

Country report on development of Statistical Business Register – INDIA

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Introduction

India, home to a billion-plus population, has as diverse an economic background as its culture and customs. India has been consistently outperforming world's big economies in terms of the growth in GDP exhibited over the recent years and has emerged as one of the world's leading economies, currently ranked as the 10th largest in terms of nominal GDP and 3rd largest by Purchasing Power Parity (PPP) after United States of America (USA) and China. However, the growth in the Indian economy has been primarily driven by the service sector since the opening up of the economy in the 1990s. The other notable factor is that the Indian economy is dependent on the large unorganized sector that fuels economic growth.

As per the 5th Economic Census conducted in 2005, there were 41.83 million establishments in the country engaged in different economic activities other than crop production and plantation. This figure has substantially risen to 58.5 million establishments as per the recently released provisional results of the 6th Economic Census conducted in 2013-14. The Economic Census conducted in India capture the information on all the enterprising activities in the country at a given point of time. However, due to the time gap between successive Economic Censuses, the frame of establishments becomes outdated since the number of establishments recorded in the frame and their characteristics are not static. At present, an updated frame of enterprises at the national level is available only in respect of the organized manufacturing sector, i.e. for establishments registered under the Factories Act, 1948. For the other sectors, no such updated frame of bigger units/ enterprises exists at the moment.

Currently, India does not maintain a Statistical Business Register. However, attempts are being made towards constructing State Business Registers through the Directories of

Establishments to be prepared from the results of the 6th Economic Census, and with additional grant of funds to States/ UTs under the XIII Finance Commission to aid development of disaggregated (district-level) statistics. Details of the aforementioned exercises are provided in the following sections.

6th Economic Census in India

Economic Census (EC) is the complete count of all establishments engaged in production and/ or distribution of goods and services, located within the geographical boundaries of the country. So far, five Economic Censuses have been conducted in India during 1977, 1980, 1990, 1998 and 2005 respectively. The field work for the 6th EC was conducted during January 2013 to April 2014 in all the States and Union Territories of the country in collaboration with State/UT Governments. The 6th EC¹ shall provide up-to-date information on activity-wise number of establishments and number of persons employed therein, for all the sectors of the country (excluding crop production, plantation, public administration, defense and compulsory social security).

Under the EC conducted recently, two schedules were canvassed for collection of data from all establishments, viz., i) House and Establishment Listing Schedule(6A); and ii) Directory of Establishment Schedule (6C). While Schedule 6A was canvassed amongst all entities established in the country eliciting information on major activity an establishment was engaged in, ownership details, particulars on number of workers (hired and non-hired), etc., Schedule 6C aimed to capture comprehensive information on all establishments employing 10 or more workers in an attempt to track sizeable establishments functioning in the country. Schedule 6C recorded information on whether the establishment was already registered under any Act, and on usage of power/ computer/ internet, etc. required for preparation of a Directory of Establishments (DOE). One of the important fields included in Schedule 6C is recording of PAN and TAN numbers (identification numbers for individuals/ establishments paying/ deducting

¹ The provisional results of the 6th EC have been released in July 2014, and its final report is proposed to be released by March 2015.

income tax), which may be important during identification of the unit and assigning unique codes to each establishment in preparation of a Business Register.

Recommendations of XIII Finance Commission and roadmap for preparation of state SBRs

The Finance Commission, set up on a five-yearly basis, is a constitutional mechanism primarily responsible for the distribution of the net proceeds of taxes between the Union and the States and the allocation between the States of the respective shares of such proceeds. The XIII Finance Commission (FC), set up in 2007, gave its recommendations pertaining to the period 2010-15. One of the main recommendations of the XIII FC related to development of sub-state (district-level) disaggregated statistics. Ministry of Finance, Government of India, evolved certain achievable milestones to be adopted for implementation of the FC for improvement of statistical systems and preparation of disaggregated statistics. The first milestone in this regard is preparation and maintenance of Business Register at the district level. This task was assigned to all States in India to be achieved by the end of the five-year period along with preparation of a well laid-down structure for devolution of funds in installments based on the progress reported by the different states. The Union Government has also provided the States with a framework on lines of which they are expected to work in order to establish a Business Register at the district-level.

Different legal provisions (Acts) are in vogue in the country under which an entity is legally registered to undertake its business operations depending upon the nature of activity pursued by them. Certain Acts were identified in respect of which registers are being maintained at the State-level, which were to be collated to arrive at a comprehensive list of establishments functioning in the states. For the purpose of preparing a Business Register for India, the following statutory acts/ provisions were identified:

1. **Companies Act, 1956:** in respect of all companies willing to start operation
2. **Factories Act, 1948:** in respect of all factories with at least ten workers on any day of the preceding twelve months engaged in manufacturing process being carried out with the aid of power, or with twenty or more workers working on any day of the

preceding twelve months in manufacturing process being carried out without the aid of power

3. **Shops and Commercial Establishments Act:** in respect of a commercial or trading or banking or insurance establishment; an establishment or administrative service in which persons employed or mainly engaged in office work; or a hotel, restaurant, boarding or eating house, a cafe or any other refreshment house; a theater, cinema or any other place of public amusement or entertainment
4. **Societies Registration Act, 1860:** in respect of all societies established for the promotion of literature, science, or the fine arts, or for the diffusion of useful knowledge, or for charitable purposes
5. **Cooperative Societies Act, 1912:** in respect of a society, which has its object the promotion of the economic interests of its members in accordance with co-operative principles, or a society established with the object of facilitating the operation of such a society

Besides, in respect of Cottage Industrial units and industrial firms (private limited or public limited; micro, small or medium), **Khadi and Village Industries Board** and **Directorate of Industries (District Industries Centre)** respectively were also selected as these Boards maintain comprehensive registers for their respective business segments.

