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RBI Working Paper No. 2/2021: Regional Economic Convergence in the Manufacturing Sector: An Empirical Reflection

Today the Reserve Bank of India placed on its website a Working Paper titled "[Regional Economic Convergence in the Manufacturing Sector: An Empirical Reflection](#)" under the Reserve Bank of India Working Paper Series*. The Paper is authored by Madhuresh Kumar.

This paper uses data on registered manufacturing firms from the Annual Survey of Industries (ASI) for the post global financial crisis period (2008-09 to 2017-18) and examines the convergence pattern of 21 major states in India and their key drivers. While poorer states are found to have exhibited convergence to the mean Net Value Added per capita (NVApC), richer and middle-income states displayed divergence. Poorer states registered the fastest rate of growth among the three groups, driven by the highest rate of growth in fixed capital. They experienced the lowest rate of growth in labour and the contribution of total factor productivity growth (TFPG) was also negative, suggesting the role of high capital intensity in driving convergence. Richer states exhibited highest rate of growth in labour and the contribution of TFPG was also positive, which enabled them to perform better on overall growth compared with the states in the middle-income category. Within each group, this paper finds evidence of convergence to the mean NVApC.

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(Yogesh Dayal)
Chief General Manager

* The Reserve Bank of India introduced the RBI Working Papers series in March 2011. These papers present research in progress of the staff members of the Reserve Bank and are disseminated to elicit comments and further debate. The views expressed in these papers are those of authors and not of the Reserve Bank of India. Comments and observations may kindly be forwarded to authors. Citation and use of such papers should consider its provisional character.