

# CHAPTER 14

## INDUSTRY

### Industrial Classification

**14.1.** The Central Statistics Office (CSO) in the Ministry of Statistics & Programme Implementation is vested with the responsibility of setting up standards for collection, compilation and dissemination of statistical data. Comparability of statistics available from various sources on different aspects of the economy, and usability of such data for economic analysis are prerequisite for standardization of a system of classification. It is a constant endeavor of the CSO, to develop new classification systems as well as update existing ones to keep pace with the changes in the organization and structure of industries besides accounting for emerging economic activities.

### International Scenario

**14.2.** In 1940, the Statistical Commission of the United Nations recommended an International Standard Industrial Classification (ISIC) of all Economic Activities. The classification was approved by the Economic and Social Council of the United Nations in 1948 for adoption by the various countries as a framework for rearranging national classifications to facilitate international comparability. The U.N. Statistical Commission, therefore, undertook a review and revision of ISIC in 1956, 1965, 1979 and again in 2000 leading to ISIC-1958 (Rev.1), ISIC – 1968(Rev.2), ISIC – 1990 (Rev.3) and ISIC-2002 Rev 3.1. In each instance the Commission emphasized the need to maintain as much comparability between the revised and preceding versions of ISIC as was possible, while introducing the alterations, modifications and other improvements




**14.3.** The latest update ISIC, Rev.4, (2008) enhances the relevance of the classification by better reflecting the current structure of the world economy, recognising new industries that have emerged over the years and facilitating international comparison through increased comparability with existing regional classifications.

### Indian Scenario

**14.4.** Industrial classification has been used in India for conducting Population Census, Industrial Surveys, National Income Estimates, etc. National Industrial Classification (NIC) is the standard classification followed for classifying economic activities. The NIC is prepared to suit the Indian conditions and follows the principles and procedures laid down in the United Nations' International Standard Industrial Classification (ISIC) of all Economic Activities as revised from time to time.

**14.5.** The Central Statistics Office (CSO), as the custodian of national industrial classification, took up the task of evolving a standard industrial classification as early as in 1960 and evolved a Standard Industrial Classification (SIC) in 1962. To mop-up the significant changes in the organization and structure of industries, the CSO revised SIC 1962 in 1970 (NIC –70), NIC-1970 in 1987 (NIC-87), NIC-87 in 1998 (NIC-98), NIC 1998 in 2004 (NIC-2004) and finally NIC-2004 in 2008 (NIC-2008). While undertaking a fresh revision of NIC, the suggestions obtained from various stakeholders have been taken care of to the maximum extent possible. The NIC-2004 which is based on ISIC Rev. 3.1, did not reflect any major changes from the structure of the earlier NIC-98 except removing ambiguity/duplications/omissions, etc. and by suitably modifying the explanatory notes. Major structural changes required in the classification were deferred to the next revision of NIC, which has been undertaken in pursuance of new version of ISIC Rev.4 released in 2008. The structure of NIC- 2008 is identical to the structure of ISIC Rev.4 up to 4-digit level ‘class’.

#### **14.6. Salient Features of Updated NIC-2008**

-  NIC 2008 contains 21 Sections viz A to U (top level categories) in place of 17 tabulation categories (top level categories) viz A to Q of NIC 2004.
-  The structure of ISIC Rev. 4 up to the 4-digit level has been incorporated in to and the 5th digit level has been used to accommodate the national requirements.
-  Notes of updated ISIC Rev. 4 along with inclusion/exclusion statements have also been incorporated in updated NIC-2008 to remove ambiguity in the scope of various 4-digit classes to facilitate distinct classification of all economic activities.

