

Sustainability of Output Growth in Indian Manufacturing: A Decomposition Analysis of Selected Industries

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The present paper undertakes a decomposition analysis of the output growth of Indian manufacturing sector. Such an exercise becomes important in view of the non-sustainability of growth proposed by Krugman for the East Asian countries. As the law of diminishing returns to factor inputs is invoked in drawing the above inference, an attempt is made to estimate the contribution of four inputs, viz., capital, labour, energy and material, to the growth of output by estimating a translog production function for aggregate manufacturing sector and eight selected industries of India. A major finding of the empirical exercise relates to minimal or negative contribution of technology to output growth. Therefore, inputs, mainly, raw material has been contributing significantly to growth of output in Indian industries. Such a pattern of raw material-driven growth indicates the possibility of non-sustainability thesis advanced by Krugman.

Keywords: Krugman's Thesis; Sources of Growth; Total Factor Productivity; Translog Production Function.

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