

Estimates  
manufacturing is very  
poor and a cause



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Estimates of TFP: Various studies have been conducted in India during the planning period for estimating the growth of TFP.

The most important of these have been by B. N. Goldar. P. R.

Brahmanand. I. J.

Ahluwalia, P. Balakrishnan and K. Pushpangadan, Banerjee, Hashim and Dadi. D.

V. Sastry and J. Mohan Rao. Although there are differences in the estimates of TFP growth rates calculated by different scholars, the conclusion is inescapable that the productivity performance of Indian manufacturing is very poor and a cause of serious concern. Taking all available estimates and other relevant information into account, it may not be unreasonable to infer that TFP growth in the organised manufacturing sector in India is perhaps between 0.0 per cent and 1.0 per cent per annum.

This is much less than the estimates of 5.7 per cent, 2.0 per cent and 3.1 per cent per annum for South Korea, Turkey and Japan respectively for roughly the same period. Industrial productivity growth rate has fallen in the post-reform period (1991-92 to 1999-2000) as compared to pre-reform decade (1979-80 to 1990-91). For the entire period 1973-74 to 1992-93, J. Mohan Rao estimates the trend rate of growth at TFP at 2 per cent.

The contribution of productivity growth to value added growth was 33 per cent for the entire period of study (1973-74 to 1992-93). Goldar also estimates TFP by using translog production function. According to this method, the average annual growth of 'P' in the pre-reform period was

found to be 2.23 per cent and this fell to 1.65 per cent in the post reform decade.