

**ESTIMATES OF CAPITAL OUTPUT RATIO
IN INDIA : A REVIEW**

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INTRODUCTION

Capital output ratio is a concept which has been the focal point of growth theory. Major contributors to growth theory like Harrod, Domar, Mahalanobis, Kaldor et al., used it as the prime parameter to explain the phenomenon of growth. Planners make use of it for making projections regarding investment requirements to sustain a certain level of growth or to make projections regarding feasible level of growth given the investment pattern. These projections are made both at aggregated economy level or disaggregated sectoral levels.

In formulating the plans at the national level this ratio has an important role. The particular value this ratio assumes has profound significance for the growth rate and resource mobilization. The quantification of this ratio is not an easy task, as it involves both conceptual and methodological problems in defining capital, as well as data problems. Thus in arriving at the estimate of capital output ratio a number of assumptions are to be made and different methods are used depending on one's approach to the problem. At the plan formulation stage the value used for this ratio is subject to intense debate.

The object of this thesis is to examine the problems

involved, both theoretical and empirical, in estimating this ratio and to critically review the available estimates in the Indian context.

The first chapter deals with theoretical considerations, involved in the estimation of the ratio.

Chapter II tackles some of the criticisms launched against the concept.

In Chapter III a detailed review of the estimates available in India since 1955 is given.

As the focus of the review is on India, no international comparisons are attempted in this thesis.