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Global Value Chains, Productivity and Markup: Evidence from India

Ketan Reddy will present findings from his working paper, "Global Value Chains, Productivity and Markup: Evidence from India" co-authored with Subash Sasidharan.

Abstract: In this study, we use large-scale firm-product-level panel data of Indian manufacturing firms to examine the link between global value chain (GVC) participation and firm performance. Using rich product-level information on prices and quantity, we measure firm-product level markup and productivity and examine the impact of GVC participation on these two measures of firm performance. We provide evidence that firms participating in GVCs experience productivity premium. Moreover, the empirical analysis also discerns that GVCs firms observe a fall in markups. In this regard, we decompose firms change in markup to price and cost channels, and show that the fall in markup is predominantly driven by rising marginal costs of the firm. This can be attributed to the increasing dependence on imported intermediate inputs, which induces a rise in costs associated with production in GVCs. We also examine the aforementioned dynamics taking into account firm heterogeneity in terms of size and technology intensity of industries.



DATE

November 17th

TIME

6.00-7.00 p.m.