

# SECTORS OF THE INDIAN ECONOMY

## Economics

### Class-10

---

#### SECTORS OF ECONOMIC ACTIVITIES

People are engaged in different economic activities. These economic activities can be grouped or classified into different sectors – Primary, Secondary and Tertiary.

#### Primary Sector – (Produces natural goods)

- Natural products like wheat, milk etc are produced by exploiting natural resources.
- Natural factors like sunshine, rain play their roles in the production process.
- E.g. Agriculture, dairy, fishing, forestry and other agriculture related activities come in this sector.
- This sector is called Primary because it forms base for other sectors.

#### Secondary Sector – (Produces manufactured goods)

- Includes those manufacturing industrial activities that change natural products into other forms.
- E.g. Wheat is a natural product but it is changed into flour which is not a direct natural product. Similarly cotton fibre is a natural product but it is spun into yarn and then woven into clothe.
- Goods are not produced by nature but in factories, industries, workshops or at homes.

#### Tertiary Sector – (Provides service to the other sectors)

- The activities of this sector include services that help in the development of other sectors.
- This sector does not produce any goods but helps in the production process of other sectors.
- E.g. Transport, communication, banking etc. It also includes essential services like tailoring, education, hospitals, barbers, lawyers, teachers etc.

#### INTERDEPENDENCE OF THE THREE SECTORS

- Sugar Mills (secondary) would shut down if farmers refuse sell sugarcane (Primary product)
- Cultivation of cotton (primary) would suffer if companies decide not to buy Indian cotton.
- Farmers use tractors, pump sets, electricity, fertilisers provided by secondary sector
- Strike of transporters and lorries (Service sector) would affect supply and prices would go up making suffer both urban people and farmers would not be able to sell their products.

## COMPARING THE THREE SECTORS

- A very large number of goods and services are produced in these three sectors and also a large number of people are employed in these three sectors. Also, there could be one or more sectors dominant in terms of total productions and employment. Now, how to count these numbers of goods and services produced?
- Counting them in their physical terms is almost impossible.
- We can count the final values of the goods and services produced in each sector in a year to find out the total amount of production in that year.

### GDP (Gross Domestic Product)

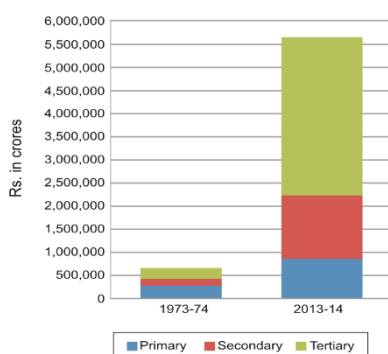
- GDP is the final monetary value of all the goods and services produced within a country during a particular year.
- GDP shows how big an economy is and GDP growth rate is an important economic indicator of the economic performance or health of a country.
- GDP is calculated by The Central Statics Office (CSO) under the central government Ministry of Statics and Program Implementation. CSO coordinates with various state and central government agencies and departments to collect data.

### Historical Changes in Sectors

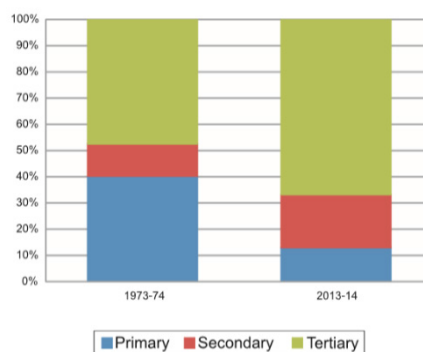
- The histories of many developed countries show that the Primary Sector was the most important sector of economic activity.
- Food production increased with the change in methods of farming. Now, people picked up other activities like – craftsmanship, trading, getting into administration and army, transport etc
- Industrial revolution brought people in manufacturing sector. Secondary sector gradually became more important.
- In the past 100 years, there has been a further shift from secondary to tertiary sector in developed countries with more people getting employment there.

### The Scenario of historical changes in sectors in India

Graph 1 : GDP by Primary, Secondary and Tertiary Sectors



Graph 2 : Share of Sectors in GDP (%)



The graphs clearly show that the Tertiary sector has grown the most over the 40 years.

It means that the Tertiary Sector has become more important in the Indian Economy as it contributes more to GDP than the other two sectors.

## Rising Importance of the Tertiary Sector in Production

- People need some basic services like – hospitals, post offices, educational institutions, police stations, courts, defence, transport etc.
- The growth in agricultural and industrial sector increases need for services like – transport, trade, communication, storage, etc.
- When income level rises, people demand for services like – eating out, shopping, tourism and travelling, private hospitals and schools, professional training etc.
- The new services like internet access, Information and Technology (IT Sector) are in great demand.
- Many different kinds of people are employed in service sector. Some highly skilled and educated earn high while many are employed in small earning jobs due to lack of alternative opportunities.

## WHERE ARE MOST OF THE PEOPLE EMPLOYED?

Primary sector employs more than 50 % of the population but produces only a quarter of GDP. The secondary and the tertiary sectors produce around 3/4<sup>th</sup> of GDP but employ less than half of the people. It means there are more people employed in agriculture than needed or they are **underemployed**.

## Underemployment or Hidden Employment or Disguised Unemployment

- Disguised employment is that kind of unemployment where more than necessary number of people are engaged in a work activity.
- If this extra labour force is removed, production will not be affected.
- It is called disguised Unemployment because all appear to be working though they contribute less than their potential as more men are employed than needed.
- This kind of underemployment is hidden in contrast to those who are jobless and unemployed.
- **Example:** Agriculture sector employs more than 50% people but contributes the least to the GDP. It is because of hidden employment. This surplus hiddenly employed force can be engaged in other places where their potential could be fully utilised and they contribute to the production.

