

CHAPTER 2

SECTORS OF THE INDIAN ECONOMY

After learning this chapter students will be able to-

1. Identify various sectors of economy.
2. Differentiate between organized and unorganized sector.
3. Differentiate between public and private company.
4. Changing role of sectors of economy and associated problems.

1. What are economic activities?

Economic activities are those activities which contribute to the flow of goods and services in an economy.

Sectors of economy

Primary sector

- These includes activities that are undertaken directly using natural resources.
- A product produced by exploiting natural resources.
- Example- Farming, Extraction of ore from mining.
- This sector is also called as agriculture and related sector.
- Output is also a natural product.

Secondary sector

- This includes conversion of resources into final products.
- Input can be both natural or artificial substances.
- Example- Manufacturing of car, cycle, steel etc.
- This sector is also known as industrial sector.
- Output can be both natural or artificial.

Tertiary sector

- This includes activities that supports both primary and secondary activities.
- These activities do not produce any good.
- Example-Transport, Banking, Teaching Etc.
- This sector is also known as service sector.

2. What are final goods?

Final goods are the goods that are ready for use. Example-Paper, pen etc.

3. What are intermediate goods?

These are the goods that are used up during the production process. Example- cotton, crude oil.

Note- Some products can act as both finished and primary goods. Example- Wheat, salt etc.

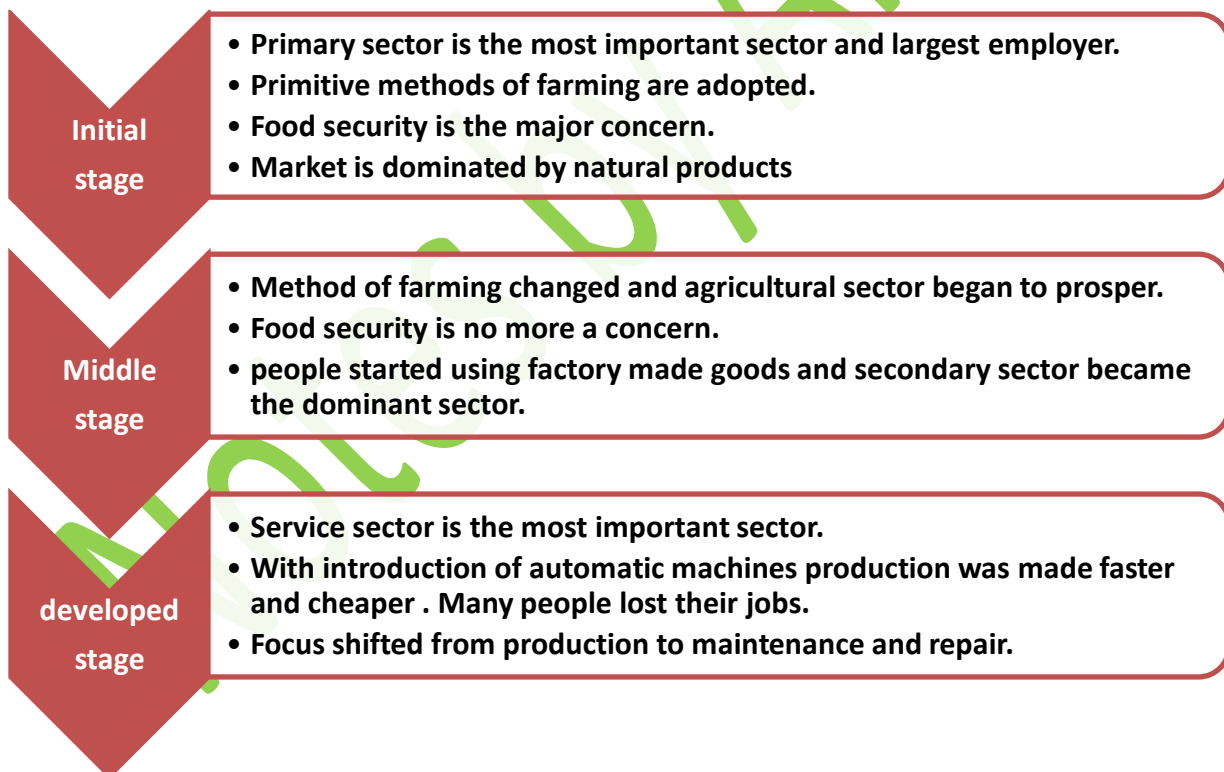
4. 'While calculating GDP the value of only final products should be included'. Why?