#### **Conversion keys**

**14.7.** For the purposes of maintaining international comparability of data and also the time series of the national data, it is necessary that the data compiled according to a classification is convertible to the corresponding international classification and also to the earlier version of the national classification. As regards international comparability, there exists perfect one-to-one correspondence upto 4-digit level between NIC-2008 and ISIC Rev.4. To meet the requirement of comparability with earlier version i.e.NIC-2004, a concordance table has been prepared and included in the publication of NIC – 2008 (a concordance table between 4-digit level of NIC-2008 and NIC-2004)

**14.8.** Thus it is concluded that not only the preparation of Industrial Classification but its updation over time is showing good progress in India and the following table shows the improvements made at each level over the years

**Number of different levels in the Industrial Classification over the years**

Year	Tabulation Categories / sections	Divisions	Groups	Classes	Sub classes
	1-digit level	2-digit level	3-digit level	4-digit level	5-digit level
<b>1962 (SIC-62)</b>	9	55	284	753*	----
<b>1970 (NIC-70)</b>	9, X & Y	64	383	590*	----
<b>1987 (NIC-87)</b>	9 & X	72	461	918*	----
<b>1998 (NIC-98 )</b>	17	60	159	292	1021
<b>2004(NIC-2004)</b>	17 (A to Q)	62	161	310	1191

\* Ultimate digit

**Product Classification**

**International Scenario**

**14.9.** At international level, the need for development of a Central Product classification originated from initiatives taken in the early 1970s to harmonize international classifications, in which a standard classification of all products was perceived as a key element. An important development took place during the time with regard to the development of a comprehensive classification of all goods and services. The Custom Co-operation Council (CCC) undertook the revision of its nomenclature (CCCN) and its extension from a 4 digit system to a 6 digit system. As a result, a new nomenclature called the Harmonized Commodity Description and Coding System (HS) was adopted in 1983 and came into force in January 1988. The statistical Office of the United Nations Secretariat participated in the development of HS mainly in order to ensure that the disaggregations applied in HS were to be consistent with the Standard International Trade Classification (SITC) of the United Nations and the industrial origin of goods. In 1989, the U. N Statistical Commission considered and approved the final draft of Central Product Classification (CPC) version 1.0 which was published by United Nations as a provisional document in 1991. The final CPC version 1.0 was considered and approved by the UNSC at its 29<sup>th</sup> session in 1997, replacing the provisional CPC, and the document was printed in 1998. CPC ver.1.0 was again revised and the latest available version is CPC ver.2.0, released in 2008.

## National Scenario

**14.10.** The CSO brought out the first Product Classification in 1978 with a nomenclature Common Product Nomenclature (CPN). The same was revised in 1988 based on National Industrial Classification - 1987. CPN 1988 was extended to cover the services sector also in 1990. .

### Main Features of CPN 1988 (for transportable goods)/ CPN-1990 (for Services Sector)

- ✚ CPN is an industry linked Classification
- ✚ Lists major items produced by each three-digit industry group belonging to the NIC
- ✚ 3+2+2 system was adopted
- ✚ First three digits belong to NIC 3-digit group, middle two digits are reserved for creation of sub-groups of items based on stage of fabrication, raw material used, end-use etc., last two digits are used for identifying items
- ✚ The description of product was made as close as possible to the international system “Harmonized Commodity Description and Coding System (HS)”

### Indian Trade Classification (ITC) (HS)

**14.11.** An 8-digit common code classification based on internationally adopted Harmonized System of Nomenclature (HSN) is adopted in India for all trade related transactions, which facilitates international and domestic trade. This code, developed by Ministry of Commerce & Industry is known as Indian Trade Classification (HS). This common classification is expected to achieve improved tax/tariff administration/data collection and provide a better interface with the trade related organizations.

**14.12.** The main features of ITC (HS) are :

- ✚ 8-digit Common code classification ITC (HS) is based on Harmonized Commodity Description system (HS).
- ✚ Used for all trade related transactions
- ✚ This has 98 chapters, 24 sections, 4-digit codes which are further divided into 6-digit and 8-digit codes.
- ✚ This common classification is used by different agencies like Department of Customs & Excise, Directorate General of Foreign Trade (DGFT), Directorate General of Commercial Intelligence and Statistics (DGCI&S).

## Product Classification for Services Sector

**14.13.** The Services sector covers the areas of Constructions & Construction services, Distributive trade services; accommodation, food and beverage serving services; transport services; and electricity, gas and water distribution services, Financial and related services; real estate services, and rental and leasing services, Business and Production services, Community, social and Personal Services.

**14.14.** The ITC (HS) contains 97 chapters in accordance with the Harmonized System Nomenclature (HS), developed by World Customs Organization (WCO). The chapters 98 and 99 which are reserved for individual countries by WCO are used in India for the purposes of 'Project imports' and 'Miscellaneous goods' respectively. To maintain continuity of the classification of services sector along with the classification of transportable goods, it was decided that the digits "99" will be used as 1<sup>st</sup> two digits in the classification code for Services Sector.

