DISTRIBUTIVE TRADE STATISTICS IN INDIA

Definition

The term distributive trade refers to wholesale trade and retail trade which can be defined as an act of purchase of goods and their disposal by way of sale without any intermediate physical transformation of goods. This includes commission agents, commodity brokers and auctioneers and all other wholesalers who trade on own behalf and on the account of others. Retail trade covers units which mainly resell without transformation new and used goods for personal or household consumption. The terms wholesale trade and retail trade have comprehensively been defined in section G of the National Industrial Classification (NIC)-2004 which is based on International Standard Industrial Classification (ISIC) Rev.3.1 and would serve as the basis of activity-wise classification of units in future surveys.

Activity Classification

2. As per the existing International Recommendations on Statistics of the Distributive Trades and Services, this sector covers wholesale trade, retail trade and related services such as hotels and restaurants, real estate, machinery renting and leasing, data processing, advertising, motion pictures, broadcasting, photography repairs and some personal services. The activities regarded as falling within the scope of the distributive trades and services are covered under the following Codes at 2 digit level (Division), 3 digit level (Group) and 4 digit level (Class) of NIC-2004 .

Activity	NIC Division/Group/Class
Wholesale Trade	51
Retail Trade	52
Real Estate	70
Machinery renting and leasing	71
Hotels & Restaurants	55
Data Processing	723
Advertising	743
Photography	7494
Motion Pictures	9211, 9212
Broadcasting	9213

Personal Services (domestic,   9301,9302

laundry, dyeing & dry cleaning and

barbers & beauty shops.

Data Need & its Limitations

3.   Distributive trade is an important sector as its activities are spread over throughout the length and breadth of the country and have potential to provide employment to a large proportion of the population besides its significant contribution to the GDP. The share of trade and hotels & restaurant industry to GDP has been growing progressively over the years and it has increased from 8% in 1950-51 to 16% in 2003-04.Thus the distributive trade sector plays an important role in the economy of the country. However, 98% of the trading activities are carried out in the unorganised segment of the economy. Statistics of this segment of the economy has not been adequately developed and lacking in quality, comparability and Timeliness. There is no regular flow of data either from official sources or through annual surveys.

Data Sources

Economic Censuses

4.   To fill these data gaps in respect of unorganised non-agricultural sectors of the economy, a scheme of economic census and surveys was launched by the Central Statistical Organisaton (CSO), Govt. of India in 1976. Since then, four economic censuses have been conducted by the Central Statistical Organisation, Govt. of India in the years 1977,1980, 1990, the last being in 1998. The 5th Economic Census is in progress at present. The basic objective of conducting economic census is to generate an updated frame of enterprises for enterprise surveys and to provide basic entrepreneurial data.

Coverage

5.   The coverage in the first Economic Census conducted in 1977 was restricted to only non-agricultural enterprises employing at least one hired worker on a fairly regular basis. Data on items such as description of activity, number of persons usually working, type of ownership etc. were collected. The scope and coverage of all the subsequent

surveys including the Fifth Economic Census (being conducted in 2005) have been extended to cover all agricultural and non-agricultural enterprises excepting those engaged in Crop Production and Plantation.

<u>Data Items</u>

6.   The items of information collected through these surveys included location of the enterprises, premises status, description of activity, nature of operation, ownership type, social group of the owner, power/fuel used, year of operation, registration, sources of finance, total number of persons usually working and hired persons with break up in male/female and adult/child categories. For the first time in the 5th Economic Census an address slip is being canvassed from the units employing 10 or more workers with the objective to generate Directory of enterprises which would be one of the inputs for preparing Business Register.

<u>Enterprise Surveys</u>

7.   Enterprise surveys are an important source of information on unorganised segment of the economy. Based on the frame provided by each of the Economic Censuses and updated frames of the ECs, the Enterprise Surveys on activities falling under distributive trades and services sector conducted so far are given below :

<u>Based on First Economic Census, 1977</u>

> (i)   Survey of Directory Trading Establishments, 1979-80;
>
> (ii)   Survey of Non-Directory Trading Establishments and Own Account Trading Enterprises, 1979-80;
>
> (iii)   Enterprise Survey 1979-80 (Transport, Hotels & Restaurants, Storage & Warehousing and Services Sector covering all Directory Establishments, Non-Directory Establishments and Own Account Enterprises).

