increasing trend decreased by 7.12 per cent in the year 2013-14, on the other hand positive sign was almost retained in the next year with 42.85 per cent moreover there was a low rising trend in the year 2015-16 with 3.91 per cent. An improvement witnessed in the year 2017-18 and 2018-19 with ₹ 2637 Cr., and ₹ 4848 Cr. respectively.

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Table3: Industrial Investment in Automobile Units

Sl No	Year	Actual flow (₹ in Cr.)	Difference (+/-)	Trend (%)
1	2010-11	5864	0 (Assumed)	0
2	2011-12	4347	(-)1517	-34.89
3	2012-13	8384	4037	48.15
4	2013-14	9027	643	7.12
5	2014-15	15794	6767	42.85
6	2015-16	16437	643	3.91
7	2016-17	10824	(-)5613	-51.86
8	2017-18	13461	2637	19.59
9	2018-19	18309	4848	26.48
10	2019-20 (up to June.)	6756	(-)11553	-171.00

Source: DIPP Fact Sheet on FDI, 2019

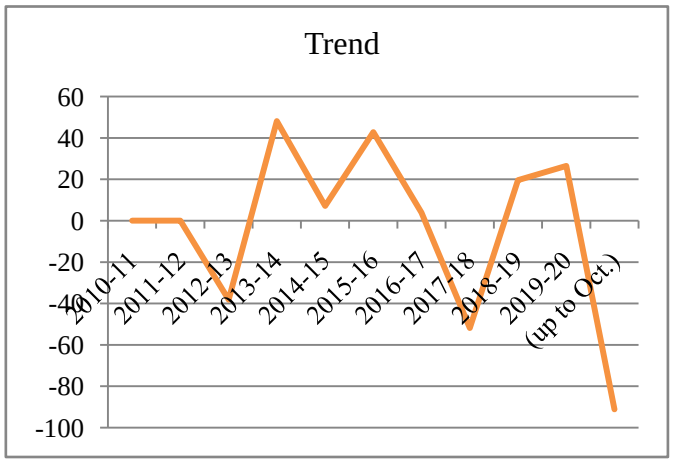

Figure3: Industrial Investment in Automobile Units

The automobile sector which is predominantly a machine intensive sector and it attract more investment. The above Table 3 reveals that the investment in automobile industries for the past ten years. The highest growth rate observed in the year 2012-13 that is 48.15 per cent and the lowest and negative growth rate was recorded in the year 2011-12 (-34.89) and 2016-17(-51.86). The industrial investments in automobile sector showed a positive sign of growth except during the year 2011-12 and 2016-17. The negative growth rate experienced in the years 2011-12 and 2016-17 are mainly due to increasing competition in the automobile units[11]

Industrial Investment in Drugs and Pharmaceuticals Units

The industrial investment environment in drugs and pharmaceuticals units is shown in the Table 4 for the period 2010-11 to 2019-2020 (June.).This sector ranks fourth among the five taken for analysis .It is understood from the Table that the actual flow of investmentsin 2011-12 was higher than the previous year 2010-11 to the

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tune of ₹ 13644 Cr., which referred to a rising trend with 93.42 per cent. However, in the year 2012-13 a notable decreasing trend of (-) 142.97 per cent was seen and afterwards there was a positive growth respectively from 16.41 per cent to an appreciable growth of 21.93 per cent. A declining trend was observed in 2015-16 to ₹ (-) 4236 Cr., with (-) 85.15 per cent which preceededwith an upward trend of 13.07 per cent in 2016-17 and further positive trend of 11.84 per cent in 2017-18. Later in the year 2018-19 showed a tremendous sloppiness (-) 252.99 per cent.

Table4: Industrial Investment in Drugs and Pharmaceuticals Units

Sl No	Year	Actual flow (₹ in Cr)	Difference (+/-)	Trend (%)
1	2010-11	961	0 (Assumed)	0
2	2011-12	14605	13644	93.42
3	2012-13	6011	(-)8594	-142.97
4	2013-14	7191	1180	16.41
5	2014-15	9211	2020	21.93
6	2015-16	4975	(-)4236	-85.15
7	2016-17	5723	748	13.07
8	2017-18	6502	770	11.84
9	2018-19	1842	4660	-252.99
10	2019-2020 (up to June.)	1581	(-)261	-16.51

