

AN INTRODUCTION

Industrial Classifications have various uses. They are used, for example, in statistics of industrial production and distribution, national income statistics, occupational distribution of the economically active population, in the different fields of labour statistics, etc. To enable comparability of statistics available from different sources of various aspects of the economy, a standardised Industrial Classification for the country is a necessity. As a matter of fact, in a growingly inter-dependant world, efforts have been made to link up the national industrial classifications with a standard international industrial classification so that international economic comparisons are facilitated.

In India, Industrial Classifications have been in use in the field of labour statistics, industrial statistics, national income statistics, in national sample surveys, population censuses, etc. In the field of labour statistics three different types of Industrial Classifications have been in use, although these are very similar, one for classifying factories, one for industrial injuries and one for employment registers. For surveys of employment and unemployment, the Directorate General of Employment and Training has been using the Standard Industrial Classification evolved by it in 1958. This classification was also used for the 1961 population census. In the Annual Survey of Industries a detailed classification of industries is in use for larger factories covered by their census part, while factories covered in their sample part are classified according to Labour Bureau Industrial Classification of factories. Monthly Statistics of Production of Selected Industries, on which indices of Industrial Production are based, are classified according to the Standard Industrial Classification evolved in 1962 by the Central Statistical Organisation. The Standard Industrial Classification of the Central Statistical Organisation at the third digit level has also been in use in the recent rounds of the National Sample Survey. The Indian Bureau of Mines follows a classification of minerals based on the International Standard Industrial Classification of all Economic Activities 1958. Thus at present an extremely wide variety of industrial classifications are in use in India and the need to evolve a common industrial classification which can be used by the different agencies has become extremely urgent.

An attempt at evolving a common Industrial Classification for the country, was made when the important users among the central departments met in April, 1964. A draft standard industrial classification was prepared by a technical committee but before it was adopted the Statistical Office of the United Nations intimated that it was attempting a revised International Standard Industrial Classification. It was decided to wait for the revised International Standard Industrial Classification which was received in September 1968. The International Standard Industrial Classification 1968 was circulated by Central Statistical Organisation and fresh suggestions were invited from different organisations concerned regarding preparation of a Standard Industrial Classification for India. Suggestions received were studied in detail and a draft Standard Industrial Classification prepared. Another draft classification was also prepared by Director General of Employment and Training. Both the drafts were considered in a meeting in the Central Statistical Organisation on 18th September 1969. The following Ministries/Organisations were represented in the meeting:—

1. Office of the Registrar General, India.
2. Directorate General of Employment and Training.
3. Directorate of National Sample Survey.
4. Labour Bureau.
5. Department of Economic Affairs, Ministry of Finance.
6. Office of the Economic Adviser, Ministry of Industrial Development.
7. Ministry of Industrial Development.
8. Directorate General of Technical Development.
9. Directorate of Economic and Statistics, Ministry of Food, Agriculture, Community Development.
10. Planning Commission.
11. Indian Bureau of Mines.
12. National Buildings Organisation.
13. Directorate of Manpower, Ministry of Home Affairs.
14. Indian Statistical Institute.
15. Institute of Applied Manpower Research.
16. Central Statistical Organisation.

The broad principles behind the industrial classification were laid down and a basic structure approved. It was decided to have a National Industrial Classification for India in which at three digit level all the International Classification items upto 4-digit would be matched or made equivalent to. There would be one to one correspondence at first and second digit level. The details of 3rd digit classification and 4th digit classification were left to sub-Committees.

The sub-Committee No. (1) was asked to finalise the National Industrial Classification at third digit level and sub-Committee No. (2) was to prepare a draft at 4th digit level classification as an extension of the third digit classification finalised by the sub-Committee No. (1). The sub-Committee No. (1) consisted of the representatives of the Directorate General of Employment and Training, Office of the Registrar General, Directorate of National Sample Survey, Indian Statistical Institute and the Central Statistical Organisation. The sub-Committee met on 9th-10th October 1968 and went through in detail all the comments and suggestions received from various organisations. The National Industrial Classification was finalised by sub-Committee No. (1) at 3rd digit level.

The National Industrial Classification at third digit level was further extended to the 4th digit level by sub-Committee No. (2) which met on 19th January 1970 with some very minor changes at 3rd digit level. All the items of the International Standard Industrial Classification are matched by the National Industrial Classification at third digit level. The 4th digit level classification is primarily meant to meet the needs of the Ministry of Industry in respect of Small Scale Industries, Labour Bureau and the Registrar General Office also covers the residual classification of the present Annual Survey of Industries Classification not covered at 3rd digit level.

The National Industrial Classification—1970 contains the major features and revisions of International Standard Industrial Classification—1968 with a few exceptions. Transfer of Restaurants and Hotels from services to trade and formulation of a new first digit classification by clubbing, Banking, Insurance, Real Estate and Business Services, treatment of sanitary services as community services and other changes effected in International Standard Industrial Classification—1968. have been taken into account in the finalization of National Industrial Classification—1970. Two features, however, of International Standard Industrial Classification—1968 have not been found necessary for National Industrial Classification—1970. In International Standard Industrial Classification—1968 an attempt has been made to classify enterprises in addition to establishments upto second and third digit

level. For this purpose the classification has also been extended to fourth digit. In India enterprises type units are engaged in many cases in a variety of activities not necessarily akin to each other. Introduction of these features of International Standard Industrial Classification—1968 in National Industrial Classification—1970 has not been considered advisable. Even the international experience with regard to enterprise type classification is too limited to warrant adoption for Indian conditions. It was, therefore, not found necessary to extend National Industrial Classification—1970 beyond three digit level classification of enterprises type units. Introduction to four digit level in National Industrial Classification has been made for other reasons *i.e.* need for more details in classifying establishments. In the International Standard Industrial Classification—1968 Repair Services are shown under Household and Personal Services instead of Manufacturing. As some of the users in India would still like to classify this activity under Manufacturing, it has been decided to show them as a separate group under division 'Y' giving the option to have these activities shown under Division 3—Manufacturing (as major group 39) or under Division 9 (as major group 97) according to the convenience and requirements of the users. National Industrial Classification—1970 has been so designed that each group of International Standard Industrial Classification—1968 should be arrived at by suitable combination with major groups and groups of National Industrial Classification—1970. The four digit classification of International Standard Industrial Classification—1968 has been encompassed in National Industrial Classification—1970 3rd digit structure. To accommodate coverage at 3rd digit level, the National Industrial Classification—1970 has a special code structure starting with 'O' instead of 'T' as in International Standard Industrial Classification—1968. Thus there is a provision allowing for an extra class at each level of classification in National Industrial Classification—1970 upto 3rd digit level. Two Divisions 2 and 3 have been given to Manufacture instead of 1 (3 in International Standard Industrial Classification—1968). Two additional Divisions incorporated in National Industrial Classification—1970, are Division 'X', for Activities not Adequately Defined and Division 'Y' for Personal and Repair Services.

Like International Standard Industrial Classification—1968, the National Industrial Classification—1970 groups together economic activities which are akin in terms of process type, raw material used and finished goods produced. The Classification does not make any distinctions according to the type of ownership or type of economic organisation, and except in some cases the classification does not distinguish between large scale and small scale.

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 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 and 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 determined in terms of gross revenue attributed to the products, or services of the establishment, the number of persons employed for various activities and the major activity assignable under these activities may be given as convenient and appropriate.