

I. Background

The CSO currently compiles and releases an all-India series on monthly IIP with base 1993-94, using the data supplied by the 15 source agencies. Apart from CSO, a number of State Directorates of Economics & Statistics are also engaged in compilation of State level Indices of Industrial Production (IIP). However, the Indices compiled by State/UT Governments prior to current series as base year with 1993-94 lacked comparability due to differences in the choice of base year, item basket, periodicity for releasing indices, methodology, data sources used etc.

2. Need for Comparable State level IIPs to facilitate comparative studies on State-wise performance of industrial sector was felt for quite some time. Recognising the need, the Hon'ble Prime Minister gave an Assurance to the Parliament in April, 1993 that efforts would be made to make available Comparable State level IIPs.
3. A Technical Advisory Committee (TAC) was constituted on 16 June, 1995 for an in-depth examination of various technical issues relating to compilation of State-wise Comparable IIPs and to make suitable recommendations on the subject. Subsequently, the terms of reference of the committee were extended to include the examination of all issues and provide technical guidance for shifting the base year of all-India IIP to the new base 1993-94.
4. The committee primarily considered three major issues, namely: (i) Compilation of Comparable State level IIPs and (ii) Compositing of comparable State level IIPs into an all-India IIP (iii) Revision of the series of all-India IIP with base 1980-81 to new base year 1993-94.
5. The base year of All-India IIP was shifted from 1980-81 to 1993-94 and the new series has come into force w.e.f. May 27, 1998.

II. Compilation of Comparable State level IIPs

Major Recommendations of TAC.

6. The major recommendations of TAC were that:-
 - All States/UTs should compile State level IIPs using uniform methodology.
 - The base year may be chosen as 1993-94.
 - The item basket should be selected in such a manner that about 80% of the value of output of the respective States manufacturing sector is captured by the selected items.
 - The weighting diagram should take into account the total production of both organised as well as unorganised sectors.
 - As the GVA in electricity sector in many States and also in some 2-digit industry groups of manufacturing sector in some States/UTs was negative, it was not possible to allocate weights based on GVA. As such, for allocation of weights GVO may be used uniformly from sectoral to item level.
 - The revised series would follow NIC- 1987.
 - Data for the unorganised sector would be made available by DCSSI.
 - CSO would make available the relevant ASI data and also provide technical guidance.

Uniformity of Methodology:

7. Uniformity of methodology was defined to mean that (i) The procedure for selection of items in the item basket and for preparation of weighting diagram; (ii) Periodicity for release of indices; and (iii) choice of base year **should be the same in all states.**

Choice of Base Year :

8. It was initially proposed to adopt 1984-85 as the common base year for State IIPs as well as Composite all-India IIP. The choice for 1984-85 was motivated by the ready availability of ASI data and the then decision of shifting the base year of current series of all-India IIP to 1985-86. The committee later recommended the adoption of 1993-94 as the base year for State IIPs.

Selection of Item Basket :

9. Requisite production data based on ASI:1993-94 were supplied to all States/UTs by CSO. Different criteria were examined and the committee recommended that the items selected in the State's item basket should be such that about 80% of the value of output of State's manufacturing sector is captured.

Weighting Diagram :

10. Like in all-India IIP, three major sectors viz. Mining & Quarrying, Manufacturing & Electricity of State economy were recommended for inclusion in the State IIP. While preparing the weighting diagram, some of the 3/4 digit sub-groups exhibited negative/zero GVA which would have resulted in ignoring the items from such sub-groups. Therefore, the committee considered the following alternatives:

- (i) To ignore the items selected, if the corresponding GVA is negative or zero.
- (ii) Allocate the weights using the value of factors of production instead of GVA and GVO.

After considering various alternatives, the TAC recommended that GVO may be used for allocation of weights from sectoral to item level for State IIPs.

Unorganised Sector

11. The contribution of the unorganised manufacturing sector for 1993-94 has been estimated by interpolating the follow-up survey of economic census for the years 1989-90 & 1994-95. The estimation was done separately for DME, NDME & OAME of NSSO.

Collection of Data for State IIPs

12. The State Govts. wanted that data may be collected by FOD and supplied to them. The committee was not at all in favour of a Central agency for collection of production data on behalf of the States. The step will be detrimental, in fact, hazardous for development of State Statistical System. Therefore, the Committee recommended that States/UTs should make necessary augmentation in infrastructure for collection of regular data. It was decided that for the mining sector, the requisite data for the preparation of the weighting diagram and regular production data for compilation of index may be made available to the States by IBM, Nagpur and for electricity sector the necessary data may be sent to the States by CSO after procuring from Central Electricity Authority.

III. Present position regarding compilation of comparable State level IIPs

Some of the States have started compilation of monthly IIPs with base 1993-94. Tamil Nadu has released indices from April, 1994 to March, 2006. Andhra Pradesh has released the provisional indices from April, 1998 to March, 2006. West Bengal has released the provisional indices from January, 1999 to March, 2006. Goa has compiled monthly IIPs for 1994-95 to 2001-2002. Delhi has compiled monthly IIPs for 1999-2000 to 2005-06. Haryana has compiled provisional monthly IIPs for the years 1996-97 to 2001-02. Assam has compiled indices for January, 01 to March, 2006. Rajasthan has compiled indices for Jan., 2001 to December, 2005.