Because the final goods already includes the value of all intermediate goods.

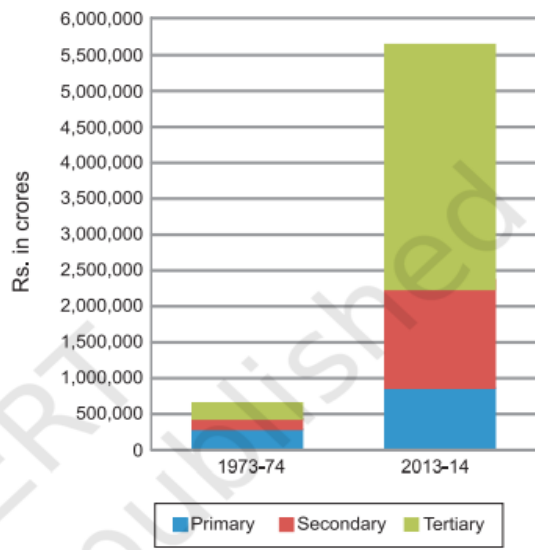
5. What is GDP? Which organization in India is responsible for calculating GDP?

GDP or Gross Domestic Products is the sum total of all the final goods and services produced during a specific year within a country. In India Central statistics office under the ministry of statistics and program implementation is responsible for calculation of GDP.

Historical changes in sectors



Graph 1 : GDP by Primary, Secondary and Tertiary Sectors



Write your observation for Graph 1 here-

Why service sector is the dominant sector in the Indian Economy?

All the basic services like Hospitals, education, defence, police, post are considered part of service sector.

Developing countries like India heavily invests in basic services to improve the economic condition.

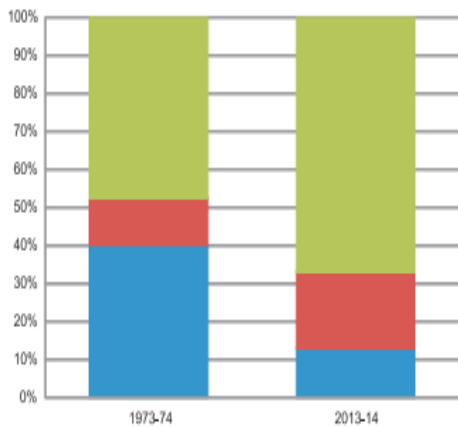
Introduction of new services like IT and communication.

Development in primary and secondary sector leads to development of service sector.

As income rises people start demanding other services like tourism, shopping, Professional training etc.

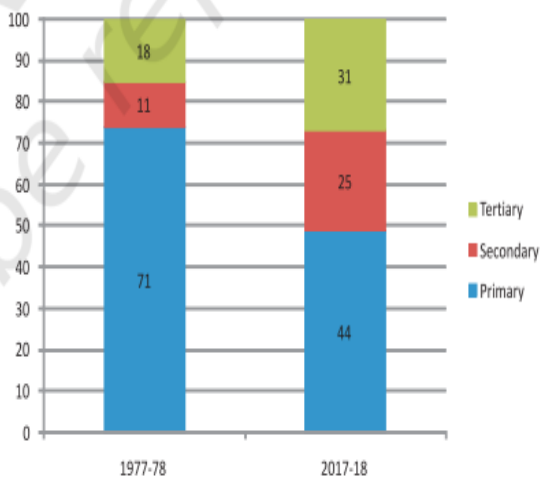
Note- Not all the jobs in service sector are well paid.

Graph 2 : Share of Sectors in GDP (%)



Compare Graph 2 and 3 and write your observation. Also discuss the reason, why primary sector is still the largest employer in India? Use the space provided for writing your observations.

