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India's Manufacturing GVA Estimates Face a Major Statistical Debate Over MCA-21, Survey Coverage and GDP Reliability

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Recent Developments:

- The **National Statistical Office (NSO)** has reported manufacturing **Gross Value Added (GVA)** of approximately **₹38.6 lakh crore in 2023–24**, equivalent to about **14.7% of GDP at current prices**, under the new National Accounts series with **2022–23 as the base year**.
- A recent independent cross-check using two major official datasets, the **Annual Survey of Industries (ASI)** and **Annual Survey of Unincorporated Sector Enterprises (ASUSE)**, produces a substantially lower manufacturing GVA of around **₹27.4 lakh crore**.
- The difference of approximately **₹11.2 lakh crore**, or **40.9%**, has triggered questions regarding the measurement of organised manufacturing and the increasing role of **MCA-21 corporate balance-sheet data** in national income estimation.
- The debate is significant for the **credibility of GDP statistics**, because manufacturing GVA directly contributes to estimates of aggregate economic activity and influences policy assessment of industrialisation, productivity and employment.

Understanding Manufacturing GVA:

What is GVA?

- **Gross Value Added** measures the value created by an economic activity and is broadly calculated as **gross output minus intermediate consumption**.
- At the economy-wide level, **GDP at basic prices can be understood through aggregate GVA**, with adjustments for taxes and subsidies on products.
- Manufacturing GVA therefore indicates the value added by manufacturing activities after excluding the value of intermediate inputs used during production.
- Reliable sectoral GVA is essential for assessing **structural transformation, industrial productivity, employment generation and economic growth**.

Two Broad Segments of Manufacturing:

- India's manufacturing sector contains both **organised or factory-based activities** and **unincorporated or informal activities**, which require different statistical sources.
- **Organised manufacturing:** The **Annual Survey of Industries (ASI)** provides information on factories, output, value addition, employment, capital formation and other industrial characteristics. The latest ASI 2023–24 recorded nearly **1.95 crore persons engaged** in the factory sector.
- **Unincorporated manufacturing:** The **ASUSE** covers manufacturing enterprises outside the corporate and factory-based framework, including many small and household enterprises.

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- Since these two datasets together provide broad coverage of manufacturing activity, their combined GVA can serve as an important **cross-validation benchmark** for national accounts estimates.

The 41% GVA Gap:

Official Estimate versus Alternative Estimate:

- The official **National Accounts Statistics** estimate manufacturing GVA at **₹38.6 lakh crore** for 2023–24.
- The alternative calculation based on **ASI + ASUSE** produces approximately **₹27.4 lakh crore**.
- The resulting difference is about **₹11.2 lakh crore**, with the official estimate approximately **40.9% higher** than the survey-based estimate.
- Such a large divergence cannot easily be attributed to ordinary differences in definitions, survey timing or minor methodological variations.

Why the Informal Sector Does Not Explain the Gap:

- The **ASUSE component is common to both approaches**, meaning that differences arising from the unincorporated sector cannot account for most of the divergence.
- The unincorporated sector contributes only around **13.9% of total manufacturing GVA**, further limiting its ability to explain the observed difference.
- The statistical puzzle therefore primarily concerns the measurement of **organised manufacturing activity**.

The MCA-21 Issue:

Shift Towards Corporate Financial Data:

- India's national accounts methodology increasingly uses **company balance-sheet information from the Ministry of Corporate Affairs' MCA-21 database** for estimating organised-sector economic activity.
- The approach became particularly important after the **2011–12 base-year revision**, when corporate enterprise-level information was incorporated more extensively into national income estimation.
- The new **2022–23 base-year series**, released in 2026, continues to use MCA-21 with methodological refinements, including better treatment of companies engaged in multiple activities.
- MCA-21 has an important advantage because company filings can capture economic activity that may not be adequately represented by establishment-level surveys.

Why MCA-21 Requires Scrutiny:

- Corporate filings provide information on registered companies, but converting a sample of companies into an estimate for the entire manufacturing universe requires **scaling and extrapolation**.
- The central methodological question is whether the estimated universe of manufacturing companies is sufficiently accurate in terms of **coverage, classification, activity status and size distribution**.
- The India Forum analysis notes a substantial difference between the number of active manufacturing companies appearing in MCA data and the number of private companies covered through ASI, highlighting the importance of understanding the underlying statistical universe.

Employment Data as a Statistical Cross-Check:

PLFS versus ASI and ASUSE:

- The **Periodic Labour Force Survey (PLFS)** estimated around **697.5 lakh workers** engaged in manufacturing during 2023–24.

