



Perspectives into the Industrialization Process of India Through the New Economic Geography Lens

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Abstract

The process of industrialization has been validated by economic theory and empirical investigation as one of the fundamental and long-run channel of altering the basic dynamics of the economies in favor of growth and development. Despite the proven positive spillovers accruing from the process, the nations across the world do not reflect an accelerating pace towards industrialization. The current research is an attempt to validate the industrial divide between the northern and southern India based on the fundamental axiom of the ‘New Economic Geography’ theory by Paul Krugman. The analysis is based on the Annual Surveys of Industry data for the year 2018. Stochastic frontier analysis is used to predict and compare the technical efficiencies of the firms located across the two regions. The enquiry confirms the industrial backwardness of the northern India states as compared to the southern ones. The factors causing technical efficiency in the firms across the two regions are empirically established. The study concludes by suggesting various policy recommendations in favor of a converging industrialization process across the whole nation in order to prevent a developmental divide within the country.

Keywords India · Industrialization · New economic geography · Technical efficiency

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