

Revised National Industrial Classification-1987

INTRODUCTION

The National Industrial Classification 1970 (NIC-70) was issued by Central Statistical Organisation (CSO) in 1970 to provide a uniform framework for classifying data according to kind of economic activities in the fields of population, production, employment, national income and other economic statistics. In order to provide international comparability, NIC-70 was matched with the International Standard Industrial Classification 1968 (ISIC-68) issued by the United Nations Statistical Office (UNSO).

Revision of NIC-1970

2. Since 1970 when the current NIC was evolved, the structure and organisation of industries have undergone considerable changes resulting, inter-alia, in substantial diversification and/or changes in the product-mix of the establishments as also in the technologies of operation. In view of this, revision of NIC-70 was included as one of the components of a CSO plan Scheme on "Standardisation of Classifications".

3. The implementation of the above Plan Scheme is being guided by a Steering Committee with following composition:

- (1) Director-General,
Central Statistical Organisation . . . Chairman
- (2) Chief Executive Officer,
National Sample Survey Organisation . . . Member
- (3) Economic Adviser
Department of Industrial Development. . . Member
- (4) Economic Adviser
Office of the Development Commissioner,
Small Scale Industries . . . Member
- (5) Adviser (Industry)
Planning Commission . . . Member
- (6) Director-General,
Employment & Training,
Ministry of Labour . . . Member

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| (7) | Director-General
Commercial Intelligence and Statistics
Ministry of Commerce | Member |
| (8) | Chief of Mineral Statistics,
Indian Bureau of Mines | Member |
| (9) | Director,
Directorate of Economics &
Statistics, Karnataka | Member |
| (10) | Director,
Bureau of Applied Economics &
Statistics, West Bengal | Member |
| (11) | Principal Adviser,
Reserve Bank of India, Department of
Statistical Analysis and Computer Services | Member |
| (12) | Director,
Institute of Applied Manpower
Research | Member |
| (13) | Secretary-General,
Federation of Indian Chambers of
Commerce & Industry | Member |
| (14) | Joint Director,
Standardisation of Classifications
Division, Central Statistical Organisation, | Member
Secretary |

4. The Steering Committee, after having considered the issues involved in the revision of NIC-70, directed that the experience gained by user organisations may be used for (i) deletion of obsolete activities; (ii) incorporation of new activities; (iii) amalgamation of unimportant activities with akin activities and (iv) expansion and splitting-up of the activities which may have since become important. The Steering Committee also decided to set up a Sub-Committee to prepare a draft of the revised NIC. The Sub-committee included representatives of Reserve Bank of India, National Sample Survey Organisation, Institute of Applied Manpower Research, Department of Industrial Development & Office of Development Commissioner, Small Scale Industries. Standardisation of Classifications Division of CSO was designated as the Secretariat for the Sub-Committee as well as the Steering Committee.

5. A preliminary draft of the revised NIC prepared in CSO was widely circulated to concerned organisations for their comments. After examination of the comments/suggestions received, the preliminary draft along with a report prepared by Secretariat on the feedback received was submitted to the Sub-Committee.

6. After an in-depth examination of the preliminary draft along with the feedback received, the Sub-Committee finalised the draft in its third and last meeting held on 17 April 1986 and submitted the same to the Steering Committee for its consideration. The Steering Committee met twice to consider the draft submitted to it by the Sub-Committee and gave its approval of the draft subject to certain editorial modifications to be effected by the Secretariat in consultation with the Chairman of the Steering Committee.

7. This revised draft was circulated to the Secretaries of various departments of Government of India including the departments represented on the Steering Committee. The feedback was examined by the Secretariat in direct consultation with the Chairman. As a result explanatory notes have been added to certain activities and activity categories in some of the groups have been reordered.

Main Features of the Revised NIC-1987

8. The revised NIC takes into account the changes having taken place in the structure and organisation of the industries since 1970 when the current NIC was brought out. While doing this, an attempt has also been made to remove the structural deficiencies of the current NIC. These include inter-changing the order of present major groups 30 and 31, adding explanatory notes to the description of the activities, wherever felt necessary and using the new titling system for different levels of the economic classifications etc., as recommended by the UN Statistical Office. In the revised NIC, the one-digit level constitutes the Section and the two-digit level Division. These correspond to Division and Major Group of NIC-70.

9. There has not been any major change at one digit level. The economy remains divided into 10 sections with a special section X for the activities not adequately defined in Sections 0-9.

