

## **EIGHT CORE INDUSTRIES AND THEIR PERFORMANCE OVER THE YEARS: A STUDY OF ITS CONTRIBUTION IN THE GROWTH OF GDP OF INDIA**

**Mrigya Tewari\***

Research Scholar, Banaras Hindu University

Contact No.:8604628894, Email Id: [mrigya.tewari04@bhu.ac.in](mailto:mrigya.tewari04@bhu.ac.in)

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### **ABSTRACT**

The financial performance of the Indian economy relies massively on the performance of all the sectors but out of them the eight core industries of India constitutes nearly 38% of it. So, we can say that our core industries viz.coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity are the key sectors that decide the future growth of the Indian economy. The performance of these key industries vitally influences the Index of Industrial Performance. Recently, the initiatives taken by the government of India to revive these sectors could be seen in the improved performance of these sectors which in turn improved the GDP of India. If we look at the trend of growth in the past few years, the production level of eight core infrastructure industries grew by 5.2 per cent in September 2017 from 5.3 per cent in the previous financial year. In the first half of the year 2017, there was a 3.3% growth in the production level of these core industries, which was lesser than the 5.4% growth in the year 2016. The Index of Industrial Production (IIP) also showed a decline in growth as it fell from 5.0% to 3.8% in September 2017. The IIP growth during the first half of the year 2017 was 2.5% from 5.8% in the preceding year. The GDP growth rate in the first quarter of 2016 was 7.1% which fell down to 5.4% in the following year. Thus, it's evident that the performance of the eight core industries has an impact on the GDP of the country. This paper attempts to study the role that these eight core industries play in the economic growth of India.

**Keywords:** *Index of Industrial Performance, GDP, Financial Performance, Reforms, Economic Growth.*

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### **INTRODUCTION**

Year 2017 saw a growth in GDP which is a good sign as it indicates that the economy of India is moving towards growth. This mainly happened due to the improved performance of

the manufacturing sector, particularly the eight core industries. Any developing country depends on its core industries to flourish as this is the backbone of its growth. India is a fast growing nation and so is its manufacturing sector. The Indian government has taken several steps to revive its manufacturing sector and it's evident from the increased GDP of India.

The growth index of the sectors such as mineral mining, electricity and manufacturing etc. is known as the Index of Industrial Production (IIP). The All India IIP is a composite gauge that marks the ephemeral variation in the production magnitude of the industrial products in a specific period with regard to the respective base period. The Central Statistical Organisation (CSO) collects and publishes this data monthly. The level of the Index of Industrial Production (IIP) is a figure which is speculative, its volume exhibits the level of production in the industrial sector for a specific time period as compared to the reference period. The current base year is 2011-2012 which is assigned an index level of 100.

The products of the Eight Core Industries viz. electricity, steel, refinery products, crude oil, coal, cement, natural gas and fertilisers constitute nearly 40.27% in the Index of Industrial Production (IIP). The first official attempt to compute the IIP was made in India years ago from the time when it was accepted world wide. The first attempt of compilation and release of IIP was done by Office of the Economic Advisor, Ministry of Commerce and Industry with base year 1937, including 15 important industries, accounting for more than 90 percent of the total production of the selected industries.

The Weighted arithmetic mean of quantity goes in accordance with the assigned weight. It is allotted to the items in proportion to value added by manufacture in the base year by using Laspeyres' formula:

$$I = \frac{\sum(W_i R_i)}{\sum W_i}$$

where, I is the index,  $R_i$  is the production relative of the  $i^{\text{th}}$  item for the month in question and  $W_i$  is the weight allotted to it.

## OBJECTIVES

- To study the role of eight core Industries in the growth of Indian Economy.