Graph 3 : Share of Sectors in Employment (%)



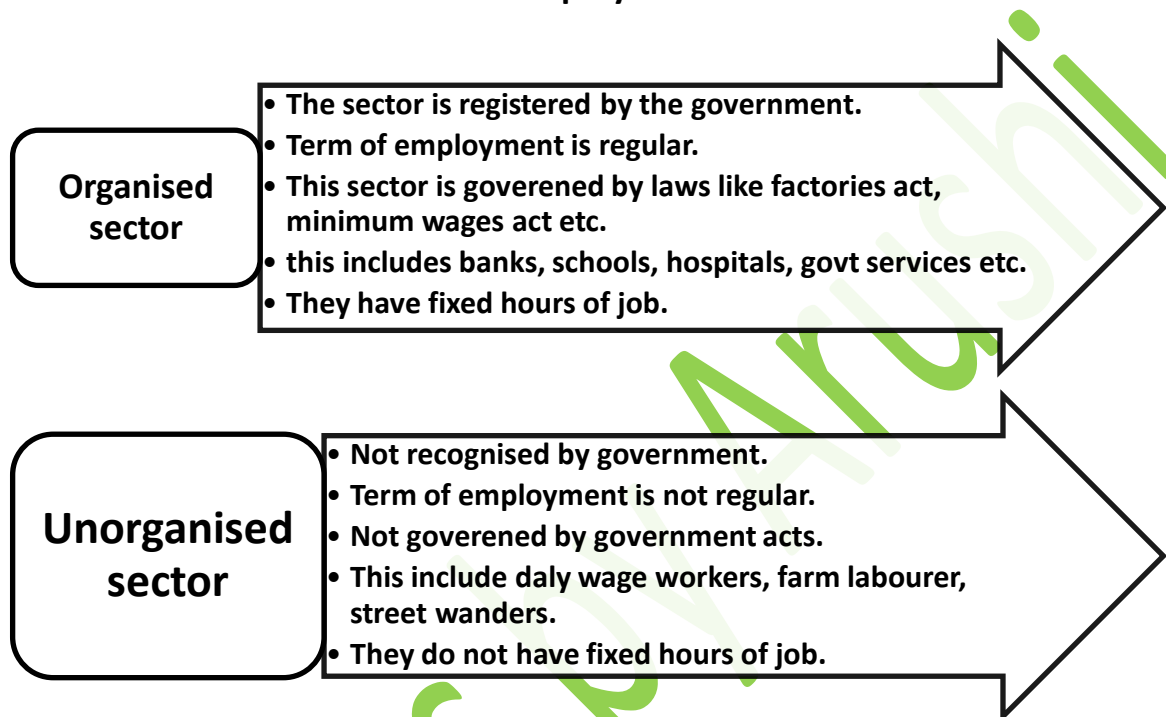
Disguised Unemployment- Also known as under employment or hidden employment. It is a situation in which more workers are employed in an activity than required. OR A situation where the labor employed is not actually utilized for production of goods and services.

How to create more employment?

- Providing loan at cheaper interest rates.
- Providing basic facilities like road, water, electricity, banking services etc.
- Promoting semi rural industries.
- Food processing industries in semi rural and rural areas can be a game changer.
- Construction of storage facilities like warehouses.
- Heavy investment in basic services like education, health and infrastructure can open new opportunities.
- Promoting regional craft industry and tourism.
- Promoting training for new technologies and innovation.

Short term employment- The solutions discussed above will take long time to implement, hence as a short term remedy government has provided right to work in which 100 days of employment is guaranteed to every citizen of India. The scheme is named as Mahatma Gandhi National Rural Employment Guarantee Act 2005 (MGNREGA 2005) provides Right to work.

Division of sectors based on the employment-



Protecting the workers in unorganized sector-

Since these workers has no job security and are paid lesser wages, these workers are often exploited and are more prone to health issues. Hence it is the responsibility of government to provide them social protection.

1. Small and marginal farmers, Sharecropper and artisans in villages need government support for credit, storage facility, transportation and marketing outlets.
2. Small scale industries are major employer of unorganized these industries also require credit, technology and market for output.
3. Most of these workers are SC, ST and OBCs, most often these workers face discrimination. Protection must be provided against discrimination.
4. Providing basic needs like education and health.
5. Providing healthy environment for development of organized sector.

Sectors in term of ownership-

Private sector

- owned by an Individual or a group of individual.
- Main aim is to earn profit.
- These provide consumer goods and services.
- Example- TATA group, Reliance group.

Public sector

- Owned by the government.
- Main aim is public welfare.
- Provides basic facilities like education, health, food etc.
- These are established when private sector fails to provide required services.
- Example- Railways and post office.

Notes by [Aakash](#)