ABSTRACT

This paper focuses on the relationship between diversification and firm performance in the context of Indian manufacturing sector. Data is used from CMIE Prowess for the period 2001 to 2013. Standard econometric analysis related to panel data and statistical computations are carried out to find out the relationship between diversification and firm performance. Variables from the standard Industrial Economics and Industrial Organisation literature are chosen to test the hypothesis. Tobin's q has been used as a measure of firm performance. The results show that highly diversified firms are poor performers and less or non-diversified firms perform much better in the industry.