### The GDP growth in the past few years and its significance

	2015-16	2016-17	2017-18
1. GDP Growth Rate			
Quarter 1	7.0	7.1	5.7
Quarter 2	7.6	7.3	6.3
2. Gross Value Added			
Quarter 1	7.2	7.3	5.6
Quarter 2	7.3	7.1	6.1

Source: Ministry of finance

The Central Statistics Office (CSO) in its monthly revealed the quarterly growth rate of GDP at constant (2011-12) market prices which showed a positive growth in the first quarter of 2015 from 7.0% to 7.6 in the next quarter. In 2016 it rose to 7.1 % which was higher than the growth rate of the first quarter of 2015. The cumulative growth of the Eight core industries in the first quarter of 2015 was 2.1 per cent as compared to 5.5 per cent during April-July 2014-15. The GDP grew by 5.7% in the first quarter and 6.3% in the second quarter (which was lesser than the growth rate of the first and the second quarter of the preceding year) of 2017-18 respectively. The growth in Gross Value Added (GVA) at constant (2011-12) basic prices in the first quarter of 2015 was 7.2% which rose to 7.3% in 2016 but it declined to 5.6 per cent in the first quarter of 2017. In the second quarter it was 7.3 in 2015 which dropped to 7.1 in 2016 and further showed a steep fall in 2017 and reached at 6.1%.

There are various aspects which tend to be studied to monitor and estimate GDP growth. One such factor was GST (Goods and Services tax). After the biggest tax reform in India the GDP initially grew with a slow pace but it kept on improving with time. The manufacturing sector showed a big improvement in the production level and thus it further pushed GDP upwards. The economic growth of the country relies on the growth of these key sectors which greatly influence the GDP.

**Gross Value Added at the Sectoral level**

Gross Annual Value Added				
Year	Quarter	Agriculture	Industry	Service Sectors
2015-16	Q1	1.9	6.5	8.9
2016-17	Q1	1.8	6.0	9.6
2017-18	Q1	2.3	1.6	8.7

Source: Ministry of finance

The estimated growth rate of the Gross Value Added (GVA) at constant (2011-12) basic prices in the first quarter for agriculture & allied sectors, industry sector and services sector are 1.9%, 6.5% and 8.9% in 2015; 1.8%, 6.0% and 9.6% in 2016; 2.3%, 1.6% and 8.7% in 2017 respectively.

The nosedive in the growth of the mining sector from 3.5% growth in the first half of 2015 to 3.1% in the first half of 2016 and capital goods sector led to the scanty growth of 0.7% in IIP in first half of 2016. The main reason for plunge in the mining sector was lower production of coal, crude oil and natural gas products. The overall IIP growth experienced a downfall due to the lower growth in the manufacturing sector. The manufacturing production showed a minor positive growth of 0.9% in the first half of 2016 as compared to 2.7% growth in the corresponding period of the previous year. Positive growth in industry groups like textiles; basic metals; food products and beverages; coke, refined petroleum products and nuclear fuel; and other non-metallic mineral products contributed positively to the growth of the sector. In terms of classification based on use, sectors like basic goods, intermediate goods, consumer durable goods and consumer non-durable goods registered positive growth while capital goods had registered contraction in the first half of 2016.

**Performance of Eight Core Industries**

The yearly index and growth rate of the eight core industries is evident from the table below and an overall analysis of the performance of the eight core industries is as follows:

- The coal sector showed a steady growth over the years which is a good sign as it has a big share in the overall index.
- The crude oil sector showed a downward trend and its indeed a very important sector and if its growth slows down it deeply impacts the growth of the economy.
- The natural gas showed a steep fall in its index which dents the overall growth of the economy.

- The refinery products showed a positive trend over the years which is a very good sign as it constitutes the largest share in the overall index.
- The fertilizers sector too showed a positive growth however it is still in the nascent stage and holds a minor share in the overall index yet it too has an impact though not very big but it's evident.
- The steel industry being the backbone of all the other industries carries a huge responsibility and it has performed as it is expected to perform. The growth has been positive which is a plus for the economy.
- The cement industry is another important and well performing sector over the past and constitutes a moderate share in the overall index.
- The electricity is a basic need and its performance has to be good as it's the need of the hour and it too has shown an increasing level of growth over the past which is a very good sign as it constitutes the second largest share after refinery products in the overall index of the economy.

