

**Table 2.3. International comparison of industry concentration in 2002**

The concentration groupings are based Herfindahl index scores, using the US Department of Justice criteria

	India		United States		Germany (2001)		China	
	5-digit NIC sector		6-digit NAICS sectors		4-digit NACE sectors		4-digit SIC sector	
	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent
Highly concentrated	144	36.6	46	10.2	38	17.8	63	12
Concentrated	105	26.7	88	19.4	37	17.4	83	15.8
Unconcentrated	144	36.6	319	70.4	138	64.8	380	72.2
Total	393	100	453	100	213	100	526	100

India: Industries classified by share of public in output

	Under 5%		More than 5% but less than 25%		More than 25% but less than 50%		Greater than 50%	
	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent
Highly concentrated	118	38.1	13	24.1	5	35.7	8	53.3
Concentrated	84	27.1	12	22.2	7	50	2	13.3
Unconcentrated	108	34.8	29	53.7	2	14.3	5	33.3
Total	310	100	54	100	14	100	15	100

Source: OECD tabulation of Annual Survey of Industries plant level data for India; US Census Bureau data for the United States; Deutscher Bundestag data for Germany; OECD (2005), *Economic Survey of China*, OECD, Paris.

process of privatisation in these cases; especially given the lack of a competition framework until recently (see Chapter 3). In general, though, public sector companies in the manufacturing sector are not in concentrated sectors.

More fundamentally, the state or public-controlled commercial sector in India remains relatively large, at one-seventh of total GDP and one-quarter of non-farm business sector output, even after the substantial decline seen in the 1990s. Most of this decline was in the manufacturing sector and, by 2004, the share of the public sector in manufacturing output was similar to its share in the aggregate non-farm business sector. Non-manufacturing network industries have much higher shares of public ownership, as discussed in the next chapter.

Outside of India, there is little debate about the merits of private ownership; however, until recently this has not been reflected in research on India. For example, Mohan (2005) has questioned the superior performance of private ownership despite the exhaustive survey of the international literature by Megginson and Netter (2001). And yet, while some studies of private *versus* public ownership do not fully take account of methodological issues such as selection biases, Megginson and Netter's review explicitly considers the extent to which studies take account of selection biases in their meta-analysis of over a hundred studies. Moreover, they conclude that even allowing for this selection, private ownership is more efficient than public ownership under most circumstances. This appears to be the case in India as well where profitability of public enterprises is low relative to those in the private sector (see Chapter 3).

The India-specific studies, such as Gupta (2005), find that even partial privatization has real tangible benefits on investment, productivity, profits and even employment. The few dozen privatisations that have occurred in India have been successful, but little forward movement on privatisation has occurred, perhaps on account of vested interests and the role of public firms in fostering political patronage (Dinc and Gupta, 2005). There is