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## CHAPTER X

### TRADE, HOTELS AND RESTAURANTS

#### Coverage

10.1. The activities considered in this sector are (i) wholesale and retail trade including imports and exports of goods, (ii) purchase and sale agents and brokers, (iii) auctioneering and (iv) services rendered by hotels, restaurants, cafes and other eating, drinking and lodging places. (Appendix 10.1).

#### Methodology and Source Material

##### Estimates at current prices

10.2. Estimates have been prepared using the income approach.

##### Benchmark estimates

10.3. The estimates for 1970-71 have been prepared separately for registered trade covered under the Sales Tax Acts/Regulated Market Acts and unregistered trade.

10.4. For registered trade, gross/net value added per worker (after allowing for secondary workers) has been obtained using the results of distributive trade surveys carried out in eight states<sup>40</sup>. These surveys covering wholesale and retail trade, and hotels and restaurants coming under the purview of the Sales Tax Act, do not have the same reference period for all the states where survey has been undertaken. Also, while wholesale and retail trade is covered in the distributive trade surveys of all the eight states, hotel and restaurant services are covered only in the States of Gujarat, T.N. and U.P. The estimates of gross/net value added per worker for eight states and three states are therefore used for the two groups of services respectively. Because of different reference periods, the estimates per worker as available from these reports are brought forward/backward to 1970-71 to obtain the estimates for the base year. The adjustment has been made with the all-India consumer price index numbers for urban non-manual employees. In the absence of any other information, the weighted average of gross/net value added per worker for the two subsectors are adopted for preparation of estimates at the all-India level. The weighted averages in each case are obtained using the number of workers (as obtained from the 1971 population census) in each of these activities (trade/hotels & restaurants) in the States covered under the survey. In the absence of any other information this weighted average estimate of gross/net value added per worker is assumed to hold good at the all-India level.

10.5. For estimating the number of workers in registered trade and hotel and restaurant in 1970-71 at the all-India level, the average proportion of the corresponding numbers engaged in registered trade (as available from the distributive trade survey results) and the total number of workers in the sector in 1971 (obtained from 1971 population census results) for the States of A.P. and Haryana is used.

10.6. For unregistered trade, NSS data are available for the year 1969-70 only in the NSS Report No. 221, *Tables with Notes on Some Features of Household Non-Registered Trade*, 24th Round: 1969-70 (NSSO, 1975). The estimates of gross value added per worker (adjusted for secondary workers) determined therefrom separately for rural and urban areas are brought forward to obtain the corresponding levels for 1970-71. For adjustment, an index number of wages of rural skilled workers and the index number of consumer prices for urban non-manual employees are used. The number of workers in the unregistered trade is obtained as a residual using the corresponding number in registered trade and the total as available from 1971 population census. Similar data on hotel and restaurant activities in the unregistered sector are however not available. The estimates for unregistered hotels and restaurants are, therefore, obtained by using the corresponding ratio of the estimates for registered and unregistered trade.

10.7. The NSS results also do not give data on consumption of fixed capital. The levels of net domestic product for unregistered activities are, therefore, obtained by using the corresponding ratio between gross and net value added for registered part.

##### Annual estimates

10.8. Since trade surveys (e.g. distributive trade survey for registered trade and NSS for unregistered trade etc.) are not undertaken annually, the estimates separately for these two categories can be prepared for the benchmark year (1970-71) only. For annual estimates, therefore, a classification of activities included in the sector into organised trade (public, private corporate and cooperatives) and unorganised (household and non-household) is adopted. The annual (including the benchmark year) estimates for organised trading, hotel and restaurant activities are prepared using the results of the analysis of the annual reports for the public sector and the details of finances of joint stock

<sup>40</sup>. A. P. (1971-72), Delhi (1959-70), Gujarat (1968-69), Haryana (1969-70), Maharashtra (1968-69), Orissa (1969-70), T. N. (1964-65) and U. P. (1971-72).

companies<sup>47</sup> and cooperative societies<sup>48</sup>. For such unorganised activities the annual estimates at current prices have been obtained by preparing constant price estimates first and adjusting the same with the wholesale price index of all commodities (for trade) and a specially prepared wholesale price index of consumer goods (for hotels and restaurants). The consumer goods used for the purpose are food articles (food-grains, fruits and vegetables, milk etc.), fuel, power, light and lubricants, manufactured food products viz., dairy products, bakery products, sugar and gur etc., beverages, tobacco and tobacco products.