Based on Second Economic Census,1980

(iv)   Enterprise Survey 1983-84 (Transport, hotels & restaurants, storage & warehousing and services sector) covering all Directory Establishment, Non-Directory Establishment and Own Accounts Enterprises.

(v)   Survey of Directory Trading Establishment -1985-86;

(vi)   Survey of Non-Directory Trading Establishments and Own Account Trading Enterprises, 1985-86.

Based on updated Frame of 1987-88

(vii)   Enterprise Survey – 1988-89 (Transport, hotels and restaurant, storage & warehousing and service sector) covering all Directory Establishments, Non-Directory Establishment and Own Accounts Enterprises

(viii)   Survey of Directory Trading Establishments – 1990-91;

(ix)   Survey of non-Directory Trading Establishments and Own Account Trading Enterprises, 1990-91

Based on Economic Census, 1990;

(x)   Enterprise Survey – 1993-94 (Hotels & Restaurants and Transport);

(xi)   Survey of Directory Trading Establishments, 1996-97;

(xii)   Survey of non-Directory Establishments and Own Account Trading Enterprises, 1997.

Scope & Coverage

8.   As already stated above, Economic Census operations envisaged complete enumeration of all agricultural (except crop production and plantation) and non-agricultural entrepreneurial activities carried out through out the country. All enterprise surveys are sample based surveys and cover all the private enterprises i.e. private corporate and un-incorporated enterprises engaged in the particular activity covered under the specific survey.   Sample is drawn from the frame of units engaged in the activity intended to be covered under the enquiry, as provided by the Economic

Censuses. For the purpose of coverage the units have been categoriesed as Own Account Enterprises (OAEs), Directory Establishments (DEs) and non-Directory Establishments.(NDEs).

Sample Design

9.   The sample design adopted for the surveys was a stratified two stage design with the first stage units (FSU) as villages in the rural areas and enumeration blocks/urban frame surveys (UFS) blocks, in urban areas and second stage units as enterprises.

Statistical Units and Rules of Classification

10.   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) 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 at 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.

11.   For classification of units in these enterprise surveys, the National Industrial Classifications NIC-1970, NIC-1987, NIC-1998 have been followed depending upon the year of surveys and availability of NIC version. With a view to facilitating international comparability, general principles and definitions adopted in the NIC, 1970 and NIC-1987 were made more or less in conformity with the International Standard Industrial Classification 1968 (ISIC-68) and ISIC 1968 Rev. 2 respectively. NIC-1998 is based on ISIC-1990 Rev. 3 and NIC-2004 which is an updated version of NIC-1998 is based on ISIC 2002 Rev. 3.1 which will be formed as the basis for classifications in the future surveys.

Items of Data

12.   These surveys have been designed to collect detailed industry wise information on the nature of activity, type of ownership, employment, emoluments, inputs, output, inventory of fixed assets, working capital, outstanding loans, trade margins, change in stock , total expenditure, total receipts and value added etc.

Concepts & Definitions

Enterprise

13.   An Enterprise has been defined as an undertaking engaged in production and/or distribution of goods & services not for the sole purpose of domestic consumption. An enterprise might be owned and operated by a single household, or by several households jointly on a partnership basis or by any institutional body.

Own Account Enterprise

14.   An enterprise run with the help of family members without any hired worker on a fairly regular basis.

Establishment

15.   An enterprise which is employing atleast one hired worker on a fairly regular basis is termed as Establishment. Establishments have been divided into two classes:

a) Non-Directory Establishments (NDE) :

Establishments having less than 6 workers (household and   hired taken together).

b) Directory Establishments (DE)

Establishments having 6 or more workers (household and hired taken together).

<u>Type of Ownership</u>

16.   Type of Ownership is classified as (i) Proprietary; (ii) Partnership; (iii) Cooperative society ;(iv) Private Ltd;(v) Public Ltd. ; (vi) Trusts and (vii) others.

