Inter-State variation of Efficiency and Productivity in Selected Indian Industries

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I. Introduction

THE PROCESS OF sustained increase in the level of industrialization stands as a hallmark of economic strength and stability of an economy. Industry is rightly regarded a leading sector in economic growth because of its intensity in reproducible tangible capital, scale economies and greater amenability to rapid technological changes. Due to its forward and backward linkages with several key sectors of the economy, industrial sector produces strong multiplier effects and is capable of being the driver of economic growth. Development of manufacturing is considered as the hub of industrialization. Industrialization ensures a sharp rise in national income and standard of living by more extensive and intensive utilization of the productive resources, increasing the productivity of the economy, generating gainful employment opportunities, providing a wide range of consumer choice. In fact, industrialization increases productivity and standard of living, creates industrial skills, promotes innovation and technological development, promotes capital formation through higher wages and diverts surplus farm labor to modern industry. To realize these benefits and hasten up required socio-economic changes, top priority has been assigned to industrialization in underdeveloped countries.

Industrialization plays a crucial role in the process of economic development of developing economies. It holds the key to providing lasting solution to the problem of low economic growth. Through accelerating rate of growth in these economies, industrialization creates more employment opportunities and thus helps in poverty alleviation.

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