

Corporate manufacturing trumps household units

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In six years between financial year 2019 (FY19) and FY24 — a period marked by pandemic and then its after effect — the overall corporate manufacturing sector growth has outpaced smaller household manufacturing, which account for a bulk of employment.

The gross value added by household manufacturing units has grown 13.5 per cent in absolute terms between FY19 and FY24 after adjusting for inflation. The gross value added for corporate manufacturing units has grown 22.4 per cent.

Limited growth for the household segment may have implications on the availability of jobs for the bulk of the population with lower skill levels, and current trends may well worsen, according to experts.

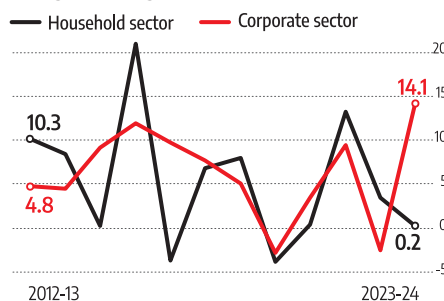
The gross value added by corporate sector manufacturing units grew at its fastest in at least 13 years in FY24. The analysis is based on data from the recently released National Accounts Statistics-2025 publication. The overall manufacturing gross value added figure is a combination of household and corporate units. The gap with household units has widened in the latest year. Corporate units account for the majority of the gross value added. But research (Bishwanath Goldar of the Institute of Economic Growth) suggests that informal units account for the bulk of the manufacturing employment.

Household manufacturing units typically produce goods (making pickles or dairy products at home for example) consumed by the bottom 50 per cent of the population, noted Santosh Mehrotra, visiting professor at the University of Bath in the United Kingdom.

A fall in the consumption of the poorer half of the population due to economic

Corporate units edge ahead

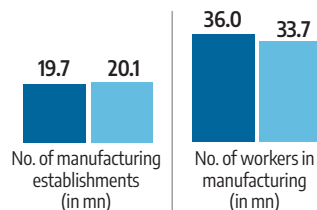
% chg Y-o-Y in gross value added



Note: Shows changes in gross value added from manufacturing in corporate sector and household sector, based on GVA at constant (2011-12) prices
Source: MoSPI

Drop in employment

■ 2015-16 ■ 2023-24



Source: Annual Survey of Unincorporated Sector Enterprises (ASUSE) 2023-24, Operational Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding Construction) in India (NSS 73rd round, July 2015 to June 2016)

distress is likely to have resulted in the decline seen by household units. Formal enterprises, which would cater to the relatively better off segment (products like passenger cars or appliances), have continued to do well even as smaller, informal units have struggled, suggested Mehrotra.

"This is simply a reflection of the existence of the k-shaped recovery," he said.

The trend is likely to continue until there is an improvement in livelihood opportunities according to Mehrotra.

"The k-shaped nature of the recovery is going to sustain because the jobs aren't growing," he said. Household manufacturing has not done well after the shock of demonetisation, noted PC Mohanan, former acting chairman of the National Statistical Commission.

The household segment is likely to lag corporations which show more signs of diversification into newer areas.

Households remain limited to a few activities such as tailoring, beedi and tobacco and textiles which have low pro-

ductivity unlike household enterprises in other Asian countries, according to Mohanan. Manpower issues, including a skill gap, may mean that the household sector remains stuck in low-productivity enterprises, according to Mohanan. The employment figures could continue to see an increase but this may not translate into higher value addition, according to Mohanan. A shift towards formal manufacturing is not an easy task given the large number of people and the relative lack of training required to meet the needs of large-scale corporate manufacturing units. This may well mean that corporate units continue to steal a march over household units, and the gap is unlikely to shrink, suggests Mohanan. "It may become bigger," he said.

Key corporate segments which have seen growth include those involved in the manufacture of chemical and chemical products (gross value added up 58 per cent since FY19) and the manufacture of communication equipment (82 per cent).