<u>Employment</u>

17.   Count of all the persons employed by the enterprise including both household workers as well as hired workers. These includes supervisory and managerial staff, working proprietors, unpaid family workers, paid and unpaid probationers, full time and part time workers and working members of cooperative societies.

<u>Employees</u>

18.   All persons engaged other than working proprietors and unpaid family members.

<u>Emoluments</u>

19.   This includes salaries, wages and allowances etc. including retirement benefits, social benefits and other benefits for staff.

Input

20.   Expenses (other than relating to salaries, wages, allowances etc., rent for assets not owned and interest on loan) of recurring nature will be covered.

Fixed Assets

21.   Fixed Assets include assets of the enterprise such as land, building, godown or any structure, plant & machinery, transport equipment, lighting equipment, furniture and fixtures and all other equipments new or used that had a normal economic life of more than one year from the date of purchase/acquisition.

Working Capital

22.   Working capital means the total capital locked up in stock of commodities etc. plus amount receivable minus amount payable by the trading enterprise. Total capital locked up in commodities etc. includes value of stock at cost price, whether paid in cash or purchased on credits. Amount receivable is the sum of money due to the enterprise for goods sold, amounts advanced in connection with the normal work of the enterprise, rates and taxes paid in advance, security deposit of less than one year, short term advance to staff and call deposits. Amount payable is the sum of money which the enterprise has to pay for material purchased, short term loan and advance taken by the enterprise, outstanding wages, rent etc.

Outstanding Loan

23.   This is the amount of cash loans (including interest) which is outstanding on the last day of the reference year.

Trade Margin

24.   Trade margin of a commodity is the percentage difference between the sale price and the purchase price. Trade margins will be obtained when some transaction of goods

takes place and as such will not be applicable for commission agents and auctioneers, etc.

Change in Stock

25.   The Change in stock can be estimated in value terms as difference between capital locked up in stock at the beginning and that at the end of the reference month (the latter minus the former gives change in stock).   Credit purchases are also considered   while arriving at the capital locked up figures.

Total Expenditure

26.   The value of commodities purchased, maintenance and other expenses incurred by the enterprise for running its activity are included in total expenses.

Total Receipts

27.   All receipts from sales together with the value of trading goods consumed at home and other receipts incidental to trading activities are considered as total receipts of the unit.

Value Added

28.   Gross value added is defined as receipt on trade account minus total expenses (i.e. total expenditure other than emoluments, rent on land, interest on loan and expenditure incurred in connection with activities other than trading) plus change in stock. Net value added is obtained by deducting depreciation from gross value added.

Data Source and Data Collection Methods

29.   As stated above, the economic censuses and detailed follow up surveys (enterprise surveys) are the main source of data for the distributive trade and service sector. In these surveys the data are collected through field enumeration.

Distributive Trade Statistics & Compilation of the National Accounts

30.   For National accounting in India, the distributive trade activities form the part of Service Sector other than Public Administration and Finance. This Sector covers a wide range of economic activities. Besides the sectors of trade, hotel and restaurant, transport, storage, communication, real estate & ownership of dwellings, banking and public administration, it also covers the sectors of business services and 'other services'. Business services include business accounting, software development and data processing, business and management consultancy, advertisement and other business services. The sector 'other services' comprises education, research & scientific services, medical and health services including veterinary services, sanitary services, religious and other community services, recreation and entertainment services and personal services like domestic, laundry, dyeing and dry cleaning and barbers & beauty shops.

        For convenience of accounting, the economy both, national and regional, is divided into the three following segments :

   (i) Public Part : This constitutes the public administration, Departmental Commercial Units (DCUs) and Non-departmental Commercial Units (NDCUs).

   (ii) Private Organised Part : The private establishments and enterprises that are registered as Factories, Companies or Co-operatives. For the activities covered under the Service Sector, the companies and co-operatives are taken to constitute the organised sector.

   (iii) Private Unorganised Part : The remaining part of the economy i.e. all unincorporated enterprises, including all kinds of proprietorships and partnerships run by individuals, and the NPISHs constitute the (Privates) unorganised segment.

