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Absorptive Capacity and Global Value Chain Participation: Firm-Level Evidence From India

Renjith Ramachandran will present findings from his working paper, "Absorptive Capacity and Global Value Chain Participation: Firm-Level Evidence From India" co-authored with Baiju P.

Abstract: The lowering trade barriers and lower trade costs have made Global Value Chains (GVC) the predominant face of world trade in the recent decade. GVC allows firms to integrate with the supply chain by producing only specific fragments rather than a final product. As a result, participation in GVC, provides substantial productivity benefits to the firms; these associated benefits encourage more firms to be part of GVC and develop linkages with global suppliers. However, all the firms are not stepping into the atlas of GVC. According to World Bank Enterprise Surveys data, only 5.6 percent of Indian firms are part of GVC. Therefore, the natural question is: what makes firms participate in GVC? Various factors, including firm productivity, size, foreign ownership, financial constraints, innovation, and research & development, are considered to explain the GVC participation of firms. Interestingly, studies pertaining to the firms' absorptive capacity and GVC participation are limited and nascent in the literature. Therefore in our paper, we analyse the firm's absorptive capacity as the plausible determinant of GVC participation.



DATE
July 20th

TIME
6.00-7.00 p.m.