Source: DIPP Fact Sheet on FDI,2019

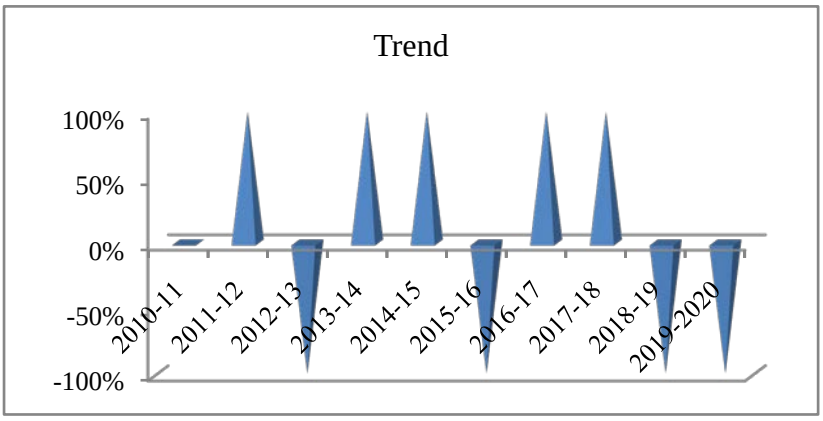

Figure4: Industrial Investment in Drugs and Pharmaceuticals

A fluctuating trend has been observed in the drugs and pharmaceuticals units. Table 4 indicates that more industrial investments were received in the years 2011-12, 2013-14, 2014-15, 2016-17 and 2017-18 as compared to the respective previous years , for the development of this sector and the negative trends were also seen in the years 2012-13, 2015-16 and2018-19 with (-) 142.97,(-) 85.15 and (-) 252.99 per cent respectively. Thusinvestment received in this sector indicated a fluctuating trend.

Industrial investment in chemical units

The investment environment in the chemical units are explained below, based on Table 5 for the period 2010-11 to 2019-2020(June.). This sector ranks last among the five taken for analysis. It could be seen from the Table

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5 that the actual flow of investment in 2011-12 was more than the previous year 2010-11 to the tune of ₹ 16610 Cr., which reveals a vast improvement in investment in chemical units. Soon after a considerable decrease in the year 2012-13 with ₹ 16826 Cr., but the next year,2013- 14 showed a recovery of 66.31 per cent. However,in the year 2014-15 revealed a downfall of (-) 16.21 per cent and in the next year further improvement of 57.81 per cent. A repeated declining tendency was observed in 2016-17 and 2017-18 with (-) 2.84 and (-) 11.53 per cent respectively and however, a notable change was seen in the year 2018-19 with 38.44 per cent increased. Again there was a downfall in the last year of the analysis.

Table 5: Industrial Investments in Chemical Units

Sl No	Year	Actual flow (₹ in Cr)	Difference (+/-)	Trend (%)
1	2010-11	1810	0 (Assumed)	0
2	2011-12	36227	34417	95.00
3	2012-13	1596	(-)34631	-2169.86
4	2013-14	4738	3142	66.31
5	2014-15	4077	(-)661	-16.21
6	2015-16	9664	5587	57.81
7	2016-17	9397	(-)267	-2.84
8	2017-18	8425	(-)972	-11.53
9	2018-19	13685	5260	38.44
10	2019-2020 (up to June.)	1008	(-)12683	-1257.64

Source: DIPP Fact Sheet on FDI, 2019

Figure 5: Industrial Investment in Chemical Units

The above Table showed that the chemicals units have been attracting a major portion of the investments among the manufacturing sector. The presence of traditional systems of chemicals helped to attract huge investments. The highest growth percentage rate was recorded in the year 2011-12 (90.16%) and still, subsequently in the years 2012-13, 2014-15, 2016-17, 2017-18 there was a down swing with (-) 1054.26, (-) 16.21, (-) 2.84 and (-) 11.53 per cent respectively.However the year2018-19 recorded an emphatic progress with

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38.44 per cent which means chemical units also have attracted more investments for the sustainable development of the sub sector under analysis.

VI. CONCLUSION

It can be concluded from the study that, in recent years, a rising trend witnessed in the manufacturing sector, in spite of vigorous fluctuations in the growth rate of industrial investment over previous years fluctuated vigorously, which was not fully favourable to the manufacturing sector in India . The Foreign Direct Investment inflow has become significant and was essential for sustainable fiscal growth in the Indian economy. Amendments in old labour laws and land laws will bring a sea change in the manufacturing sector with easy licensing.The top five among the units in manufacturing sector that could attract a higher amount of investments are viz., computer software and hardware units, construction anddevelopment units, automobile units, drugs and pharmaceuticals units and chemicals units. This prompts the need for further discussion on reviewing the existing investment cap by the government in these units. The trend analysis revealed that there will be an increasing trend of industrial investment in manufacturing sectors in future.

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