

Unit - 5

Industrial Clusters in Tamil Nadu



Learning Objectives

- To know the historical development of Industrial Clusters in Tamil Nadu
- To know the Tamil Nadu government policies and Industrial development Agencies
- To understand the impact of Government policies
- To know the role of the Entrepreneur



Introduction

Generally, “any human activity which is engaged in the conversion of raw materials into readily usable materials is called an industry”. Industrialisation refers to the process of using modern techniques of production to produce goods that are required by both consumers and other producers on a large scale. In this chapter we will learn the nature of industrialisation of Tamil Nadu, importance of industrial clusters, how industrial clusters have developed in Tamil Nadu and the role of government initiatives in promoting industries.

5.1 Importance of Industrialisation

To understand importance of industries, we need to understand why the share of agriculture in an economy's income and employment decreases with development. First, demand for food remains constant with regard to income. Therefore, as an economy grows and incomes increase, consumers tend to spend a lesser share of their income on products from the agricultural sector.

Second, even the food that is consumed is subject to more transformation. Food products are taken over longer distances, processed and branded. This also requires that food products have to be preserved. As a result, the prices that farmers get tend to be much less compared to the prices at which consumers buy.

Third, there are limits to the ability of agriculture to absorb labour due to the declining marginal productivity of land. Wages too cannot therefore increase and as a result poverty levels may remain high, especially when more and more people continue to rely on agriculture for their livelihood.

Due to all these factors, there is a need for an economy's production and employment base to diversify away from agriculture.

What benefits does industrialisation bring to an economy?

As stated earlier, it is essential to produce inputs to other producers in an economy. Even agriculture requires inputs from industry such as fertilisers and tractors to increase productivity.