INDUSTRIAL AND PRODUCT CLASSIFICATIONS IN INDIA
INDUSTRIAL AND PRODUCT CLASSIFICATIONS IN INDIA

Introduction

A national statistical system must be responsive to the needs of the planners and policy makers who require quality statistics to monitor and critically evaluate the development plans. To achieve this, the statistical system must be capable of measuring the contribution of all the economic activities towards the national wealth and income. Such measurements should also provide comparable estimates over time between regions and allow for corrective steps to achieve the goal of maximum benefit to the entire society. The official statistics have to be collected and presented according to standard classifications for facilitating data aggregation over time & space and for international comparison. Consequently a standardized system of classification of economic activities is essential for meaningful collection of data relating to such activities and for ensuring not only the comparability of the data collected within the country from various sources by different agencies but also with the rest of the world.

In India, the Central Statistical Organization (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.

Classifications used in India

(A) Industrial Classification

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.
The Central Statistical Organisation (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 organisation 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). 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 presently used in India and which is based on ISIC Rev. 3.1, did not effect any major changes in the structure of the earlier NIC-98 except removing ambiguity/duplications/omissions, etc. 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 2007. The structure of NIC- 2004 is identical to the structure of ISIC Rev.3.1 up to 4-digit level ‘class’ (except a few shadow classes). Classes were then divided into 5-digit ‘sub classes’ according to national requirements. The structure of NIC 2004 is as illustrated below.

### Table 1

<table>
<thead>
<tr>
<th>Illustration of the structure of NIC 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level</strong></td>
</tr>
<tr>
<td>Section ‘D’</td>
</tr>
<tr>
<td>Division 17</td>
</tr>
<tr>
<td>Group 171</td>
</tr>
<tr>
<td>Class 1711</td>
</tr>
<tr>
<td>Sub-Class 17111</td>
</tr>
</tbody>
</table>

**Salient Features of Updated NIC-2004**
- The structure of ISIC Rev. 3.1 up to the 4-digit level has been incorporated in toto and the 5th digit level has been used to accommodate the national requirements.
- As per the needs of the user organizations, shadow 4-digited classes have been created
• Notes of updated ISIC Rev. 3.1 along with inclusion/exclusion statements have also been incorporated in updated NIC-2004 to remove ambiguity in the scope of various 4-digit classes to facilitate distinct classification of all economic activities.

**Conversion keys**

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-1998 and ISIC Rev. 3. To meet the requirement of comparability with earlier version i.e.NIC-98, two concordance tables have been prepared and included in the publication of NIC – 2004 : a concordance table between 4-digit level of NIC-98 and NIC-04 and the other between 4-digit levels of NIC- 04 and NIC-98. The former is meant to enable translating NIC-98 based data in terms of the 4-digit classes of NIC-04 while the latter is to enable conversion of the NIC-04 based data in terms of NIC-98.

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

**Table 2**

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

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

- Ultimate digit
(B) Product Classification

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

Main features of CPN 1988 (for transportable goods)/ 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 has been made as close as possible to the international system “Harmonized Commodity Description and Coding System (HS)”

Indian Trade Classification (ITC) (HS)

An 8-digit common code classification based on internationally adopted Harmonized System of Nomenclature (HSN) has been adopted in India for all trade related transactions, which facilitates international and domestic trade. This code has been developed by Ministry of Commerce & Industry and is popularly 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.

Main features of ITC

- 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 (covering 99 chapters), 4-digit ed exim codes which are further divided into 6-digit ed and 8-digit ed 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).

Recent Developments

• In today’s scenario, there is a structural change in the economy. With the upcoming of lots of new activities like information, communication & technology etc. More over India being a part of UN Expert Group on classifications, it has been decided to revise the updated National Industrial Classification and release the NIC 2008. The work in this direction is in full progress.

• Also, it is under consideration to revise the Common Product Nomenclature by following the principles of the Central Product Classification. (CPC version 2.0).

• It has been observed that there is no mapping between the two codes NIC and ITC (HS) and it is felt by the users that there is a need for the standardization and mapping of the NIC and ITC codes so that reliable sectoral data can be reported which in turn can facilitate informed policy formulation. With this type of demand by the users, the Central Statistical Organization has been assigned the job of developing a mapping between NIC and ITC codes. The work is in progress.