**14.15.** It was also decided that the next five digits would be adopted from the Central Product Classification (CPC), which is a five digit Product classification developed by United Nations Statistics Division (UNSD) for both transportable goods and non-transportable goods. To maintain the number of digits as eight similar to ITC(HS) and to expand the CPC five digit codes further according to the Indian requirements, each CPC subclass (5 digit) has been classified in to maximum nine categories to arrive at an ultimate eight digit product code.

**14.16.** Thus, the structure of the National Product Classification for Services Sector (NPCS) may be described as

"99 + five digit CPC code + one digit for Indian requirements"

**14.17.** The main advantages of this coding structure are the continuation with the existing ITC and the international comparability.

## Micro, small, and medium enterprises (MSMEs)

**14.18.** The role of MSMEs in the economic and social development of the country is widely acknowledged. They are nurseries for entrepreneurship, often driven by individual creativity and innovation, and make significant contributions to the country's GDP, manufacturing output, exports, and employment generation. MSMEs contribute 8 per cent of the country's GDP, 45 per cent of manufactured output, and 40 per cent of exports. The labour-capital ratio in MSMEs is much higher than in larger industries. Moreover, MSMEs are better dispersed. In view of these factors, MSMEs are important for achieving the national objective of growth with equity and inclusion.

## Annual Survey of Industries:

**14.19.** The Annual Survey of Industries (ASI) is the principal source of industrial statistics in India. It provides statistical information to assess and evaluate, objectively and realistically, the changes in the growth, composition and structure of organised manufacturing sector comprising activities related to manufacturing processes, repair services, gas and water supply and cold storage. The Survey is conducted annually under the statutory provisions of the Collection of Statistics Act 1953, and the Rules framed there-under in 1959, except in the State of Jammu & Kashmir where it is conducted under the State Collection of Statistics Act, 1961 and the rules framed there-under in 1964. The ASI extends to the entire country except the States of Arunachal Pradesh, Mizoram, Sikkim and Union Territory of Lakshadweep. It covers all factories registered under sections 2m (i) and 2m (ii) of the Factory Act, 1948. The survey also covers bidi and cigar manufacturing establishments registered under Bidi and Cigar Workers (Condition of Employment) Act, 1966 and employing 10 or more workers using power and 20 or more workers not using power. Although the scope of the ASI was extended to all registered manufacturing establishments in the country, establishments under the control of the Defence Ministry, oil storage and distribution units, restaurants and cafes and technical training institutions not producing anything for sale or exchange were kept outside the coverage of the ASI.

**14.20.** The concept and definition followed in ASI are as under:

**Factory:** is one, which is registered under sections 2m (i) and 2m (ii) of the Factory Act, 1948. The sections 2m (i) and 2m (ii) refer to any premises including the precincts thereof (a) whereon ten or more workers are working, or were working on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried on with the aid of power, or is ordinarily so carried on or (b) whereon twenty or more workers are working or were working on any day of the preceding twelve months and in any part of which a manufacturing process is being carried on without the aid of power, or is ordinarily so carried on.

**Fixed Capital:** represents the depreciated value of fixed assets owned by the factory as on the closing day of the accounting year. Fixed assets are those that have a normal productive life of more than one year. Fixed capital includes land including lease- hold land, buildings, plant and machinery, furniture and fixtures, transport equipment, water system and roadways and other fixed assets such as hospitals, schools etc. used for the benefit of factory personnel.

**Working Capital:** are the sum total of the physical working capital as already defined above and the cash deposits in hand and at bank and the

net balance receivable over amounts payable at the end of the accounting year. working capital, however, excludes unused overdraft facility, fixed deposits irrespective of duration, advances for acquisition of fixed assets, loans and advances by proprietors and partners irrespective of their purpose and duration, long-term loans including interest thereon and investments.

**Gross Value of Plant of Machinery:** represents the total original (underappreciated) value of installed plant and machinery at the end of the accounting year. It includes the book value of the newly installed plants and machinery and the approximate value of rented in plants and machinery at the time of renting-in but exclude the value of rented-out plants and machinery. Total value of all the plants and machinery acquired on hire - purchase basis is also included.

