

Productivity Growth in Indian Capital Goods Industry

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This paper analyses the partial and total productivity trends in Indian capital goods industry and its three sub-groups viz., non-electrical machinery, electrical machinery and transport equipment. The analysis covering the period 1973-74 to 1987-88 reveals that Indian capital goods industry is going through a process of capital deepening. The continuous decline in capital productivity in all the three sub-groups of capital goods industry together with the continuous increase in labour productivity and capital intensity indicates that capital deepening is yet to reflect in capital efficiency. The negative total productivity growth recorded by non-electrical machinery group in the latest period (1981-82 to 1987-88) calls for increasing the efficiency of resource use, particularly of capital in this sub-group as this sub-group (comprising manufacture of various types of machinery) constitutes the prime mover of industrial growth in the Indian economy.

As the process of liberalisation and globalisation is taking deeper roots in the macro economic fabric of the Indian economy, the need to identify the major factors that affect industrial productivity in general and sectoral trends in particular as well as the task of chalking out corrective policy stances to enhance the productive capacity of the economy becomes imminent.

It is against this context that an attempt is made in this paper to analyse the productivity trends in Indian capital goods industry which constitutes the core area of our developmental efforts, particularly since the initiation of major industrial reforms in July 1991.

The Indian capital goods industry embracing non-electrical machinery group, electrical machinery group and transport equipment group has over time developed a structure of its own, responding as it were, to the overall development strategy and the policy measures devised in support of it. It is often pointed out that the capital goods industry has been highly protected and highly capital intensive. It is also