South Asian Association for Regional Cooperation

**SAARCSTAT Workshop on
Classification and System of National Accounts**

New Delhi, India, 5-6 June 2006

SAARCSTAT/CSNA/WKSH/10

Product Classification: Indian Experience

1. Background:

As compared to other statistical classifications, India did not have a single / have any standard product classification. There existed a plethora of product classifications. The product classification was mostly used for a) Annual Survey of Industries (ASI for registered manufacturing sector as per Factory Act) and b) Input-output table. In case of ASI, the practice was to develop activity-linked product list generated each year based on actual surveys. Such practice prevented India to carry out any useful analysis of Trade with Industry not to talk of international comparison.

2. Common Product Nomenclature (CPN)

In order to develop a national standard classification of products, the Central Statistical Organisation (CSO) developed and issued for the first time a **Common Product Nomenclature (CPN)** in 1978 by grouping together products of similar nature within economic activities classified according to National Industrial Classification (NIC) 1970. This was done with a view to replacing the different classifications adopted by different organizations for their own schemes of collection, tabulation and publication of different sets of economic statistics except the trade classification which followed SITC prior to implementation of HS.
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CPN was basically an industry-linked classification and based on the principle of flow of output through the economic system, input-output transactions, inter-industry relationships, commodity balance sheets, balance of payments statistics, etc. In view of considerable changes in the structure and organization of industries resulting in substantial diversification and change in product mix and technologies of production, CSO under took the first revision of CPN-78 and made effective from April 1988 and was known as CPN-88

While identifying the products, wide consultations were made in respect of the following available classifications, namely,

a. Indian Trade Classification, Rev.3

b. Harmonised Commodity Description and Coding System which has formed the basis of the new Indian Trade Classification brought out by DGCI&S and also the new tariff classification put into effect from 28 February 1986.
c. Common Product Nomenclature, 1978
d. Codes for products and raw-material issued by the Office of the DCSSI
e. List of items reserved for small scale sector
f. The list of inputs and raw-materials used and products manufactured as obtained from the schedules of Annual Survey of Industries (Blocks 13 & 14)
g. Input-Output Directory of National Accounts Division, CSO
h. Reports of various Ministries/Departments dealing with dissemination of production statistics
i. DGS&D Classification of stores

3. ASI Commodity Classification (ASICC)

The CPN being an industry linked classification of products; this classification provided multiple codes for same items used as input in various industries. This was true for those products coming as by-products of subsidiary activities. Multiple codes for same items prevented use of CPN for data analysis by researchers except for input-output study. Even for the study of Industrial inputs with items imported created problem. Data coding was another problem due to mismatch of NIC codes as per CPN vis-à-vis codes as per Chief Inspector of Factory. – Registration authority. Thus, CPN could not be used for ASI at all; and as such, the traditional practice of development of product list from current ASI surveys continued. Such practice not only delayed the release of data, ASI data could not be used for productive use except for limited purpose.

In the meanwhile it was observed that the use of CPN-88 found to be diminishing. With a view to overcome these problems, an attempt was made in 1997 by Dr. S.K.Nath (now the Director General of Central Statistical Organisation) himself to develop a product classification for use in ASI – both for collection of Input and Output data. For this purpose, a comprehensive commodity basket was created using the nomenclatures of all products as available from ASI schedules added with a list of other important products available from other sources. The product descriptions were then refined to make them comparable nomenclatures and arranged / grouped these items in a 1+1+1+2 system. While developing the system enough care was taken to ensure linkages with HS and SITC at broad level. This classification is called as **ASI Commodity Classification or ASICC.**

The ASICC was then examined at length in the National Sample Survey Organisation and National Income Division before it received the approval of the Government for implementation in ASI. ASICC was implemented from ASI-1997-98 and an Alphabetic Index was also brought out simultaneously.

Although ASICC was developed by Dr. S.K.Nath for use in ASI, its use went up over years, this classification was also used by National Sample Survey Organisation (NSSO) in their nation-wide survey of unorganized manufacturing, It was also used during third all India Census of Small Scale Industries.

India will go for revision of ASICC in appropriate time keeping in view product-wise links with the CPC ver 2 of UN Statistics Division and HS07 of World Customs Organisation.