**Outstanding Loans:** represent all loans whether short term or long term, whether interest bearing or not, outstanding according to the books of the factory as on the closing day of the accounting year.

**Rent Paid:** represents the amount of royalty paid in the nature of rent for the use of the fixed assets in the factory.

**Interest Paid:** includes all interest paid on factory account on loans, whether short term or long term, irrespective of the duration and the nature of agency from which the loan was taken. Interest paid to partners and proprietors on capital or loan are excluded.

**Rent Received:** represents the amount of royalty received in the nature of rent for the use of the fixed assets in the factory.









**Interest Received:** includes all interest received on factory account on loans, whether short term or long term, irrespective of the duration and the nature of agency to which the loan was given. Interest received from partners and proprietors on capital or loan are excluded.

**Workers:** are defined to include all persons employed directly or through any agency whether for wages or not and engaged in any manufacturing process or in cleaning any part of the machinery or premises used for manufacturing process or in any other kind of work incidental to or connected with the manufacturing process or the subject of the manufacturing process. Labour engaged in the repair and maintenance or production of fixed assets for factory's own use or labour employed for generating electricity or producing coal, gas etc. are included.

**Man days:** represent the total number of days worked and the number of days paid for during the accounting year .it is obtained by summing-up the

number of persons of specified categories attending in each shift over all the shifts worked on all days.

**14.21.** The Highlights of this Sector is as follows :

-  In the Annual Survey of Industries 2008-09, a total of 1,55,321 factories were surveyed as against 1,46,385 factories surveyed in the previous year.
-  The number of workers and total persons engaged were 8.78 million and 11.33 million respectively. The wages paid to the workers was ₹59,772 Crores, whereas, total emoluments was ₹1,29,441 Crores during 2008-09.
-  The fixed capital of ASI factories during 2008-09 was ₹10,55,966 Crores, whereas, working capital, productive capital and Invested capital were ₹3,11,233 Crores, ₹13,67,199 Crores and ₹15,35,178 Crores respectively.
-  The total inputs of ASI factories during 2008-09 was worth of ₹26,61,486 Crores, whereas, Total output was ₹32,72,798 Crores. Depreciation was ₹83,546 Crores and net value added ₹5,27,766 Crores. The gross fixed capital formation amounted to ₹2,25,947 Crores during 2008-09.
-  The total value addition in stock was ₹35,638 Crores, whereas, value addition in stock of finished goods was ₹6,798 Crores.
-  The mill production of cotton yarn during 2010-11 was 3,446 million Kilograms (prov.), whereas, the cotton cloth produced was 31,266 million square meters (prov.). The production of Man-made fiber fabrics was 21,620 million square meters (prov.)
-  The General Index of Industrial Production (IIP, base 2004-05=100) increased to 165.5 in 2010-11 over 152.9 in 2009-10. IIP in mining and quarrying sector increased from 124.6 in 2009-10 to 131.0 in 2010-11.
-  The Number of Micro, Small, Medium Enterprises (MSMEs) increased to 29.81 million in 2009-10 from 28.52 million in 2008-09, whereas, number of persons employed in these sectors increased from 65.94 million in 2008-09 to 69.54 million in 2009-10. The production in these sectors has increased from ₹8,80,805 Crores in 2008-09 to ₹9,82,919 Crores in 2009-10.



**14.22.** This chapter contains the following tables :

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|--------------------|---|
| <b>Table 14.1:</b> | Annual Survey of Industries (factory sector) by states.                 |
| <b>Table 14.2:</b> | Annual Survey of Industries (factory sector) by states-2008-09.         |
| <b>Table 14.3:</b> | Mill Production of Cotton Yarn  |
| <b>Table 14.4:</b> | Production of cotton cloth.   |
| <b>Table 14.5:</b> | Production of man-made fibre fabrics.                                   |
| <b>Table 14.6:</b> | Production of selected items.   |
| <b>Table 14.7:</b> | Index number of industrial production Annual Averages (2- digit level). |
| <b>Table 14.8:</b> | Performances of micro, small, medium enterprises (MSMEs).               |