

## Regional Growth Differentials in Indian Manufacturing Sector: A Convergence Analysis

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*The paper examines the efficiency variations as well as the convergence analysis of efficiency levels in Indian manufacturing sector during pre- and post-reforms period spanning from 1980/81 to 2014/15. Using non-parametric approach of data envelopment analysis (DEA), the mean scores of technical efficiency (TE) as well as scale efficiency (SE) have been computed for sixteen major Indian states. Results of the study revealed an average efficiency (inefficiency) to the tune of 76 per cent (24 per cent) in Indian manufacturing sector as a whole. Further, the decomposition analysis of technical inefficiency into pure technical inefficiency (PTE) and scale inefficiency (SE) revealed pure technical inefficiency (also known as managerial inefficiency) as the dominant source of overall technical inefficiency in these states. In case of convergence analysis, results of the study confirm the presence of convergence during pre-reforms period only, which totally disappeared during the post-reforms period. It implies that the phenomenon of “learning by doing” is almost missing in these manufacturing states. Further, the analysis reveals that the process of economic reforms has failed to render a positive impact to narrow down the inequalities or improving the efficiency of Indian manufacturing sector.*

### I Introduction

Development of all regions is a pre-requisite condition for economic growth and development of a country. It is widely believed that the dynamics of economic growth, political stability and national integration mainly depend on the balanced growth of all regions of a country. Therefore, focus has been given to the issue of regional balance in all the development plans, and various policies and programmes have been adopted from time to time for achieving high economic growth and fostering regional balance with the primary objective of attaining all-round development of the economy. However, even after more than five decades of development planning that aimed to reduce economic discrepancies across regions in India, the country still experiences huge differences in regional growth rates. Even in literature, differences in opinions on the course of regional differences during the process of development exist. One group of economists believes that there exists a trade-off between economic growth at the national level

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