

Challenges in creating an ideal business climate in Tamil Nadu

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Is Tamil Nadu anti-development? While political leaders across the spectrum from the DMK to the BJP have been saying so, data shows otherwise. The dichotomy has confused voters and divided the media when analysing the performance of successive governments. Influencers, actors and some politicians in the recent past have cited the perceived “increase in agitations and protests” as reasons for this. Data, however, shows that in 2020 alone, when the rest of the world was reeling under a severe economic crisis due to the pandemic, multiple international companies announced investments worth a whopping Rs 66,000 crore in the state, likely to create around 1.2 lakh jobs. CARE Ratings ranked it No.1 in the country in attracting investments.

Then, why do statements contradict data? Being a highly industrialised state right since its formation and due to the population density, the stress on land and other natural resources has been very high. While successive governments have worked hard to attract investments, little was done to create a sustainable business climate. Labour grievances and environmental degradation, common side-effects of industrialisation, were ignored until the problems reached a tipping point. For a high-performing state like TN, closing down industrial units is not the answer. Consistent and stringent monitoring mechanisms need to be deployed to ensure compliance with environment and labour legislation. In the rush to sustain investments, most states have failed to adopt a zero-tolerance approach in dealing with environmental and labour violations of companies.

The fix needed is at the Central level. The Centre must consider major reforms to Corporate Social Responsibility laws in this regard. It must look at incentivising industrial units that cause minimal pollution and maintain the best employee satisfaction records. Land, power and tax subsidies must be doled out only to those who meet these standards. Attracting investments alone will not boost the business climate. Ensuring compliance and providing generous incentives are equally necessary to create a sustainable structure. After all, we are living in an era when even Google employees are feeling the need to start a labour union.

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