

Causes of Excess Capacity in the Manufacturing Sector

SAMIDH PAL¹

¹Affiliation not available

August 26, 2022

Abstract

This study analyzes the causes of excess capacity through the response of capital, labor, and capital intensity. Consequently, we use the three-input CES estimation model. We randomly selected a centralized and a decentralized industry group for our comparative analysis. By estimating the elasticity of substitution between (capital, labor) as a nest, and capital intensity for an industry, we found that the centralized industry groups are facing the problem of excess capacity. Through this study, we discuss the current government policies and the present scenario of a manufacturing plant. And then we suggested to policymakers, i.e. how to resolve the problem of excess capacity through the expansion of manufacturing plants with advanced machinery.

Hosted file

Causes of Excess Capacity in the Manufacturing Sector.docx available at <https://authorea.com/users/720052/articles/704938-causes-of-excess-capacity-in-the-manufacturing-sector>