        For some of the activities or activity groups in the service sector, estimates are prepared separately for these three types of enterprises. For the others, only the public and the private enterprises are treated separately.

Trade, Hotels and Restaurants

31.   Coverage

The economic activities covered in this sector are:

i.   Wholesale and retail trade in all commodities both produced at home (including exports) and imported,

ii.   Purchase and selling agents, brokers and auctioneers,

iii.   Services rendered by hotels and other lodging places, restaurants, cafes and other eating and drinking places.

32.   Main data sources

i)   Accounts of the public sector enterprises and budget documents,

ii)   The results of the RBI study of the finances of a sample of companies engaged in trade and hotels & restaurants,

iii)   Paid-up capital of all the companies engaged in trade and hotels & restaurants from Department of Company Affairs,

iv)   Publication entitled 'Statistical statements Relating to 'Co-operative movement in India' from NABARD (National Bank for Agriculture and Rural Development),

v)   Workforce data from Population Census, the NSSO and the Directorate General of Employment & Training (DGET),

vi)   Enterprise Survey results concerning Trade and Hotels & Restaurants and

vii)   Value of output of commodity producing sectors etc.

33.   Methodology used for estimating GDP

The GDP estimates of 'Trade and hotels & restaurants' sector are prepared separately for:

(i)   Public part

(ii)   Private Organised part, consisting of (a) Private Corporate sector and (b) Trading Co-operatives (applicable only for trade) and

(iii)   Private Unorganised part

34.   Public component :   Estimates of GDP relating to public sector units engaged in trade and hotels & restaurants are based on the analysis of accounts of the public sector trading enterprises and budget documents.

35.   Private Organised component: Estimates of GDP relating to private organised part comprising private corporate sector and co-operative societies (for trade only) are prepared using the results of the RBI study of the finances of a sample of companies (inflated by paid-up capital obtained from Department of Company Affairs) and information available from National Bank of Agricultural and Rural Development (NABARD) respectively.

36.   Private Unorganised component: The component of the GDP for this sector is estimated as a product of estimates of work force and value added per worker. The estimates of value added per worker are available from the Enterprise Surveys (ESs) conducted on trade and hotels & restaurants. The estimate of urban work force engaged in the unorganised sector, is obtained from the total workforce for trade by subtracting the workforce of the public part and the private organised part available from Directorate General of Employment & Training (DGE&T). The estimates of GVA per worker for trade have been obtained from the ESs carried out as follow up of the Economic Census. These ESs surveys are conducted in different years. The estimates obtained from these surveys are used after duly adjusting them to represent the base-year (1993-94) GVA per worker by appropriate price indices. For adjusting the estimates for rural areas, CPI (AL) is used, whereas for that of urban areas CPI (UNME) is used. In case of hotels and restaurants, the estimate of GVA per worker is obtained from 1993-94 Enterprise Survey results.

Real Estate

37.   Activities of all types of dealers such as operators, developers and agents connected with real estate are covered. All-India estimates of GDP for the base year (1993-94) have been prepared using the estimates of GVA per worker from the Enterprise Survey, 1991-92 (carried forward to 1993-94 with the help of suitable price indices) and estimates of work force. For subsequent years, the work force estimate is

projected using annual compound growth rate of working force observed between two consecutive Employment and Unemployment surveys of 1987-88 and 1993-94. The estimates of value added per worker are moved to subsequent years using the CPI (AL) for rural areas and CPI (UNME) for urban areas.

38.   Software Development

The estimates of Software development activities are prepared on the basis of analysis of annual reports of software companies and National Association of Software and Service Companies (NASSCOM) data of output of software on year to year basis. The estimates at constant prices are obtained by deflating the current-price estimates with the CPI (UNME).

Personal Services

39.   The estimates of these services are prepared using estimates of workforce and value added per worker (available from the Enterprise Survey 1991-92) duly adjusted for 1993-94 separately for rural and urban areas. For subsequent years, the workforce have been projected using the inter-survey average of compound growth rate of two consecutive Employment & Unemployment Surveys as observed between 1987-88 and 1993-94. Value added per worker of rural and urban sectors have been projected to subsequent years with the index of CPI (AL) and CPI (UNME) respectively.