### Disguised Unemployment in Rural Sector

There are lakhs of farmers like Laxmi and her family members (textbook example) who are suffering from hidden employment. The under employed people can be employed elsewhere and it would increase productivity as well as the income of the family.

### Disguised Unemployment in Urban Sectors

A lot of casual workers are engaged in earning their livings like – plumbers, painters, repair persons, street vendors, rikshaw drivers etc. They do not earn same every day. They may spend the whole day but earn very little i.e. their efforts are not converted to earnings.

## Need for creation of more employment opportunities

Now, the question arises as why we find disguised employment? It is so because the people in rural areas don't have other opportunities and options available except going to their family plots of land.

This extra underemployed force can be productive when employed somewhere else. But it will require creation of employment opportunities to absorb this extra labour force.

## How to create more Employment?

- Government has a greater role to play in creating opportunities of employment to absorb the underemployed in rural and semi-rural areas. The following points highlight the way people can be employed and their income increased.
- Banks can provide credit at reasonable rates of interest to farmers. They can use it to dig wells, buy seeds and fertilizers and other agricultural inputs and implements.
- Building and construction works like dams and canals to employ people.
- Building and increasing transport facilities to connect remote rural areas, provide storage for crops.
- Local industries can be promoted in rural and semi-rural areas. Dal-mills, honey collection centres in forest areas, vegetable processing industries for potatoes, rice and fruits etc.
- If more children want to study then more buildings, teachers would be required. The Planning Commission (Now replaced by NITI Aayog) had estimated 20 lakhs new jobs alone in education sector.
- Improving health facilities would require more doctors, nurses etc.
- Regional potential (like in J&K) can generate employment in tourism, regional craft and industry. Planning Commission had estimated additional employment to 35 lakhs new people every year by improving tourism sector.

## Right to Work (MGNREGA- Mahatma Gandhi Rural Employment Guarantee Act 2005)

- To enhance livelihood security, Right to Work (Part IV, Article 41) was enacted in 2005 and implemented as MGNREGA in 625 districts.
- It guarantees 100 days of employment in a financial year in rural areas.
- Unemployment allowances to be given if govt. fails to provide employment.
- The types of work aim at creating rural assets like ponds and enhancing land productivity, water conservation, agricultural and allied activities, rural sanitation, irrigation and canal maintenance work etc.
- MGNREGA 2005 was praised by world Bank Report also as an example rural empowerment.

## DIVISION OF SECTORS AS ORGANISED AND UNORGANISED SECTORS

### Organised Sector

- They are registered with government.
- Terms of employment are regular.
- Rules and regulations are followed under different labour services Acts- Factories Act, Minimum Wages Act, Shops and Establishments Act.
- Formal process of employment with appointment letter
- Job security, fixed numbers of hours, paid overtime, weekly holidays etc.
- Several other benefits like paid leaves, provident fund, gratuity, medical benefits etc.
- Better working conditions, proper hygiene and safe drinking water
- **Examples:** Government jobs and jobs in Branded Companies like Microsoft, Google, Tata and Reliance Industries

### Unorganised Sector

- Employment is spread across small and scattered units.
- largely out of the control of the government.
- Rules and regulations are not properly followed.
- No job security, irregular work, low paid salary, no paid leaves or paid overtime, no holidays.
- No provident fund, no gratuity, no medical benefits.
- Whims of the employer also matters as they can ask the workers to leave job any time.
- **Examples:** Doing small jobs like street vendors, repair workers, workers in shops, small farmers.

### How to Protect workers in Unorganised Sector?

The workers in unorganised sector need protection because they are exploited, get low-paid irregular and concerns of job security haunts them every time.

#### Protection in Rural Areas

- Landless agricultural labourers, small and marginal farmers, share coppers and artisans like weavers, blacksmiths, goldsmiths, carpenters are part of this sector.
- Around 80% of rural households are small and marginal farmers who need protection.
- Government can help them by timely delivery of seeds, agricultural inputs, credits, storage facilities and providing marketing outlets.

## Protection in Urban Areas

- This sector comprises workers in small-scale industry, casual workers in construction, trade and transport, street vendors, headload workers, rag pickers, garment makers etc.
- Government can help the small-scale industry in procuring raw material and marketing of output.

## Protection to Scheduled Castes, Tribes and Backward Communities

- Besides irregular work, social discrimination is faced by people from such communities.
- Government can ensure their social and economic empowerment. Though there are provisions like reservations in jobs but it is not relevant in unorganised sectors.

## SECTORS IN TERMS OF OWNERSHIP - Public and Private Sectors

### Public Sector

The government is the owner most of the assets and provides all the services.

Example: Railways, banking (like SBI), public libraries, highways etc

### Private Sector

Private individuals or companies are the owner of assets and delivery of services.

Example: TISCO (Tata Iron and Steel Company) Reliance Industries, ICICI Bank Limited

### Comparative Study of Public & Private Sectors

- Government in public sector acts not with profit motive but private sector acts with motive of profit.
- Government raises money through different taxes but the private sector charges high price to provide goods and services to maximise profit.
- Government is capable of venturing into projects involving large spending (like building dams, railways, harbours, generating electricity etc.) but such spending is beyond the capacity of private sector.
- Government provides subsidy on essential products but private would not do so.
- Unlike private sector, Modern day governments are welfare governments and therefore have the primary responsibilities like providing education and health facilities, safe drinking water, housing facilities, food and nutrition for the poor.
- It is the duty of the government to take care of the poorest and the most ignored regions of India where the private sector will not have any stake.

**You can Visit us at the following links**



**<https://www.ncerttutorials.com>**