

EFFICIENCY IN URBAN MANUFACTURING: AN APPLICATION OF DEA

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ABSTRACT

In this paper an effort is made to measure the technical, scale, cost and allocative efficiency in the urban manufacturing sector of India by applying DEAP version 2.1. For the reference period between 2001-02 and 2011-12. It was found that both under CRS and VRS technology, the number of technical efficiency scores or levels during the entire period, was indicative of the fact that the efficiency in the manufacture rubber and plastic products was not strongly influenced by the size of production. DEA results applied to know the scale efficiency for the entire period revealed that it was not operating at an optimum scale. Indeed most of the inefficient DMUs presented increasing returns to scale characteristics which indicated that the industry can increase the scale to effectively improve that efficiency. Considering the cost efficient DMU's, it was found to be more under VRS production technology. The average cost inefficiency was more under CRS production technology than under VRS production technology.

KEYWORDS: Efficiency technical, scale, cost.

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