The list of establishments maintained under each of the Acts/ Authorities was to be prepared including their respective registration numbers for easy identification and future reference. It is evident from the above list that there is significant overlap between the sectoral coverages of all of the Acts/ Authorities cited above. Once a single list is prepared collating data from different offices pertaining to the Acts/ Authorities selected above, a field survey was to be conducted to canvass the Business Register Schedule (at Annex I) to check for the existence of each establishment and updating its status/ particulars. Once an updated list was prepared pertaining to each Act, the same was to be incorporated into the Business Register (format at Annex II). A similar exercise was to be undertaken for Non-profit Institutions (NPIs) as well for inclusion into the state Business Register.

All the States are actively participating in preparation of Business Register. So far 20 States (out of 29) have collected the list of enterprises maintained under the aforementioned Acts/ Authorities while 6 have completed the data entry and field verification of the enterprises. Further it was reported that there are around 10.5 million enterprises listed for preparation of Business Register before field verification. In most of these States preparation of electronic database and field verification is under progress. Though the State wise final Business Register is likely to be made available by 31st March 2015, the progress of some of the states has been found to be slow which may result in extending the deadline in their respect.

Need of having Directories of Establishments and Business Register

The Schedule developed for preparation of Business Register under XIII FC grants is based upon the Schedule 6C ("Directory of Establishment" Schedule) of the 6th Economic Census with only two modifications, viz. i) it covers all establishments irrespective of number of workers; and ii) it has a provision of recording the registration number under all the identified Acts/ Authorities. The Directory obtained from the 6th Economic Census is proposed to be used as a frame for conducting an Annual Survey of Services Sector (ASSS) and other socio-economic surveys, whereas the Business Register under XIII FC would be used for conducting surveys at district level for estimating District Domestic Product (DDP).

Data gaps and deficiencies

The 5th Economic Census identified the majority of the establishments existing in rural areas, and defined as own-account establishments, i.e. establishments without any hired worker. In essence, if one defines the unorganized sector in the economy on the basis of number of workers working in an establishment, it was found that 98.5% of the establishments employed less than 10 workers, engaging 74% of the total population. That is, only 1.5% of the total establishments in the country could be classified as being in the organized sector. Maintaining and updating on a regular basis a Business Register in respect of such a large number of establishments, especially units which are not registered under any Act, is a herculean task. There is no formal mechanism under any Act for recording death/ deletion of units registered under the Act, which is permanently closed down. Besides, the units are not

required for informing updation in production line, location or any other changes in its characteristics to the necessary authorities.

The Business Register should therefore have provision for recording at least annually the birth and death of units, as well as changes in their activity, address and other characteristics. The Business Register prepared at the district-level, which shall be collated to form a national-level Business Register, should also be eventually referred to while conducting the 7th Economic Census in India and information from the latter may also be used to update the Business Register more extensively.

Annex-1: Business Register Schedule

Business Register Schedule

(for Establishments registered under 7 Acts/ Registering Authorities)

SECTION I : IDENTIFICATION PARTICULARS

i) State.....	Code
ii). District.....	Code
iii) Tehsil/Taluk/ PS/Dev. Block/Circle/ Mandal etc.,.....	Code
iv) Town/village.....	Code
v) Ward (only for Town).....	Code
vi) Other(specify).....	Code (if any)

SECTION II: Information on Business Establishments

1	Name and address along with PAN & TAN. If it's a Branch Office, fill in 1& 2, else item 2only.	2	Name and address of Main Office along with PAN & TAN
1.1	Regional language	2.1	Regional language
	Name House No Lane Locality PIN Code		Name House No Lane Locality PIN Code
1.2	English	2.2	English
	Name House No Lane Locality PIN Code		Name House No Lane Locality PIN Code
1.3	Tel No./Mobile No.	2.3	Tel No./Mobile No.
1.4	E-mail	2.4	E-mail
1.5	PAN No.	2.5	PAN No.
1.6	TAN No.	2.6	TAN No.
3	Description of major activity	Section IV: Remarks	
4	NIC-2008 3 digit code		
5	Year of starting of operation (under current ownership) YYYY		
6	Ownership code (Govt./PSU: 1, Private:- Proprietary: 2, Partnership: 3, Company: 4, Self Help Group: 5, Cooperative: 6, Non Profit Institution: 7, Others: 8)		
7	Total number of persons worked on the last working day in relation to day of visit		
8	Enter the registration number; which ever is applicable:		
8.1	Companies Act, 1956 Act		
8.2	Factories Act, 1956		
8.3	Shops and Commercial Establishments Act		
8.4	Societies Registration Act		
8.5	Cooperative Societies Act		
8.6	Khadi and Village Industries Board		
8.7	Directorate of Industries (District Industries Centre)		
8.8	Any other (specify)		
8.9	...		

Section III: Instructions & particulars of Field Officers

1.1 INSTRUCTIONS

- Use only Arabic Numerals 0,1,2,3,4,5,6,7,8, and 9
- Do not fold the schedule
- Use black ink ball point pen , keeping schedule on the board provided for this purpose
- Avoid over writing in case of correction ,cross the line and use a fresh line.

1.2 Particulars of Field Officers:

Signature of the enumerator	Checked and found correct
Signature of the Supervisor	
Name of the Enumerator	Name of the Supervisor
Date	Date
Enumerator Number	Supervisor Number

