

Chapter 2nd: Sectors of The Indian Economy

Sectors of Economic Activities

1. Classification of Economic Activities:

- Economic activities are grouped into sectors based on important criteria.
- Sectors include primary, secondary, and tertiary sectors.

2. Primary Sector:

- Involves activities directly using natural resources like agriculture, dairy, fishing, and forestry.
- The primary sector forms the foundation for subsequent production processes.

3. Secondary Sector:

- Encompasses activities transforming natural products into other forms through manufacturing processes.
- Associated with industrial activities like textile manufacturing, brick making, and construction.

4. Tertiary Sector:

- Comprises activities supporting the primary and secondary sectors.
- Focuses on services rather than goods production, including transportation, storage, communication, banking, and trade.

5. Essential Services in the Tertiary Sector:

- Includes vital services such as education, healthcare, personal services (e.g., laundry, hairdressing), legal services, administrative work, and accounting services.

6. Emergence of Information Technology Services:

- New services like internet cafes, ATM booths, call centres, and software companies have become prominent in recent times.
- Reflects the integration of technology into service-oriented activities.

Comparing the Three Sectors

1. Production Activities in Different Sectors:

- Primary, secondary, and tertiary sectors engage in various production activities.
- These sectors produce a vast array of goods and services to meet societal needs.

2. Dominant Sectors in the Economy:

- Some sectors may dominate in terms of total production and employment, while others are relatively smaller.

3. Measurement of Total Production:

- Economists use the values of goods and services rather than actual numbers to measure total production.
- Values are calculated based on the prices of goods and services sold in the market.

4. Inclusion of Final Goods and Services:

- Only final goods and services are counted, excluding intermediate goods used in production.
- Final goods are those that directly reach consumers, while intermediate goods are used in the production process.

5. Importance of Final Goods Counting:

- Counting only final goods avoids double counting of intermediate goods' values.
- Including intermediate goods separately would inflate the total production value.

6. Calculation of Gross Domestic Product (GDP):

- GDP is the total value of all final goods and services produced within a country in a specific year.
- It serves as a measure of the country's economic size and activity.

7. GDP Measurement in India:

- The central government ministry, with assistance from state and union territory departments, estimates India's GDP.
- Data collection involves gathering information on goods and services volume and prices to accurately calculate GDP.

Historical Change in Sectors

1. Historical Development of Sectors:

- In many developed countries, the primary sector was initially the most significant economic activity.

2. Transformation in Agriculture:

- Advancements in farming methods led to increased agricultural productivity and surplus food production.
- This surplus enabled the growth of other economic activities such as crafts, trade, and transportation.

3. Shift to the Manufacturing Sector:

- With the introduction of new manufacturing methods, factories emerged and expanded.
- Many individuals transitioned from agricultural to factory work, driven by various factors explained in history chapters.

4. Rise of the Secondary Sector:

- Over time, the secondary sector became predominant in both total production and employment.
- Factories mass-produced goods, which became widely accessible at affordable rates.

5. Transition to the Tertiary Sector:

- In the past century, developed countries experienced a shift from the secondary to the tertiary sector.
- The service sector became the most important, contributing significantly to total production and employment.

6. Tertiary Sector Dominance in Developed Countries:

- Developed nations exhibit a trend where the service sector occupies a central role in their economies.

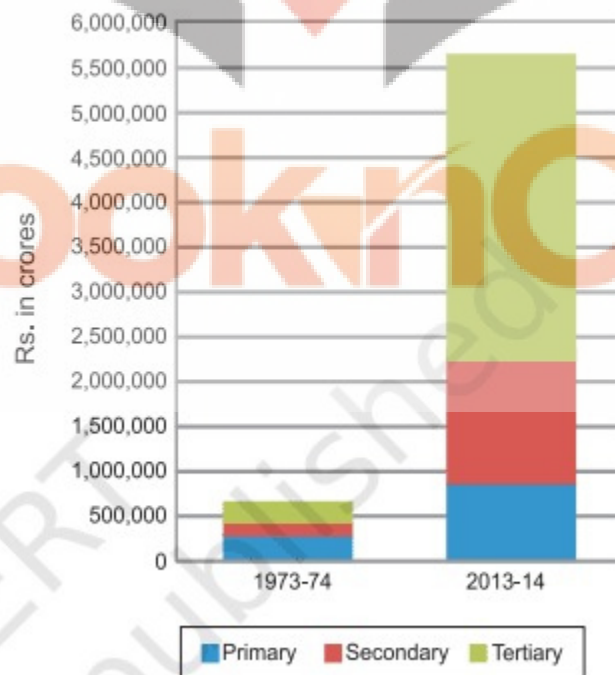
- A majority of the workforce is employed in service-oriented industries.