### Index

Sector	Weight	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Apr-Jul 2017-18	Apr-Jul 2018-19
Coal	10.3335	103.2	104.2	112.6	118.0	121.8	124.9	105.3	118.2
Crude Oil	8.9833	99.4	99.2	98.4	97.0	94.5	93.7	95.2	92.2
Natural Gas	6.8768	85.6	74.5	70.5	67.2	66.5	68.4	68.7	67.9
Refinery Products	28.0376	107.2	108.6	108.8	114.1	119.7	125.2	120.1	129.7
Fertilizers	2.6276	96.7	98.1	99.4	106.4	106.6	106.6	100.8	104.5
Steel	17.9166	107.9	115.8	121.7	120.2	133.1	140.5	136.6	141.0
Cement	5.3720	107.5	111.5	118.1	123.5	122.0	129.7	126.3	144.8
Electricity	19.8530	104.0	110.3	126.6	133.8	141.6	149.2	152.0	159.4
<b>Overall Index</b>	<b>100.0000</b>	<b>103.8</b>	<b>106.5</b>	<b>111.7</b>	<b>115.1</b>	<b>120.5</b>	<b>125.7</b>	<b>121.9</b>	<b>128.9</b>

Source: Ministry of Commerce and Industry

### Role of Eight Core Industries in the growth of the Economy

The growth of the Eight Core industries grew from 3.8 per cent in October 2015 to 6.6 per cent in October 2016 due to the positive growth in all the five core sectors except coal, crude oil and natural gas sectors. A mixed growth was seen in the growth of the core industries while some showed a positive growth few tumbled down. Coal production decreased from 6.6 per cent growth in October 2015 to 1.6 per cent in October 2016. Also, Crude oil production dwindled in October 2016. It registered a decline of 3.2 per cent in October 2016 as compared to 2.1 per cent in production during the month of October 2015. The production of Natural gas crashed from 1.8% in October 2015 to 1.4% in October 2016. The Steel sector

showed a healthy growth. Steel production proliferated by 16.9% in October 2016 as compared to shrink of 5.5% in October 2015. The Refinery production showed a contraction of 4.4% in production in October 2015 but showed a robust growth of 15.14% in October 2016. The production of Fertilizers intensified by 0.8% growth in October 2016 as compared to 16.8% in October 2015, and Cement production attained a growth of 6.2% in October 2016 as compared to 12.2% in October 2015.

The production of eight core infrastructure industries grew by 5.2% in September 2017. The Half Yearly growth of the cumulative production of the eight core industries in 2017, was 3.3%. Some of the products which showed an upward movement in production are Coal, Cement, Crude oil, Natural gas, Refinery products, Steel products. The production of Coal grew by 10.6%, production of Cement showed a marginal growth of 0.1%, Crude oil production increased slightly by 0.1%, Natural Gas production rose by 6.3%, Refinery production soared high by 8.1%, steel production increased by 3.7%. However, the production of Fertilizers dropped by 7.7 per cent in September 2017.

India dreams to be an industrial nation, as industry generates a lot of employment opportunity and a major part of the population gets benefited. This occurs typically when there is growth in the manufacturing sector. The government of India launched Make in India program to invite foreign investment in the manufacturing sector in India and as a result there was a huge flow of investment in the country. The manufacturing sector registered a growth which in turn led to the growth of GDP.

## CONCLUSION

Government's initiative to make India a powerful nation can only be achieved when the core industrial sectors experience growth. These core industries affect the overall growth of the country and if they suffer the entire economy suffers as they form the base for all other activities. So consistent efforts to support these sectors can help the economy grow. The role of GST in the growth of the eight core industries and the GDP can be analysed in future in detail.

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