- In comparison, ASI and ASUSE together account for approximately **532.9 lakh workers**, leaving nearly **164.6 lakh residual workers** outside their combined employment estimate.
- These residual workers could represent employees of smaller companies, establishments outside the factory framework or activities insufficiently captured by existing surveys.
- Applying standard productivity relationships, researchers estimate that these workers could potentially account for about **₹3.6 lakh crore** of additional GVA.
- Adding this amount to the **₹27.4 lakh crore** alternative estimate produces a potential GVA of approximately **₹31.0 lakh crore**.

The Remaining Statistical Puzzle:

- Even after accounting for the estimated contribution of residual workers, the resulting **₹31.0 lakh crore** remains around **₹7.6 lakh crore below** the official estimate of ₹38.6 lakh crore.
- The adjusted estimate therefore explains only around **80% of the official manufacturing GVA**, leaving nearly **19.7% unexplained**.
- This residual difference strengthens the case for greater scrutiny of the methodology used to transform corporate financial information into aggregate manufacturing GVA.

Possible Explanations:

NSO's Explanation:

- One possible explanation is that **ASI is establishment-oriented**, whereas corporate financial data can capture value addition generated beyond the physical factory, including **head-office functions, marketing, distribution and research and development**.
- Under an enterprise-based approach, such activities may be associated with manufacturing companies even when they do not occur within individual factory premises.

Alternative Methodological Concern:

- Researchers argue that available evidence may not fully support the claim that activities outside factory premises explain the entire difference.
- Another possibility is that the **scaling-up of MCA-21 data** could produce an inflated estimate if the underlying universe of active manufacturing companies is uncertain or inadequately verified.
- The debate therefore concerns not merely the quantity of data but also **how different datasets are integrated into the national accounting framework**.

Why Reliable Manufacturing Data Matters:

Economic Policy:

- Manufacturing is central to India's objectives of **industrialisation, employment generation, export diversification and structural transformation**.
- An overestimation of manufacturing GVA could create an inaccurate picture of the sector's productivity, contribution to GDP and pace of industrial development.
- It could consequently affect policies relating to **industrial incentives, infrastructure, skill development, employment planning and sector-specific investment**.

Statistical Governance:

- National accounts must balance **comprehensive coverage** with methodological transparency and independent verifiability.
- Corporate administrative data can improve coverage, but its use requires robust classification, validation and estimation procedures.

- Independent cross-checking between **MCA-21, ASI, ASUSE and PLFS** can strengthen the reliability of national income statistics.

Way Forward:

Improving Statistical Transparency:

- The **NSO should disclose greater methodological detail** regarding the use, classification, scaling and aggregation of MCA-21 data in manufacturing GVA estimation.
- Appropriate anonymised datasets or methodological documentation should be made available for **independent academic and statistical validation**.
- Differences between administrative databases and sample surveys should be systematically reconciled rather than treated as isolated statistical discrepancies.

Strengthening Data Integration:

- India should develop a stronger **integrated statistical architecture** connecting enterprise databases, industrial surveys, labour surveys and administrative records.
- Regular benchmarking of GVA estimates against **employment, energy consumption, production, investment and tax data** can provide additional validation.
- The statistical system should clearly distinguish between genuine improvements in coverage and possible **overestimation arising from extrapolation**.

Significance for India's GDP Measurement:

Broader Implications:

- The issue demonstrates that GDP estimation is not simply a matter of adding reported output; it requires **definitions, surveys, administrative databases, sampling, extrapolation and price adjustments**.
- The controversy also highlights the importance of maintaining confidence in India's official statistics while allowing legitimate methodological scrutiny.
- The new national accounts series has introduced several methodological improvements, including greater use of administrative and corporate datasets and wider application of **double deflation** where appropriate, making continued evaluation important.

Value Addition for UPSC:

Key Concepts:

- **MCA-21:** Corporate administrative database containing statutory company filings.
- **ASI:** Major source for factory-sector manufacturing statistics.
- **ASUSE:** Survey covering unincorporated non-agricultural enterprises.
- **PLFS:** Major source for labour-force and employment statistics.
- **GVA:** Value added by an economic activity after deducting intermediate consumption.
- **Double Deflation:** Separate adjustment of output and input prices to improve real-value-added measurement.

Conclusion:

- India's manufacturing ambition requires not only higher production and employment but also a statistical system capable of measuring these outcomes with **accuracy, transparency and public credibility**.