### Estimates at constant prices

10.9. The estimates at constant prices for total value added by trade have been obtained by moving the corresponding base year estimates by a specially prepared index of volume of goods handled. This index is based on the value at 1970-71 prices of marketable surplus in commodity producing sectors of agriculture, forestry, fishing, mining and manufacturing. The proportions of total output marketed are obtained separately for groups of commodities. Thus for rice, wheat, jowar and gram the proportions are obtained from annual data on market arrivals brought out by the DESAg. For other agricultural commodities as well as livestock products the proportions used are based on data contained in the relevant Marketing Reports of the DMI. The *Bulletin on Commercial Crops Statistics*, 1968-69 to 1971-72 (DESAg) is the source for sugarcane, oil seeds, etc., and for palm-gur annual reports of Khadi and Village Industries Commission. For cash crops (like tea, coffee and cocoa) and other commodity producing sectors total production is taken as marketable surplus.

10.10. The estimates of value added at constant prices for the organised trade have been obtained independently on the basis of quantum indices of purchases and sales. In case of public sector trade, the base year estimates of value added have been moved to other years with the help of a specially constructed quantum index of purchases and sales of public sector trading corporations, the data on which are available from the annual reports. The quantity of different products handled by the Food Corporation of India (FCI), Mineral & Metal Trading Corporation (MMTC), State Trading Corporation (STC) and Indian Dairy Corporation have been evaluated at base year prices to prepare the quantum index. In the case of joint stock companies and cooperative societies engaged in trading activity the base year estimates have similarly been moved with the quantum index of sales of private corporate sector obtained by deflating the current value of sales by wholesale price index of selected commodities, namely

non-food articles and manufactured products. The data on sale of private corporate sector has been obtained from RBI sample studies of finances of medium and large public and private limited companies published in RBI Bulletins periodically. The sales data so obtained have been adjusted for full coverage with the ratio of paid up capital of sampled companies to total paid up capital as available from Company Law Board. However, these data are available upto 1975-76 only. For 1976-77 in the absence of any other data, the estimates of sales of joint stock companies have been obtained by using the observed change between 1974-75 and 1975-76. For 1977-78 information on private large corporate units (available from '*Monthly Review of Indian Economy*'—Feb., 1978 and Oct., 1979, issued by Centre for Monitoring Indian Economy, Bombay) have been utilised for measuring the annual rate of change.

10.11. In the case of hotels and restaurants the same index of volume of goods handled (prepared as the indicator of trading activity) has been used for obtaining the total value added at constant prices. In the absence of data for the public sector, the quantum index of sales of private sector only has been used to move the base year figures for the organised part (public and private corporate) to obtain the corresponding constant price estimates for the subsequent years. The quantum index of private corporate sector has been obtained following the same method as that for trade except that the value of sales has been deflated by the wholesale price index of consumer goods.

10.12. The constant price figures for unorganised activities covered by this sector have been obtained by deducting the figures for organised part from the total separately for trade and hotels & restaurants.

### Objectively, Reliability & Current Status of Data

10.13. The results of the distributive trade surveys which have been utilised for building the base year estimates of value added per worker of registered sector are available for eight states only and even for these, the reference period is not uniform. The NSS results of 24th round which are used for the estimates of unregistered trade do not provide data for hotels and restaurants and refer to a distant past. The estimate even for the bench mark year cannot therefore said to be fully satisfactory.

10.14. For unorganised part of the sector, neither annual current data nor physical indicators are available for obtaining value added estimates. The estimates are obtained by an indirect method of using marketable surplus and price indices. The estimates for this sector therefore have much scope for improvement.

<sup>47</sup> Annual reports of non-departmental public sector undertakings.

<sup>48</sup> "Cooperative Movement in India—Part II", RBI.

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APPENDIX 10.1. NIC—1970 INDUSTRY CODE NUMBER OF ITEMS COVERED

item	major group	minor group	item	major group	minor group
1. wholesale trade in food, textiles, live animals, beverages & intoxicants	60	600 to 608	6. retail trade in food and food articles, beverages, tobacco and intoxicants	65	650 to 656 & 659
2. wholesale trade in fuel, chemicals, perfumery, ceramics & glass	61	610 to 613	7. retail trade in textiles	66	660 & 661
3. wholesale trade in wood, paper, other fabrics, skin and inedible oils	62	620 to 623	8. retail trade in fuels and other household utilities and durables	67	670 to 667 & 679
4. wholesale trade in all types of machinery equipment including transport & electrical equipments	63	630 to 632	9. retail trade in others	68	680 to 684 & 689
5. wholesale trade in miscellaneous manufacturing	64	640 to 647 & 649	10. restaurants & hotels	69	690 & 691
			11. purchase and sale agents and brokers and auctioneering	82	821 & 822