

**EXAMINING TOTAL FACTOR PRODUCTIVITY IN INDIA'S
UNINCORPORATED MANUFACTURING ENTERPRISES:
STYLIZED FACTS AND DETERMINANTS**

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ABSTRACT

What drives productivity in India's informal manufacturing sector? This study addresses this question by first estimating enterprise-level Total Factor Productivity (TFP) using a Value-Added Cobb-Douglas specification (VAKL) applied to unit-level data from the Annual Survey of Unincorporated Sector Enterprises (ASUSE), 2022–23. The dataset encompasses 115,406 manufacturing firms across 32 states and union territories. Subsequently, the study explores the determinants of TFP through multiple linear regression, focusing on four broad classifications of determinants: ownership characteristics, establishment characteristics, financial and technological status and the problems faced. The major contribution of the paper is the discussion on problems or obstacles faced by these establishments and its association with TFP, an area that has often been overlooked in existing literature. The study is essential since understanding the determinants of productivity in the unincorporated sector can help to improve the nation's inclusive growth trajectory.

Keywords: Total factor productivity, Informal Sector, Unincorporated enterprises, Firm size, Labour shortage