10. At two digit level there are now 72 codes as compared to 64 in NIC-1970. Of the eight additional two-digit codes, three are in section 1 (Mining and Quarrying): one to raise mining of iron ores to division status, one to separately specify mining of uranium and thorium ores and the third to explicitly specify services incidental to mining but not specified elsewhere. The other five additional two digit codes are new: division 39 for repair of capital goods,

division 43 for generation of non-conventional energy and division 84 for operation of lotteries; division 85 for renting and leasing of machinery and equipment other than transport equipment and division 89 to separate real estate activities from other business activities.

11. The increase at the three-digit level has been mainly due to the need to expand and split the existing activities which have since become important. In order to differentiate the scale and/or technologies of operation and also to take into account the product specialisation, four digit classification now appears throughout; unlike in case of NIC-70 where four digit classification was developed only for the sections dealing with mining and manufacturing.

12. The revised National Industrial Classification contains the major features and revisions of ISIC-68 with the following exceptions:

(a) In ISIC-68 an attempt was made to classify enterprises in addition to establishments upto two and three digit levels. For this purpose, the classification was extended to fourth digit level. In India enterprise type units are engaged in many cases, in a variety of activities not necessarily akin to each other. It has, therefore, been found not necessary as in case of NIC-70 to extend the revised NIC beyond three-digit level for classification of enterprise type units. Introduction of four-digit level in NIC-70 as well as in NIC-87 has been made for other reasons, namely, need for more details in classifying establishments.

(b) In ISIC-68 repair services were shown under household and personal services instead of manufacturing. In NIC-70 these repair activities were provided for in two places: as separate groups under division 'Y' giving the option to have these activities either under division 3 (as major group 39) or under division 9 (as major group 97) according to the convenience or requirement of the users. In the revised NIC, however, these activities have been placed only at 97 and division 39 has been created to account for the establishments engaged predominantly in the repair of capital goods *i. e.*, the repair of machinery/equipment which are investment goods in nature. As such, division 'Y' has been dropped from the revised NIC.

- (c) NIC-70 was so designed that each group of ISIC-68 should be arrived at by a suitable combination of two-digit and / or three-digit categories of NIC-70. This feature of NIC-70 has been fully adopted in the revised NIC-87 *i.e.* the four-digit classification of ISIC-68 has been encompassed within the third digit level of revised NIC-87. Again, as in NIC-70 the revised NIC-87 has a special coding structure in the sense that it starts from 'O' instead of '1' as in ISIC-68 allowing thus, for an extra class for each level of classification in revised NIC upto third-digit level. In ISIC-68, activities not adequately defined were provided for in category 'O'. Since 'O' has been brought into the main body of the NIC, activities not adequately defined have been provided for in a special Section X.

13. The NIC-87 groups together economic activities which are similar in terms of process type, raw material used and finished goods produced. The classification does not make any distinction according to type of ownership (except in case of forestry where the distinction is considered to be of considerable economic importance) or type of economic organisation.

Statistical Unit and Rules of Classification

14. The basis of classification being the nature of economic activity carried out in an establishment it follows that the unit of classification is taken as the establishment. The term "establishment" is defined as an economic unit, which is engaged in one or predominantly one economic activity (as identified by the activity codes in NIC-87) at a single physical location under single ownership control of a firm or enterprise, which may have more than one establishment engaged in different activities at the same location or the same activities in different locations. Each establishment is to be counted separately and classified appropriately. Where a single physical establishment is engaged in one or more than one activity it would be desirable to treat each of the component technical units as a separate establishment but where it is not possible to separate technical, ancillary or welfare units from the parent establishment, the establishment will have to be classified into one or the other groups in the classification according to the major activities of the establishment. The major activities of the establishment should be measured with regard to the value added by production of different products and services, or net revenue derived from various activities. Where such assessment is not possible

classification may be done in terms of gross revenue attributed to the products, or services of the establishments, the number of persons employed for various activities.

Conversion keys

15. For the purposes of maintaining international comparability of data and also to maintain the time series, it is necessary that the data compiled according to a classification is convertible to the corresponding international classification as also to the earlier version of the classification. To meet these requirements of convertibility two annexures are provided at the end. Annexure I would enable conversion of data based on NIC-70 according to NIC-87 and Annexure II would enable conversion of data based on NIC-87 according to ISIC-68.