7. Comparison with India:

- Examining the total production and employment across the primary, secondary, and tertiary sectors in India.
- Evaluating whether India has undergone similar shifts in sectoral importance as observed in developed countries.

Primary, Secondary and Tertiary Sectors in India

Graph 1 : GDP by Primary, Secondary and Tertiary Sectors



1. Graph Analysis:

- Graph 1 illustrates the production of goods and services across three sectors.
- Data is presented for the years 1973–74 and 2013–14, enabling a comparison over a forty-year period.

2. Historical Perspective:

- Comparing production data from 1973–74 to 2013–14 provides insights into the economic development of the country.
- Students can grasp the magnitude of growth and changes in production patterns over four decades.

3. Graphical Representation:

- Graphs serve as visual aids for understanding complex data sets.
- Students can learn to interpret graphical information effectively for better comprehension of economic concepts.

Rising Importance of the Tertiary Sector in Production

1. Sectoral Growth Trends:

- Over the forty-year period from 1973–74 to 2013–14, production increased in all three sectors.
- The tertiary sector experienced the highest growth rate, surpassing the primary sector to become the largest-producing sector in India by 2013–14.

2. Reasons for the Tertiary Sector's Importance:

A. Various factors contribute to the increasing significance of the tertiary sector in India, including:

- Provision of essential services such as *healthcare, education, transportation, and administration*, which are the responsibility of the government in developing countries.
- Development in agriculture and industry stimulates demand for supporting services like transport, trade, and storage.
- Rising income levels lead to increased demand for services like dining out, tourism, shopping, and private healthcare and education, especially in urban areas.
- Emergence of new services based on information and communication technology (ICT), which have experienced rapid growth in recent years.

3. Disparities Within the Service Sector:

A. Despite overall growth, disparities exist within the service sector:

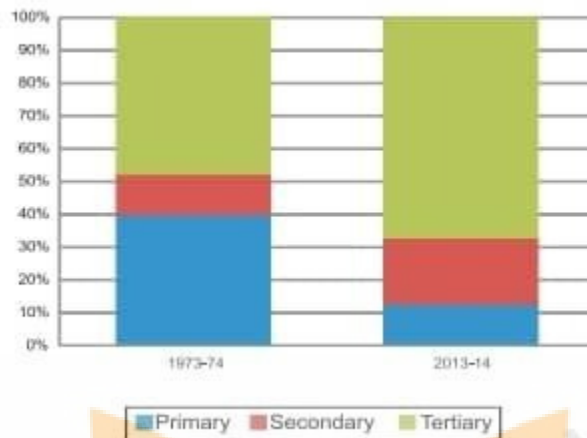
- Highly skilled and educated workers are employed in certain specialized services, while a large number of workers are engaged in low-paying jobs like small shopkeeping and repair services.
- Many workers in the service sector struggle to earn a living due to the lack of alternative employment opportunities.

4. Implications for Future Study:

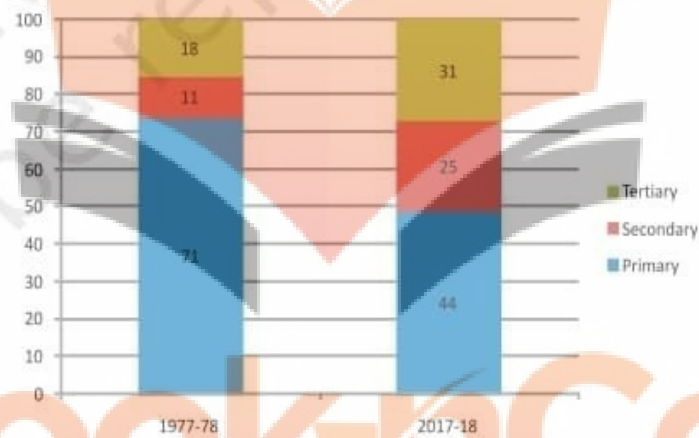
- Students will explore further details about the dynamics and challenges within the service sector in the upcoming section.
- Examples of new services based on ICT and their expansion reasons will be discussed in Chapter 4 for better understanding.

Where are most of the People Employed?

Graph 2 : Share of Sectors in GDP (%)



Graph 3 : Share of Sectors in Employment (%)



I. Graphical Representation of Sectoral Contribution:

- Graph 2 illustrates the percentage share of the primary, secondary, and tertiary sectors in GDP over forty years.
- It provides a visual depiction of the changing importance of these sectors in the economy.

2. Discrepancy Between Sectoral Contribution and Employment:

- Graph 3 displays the share of employment in the primary, secondary, and tertiary sectors in 1977-78 and 2017-18.
- Despite changes in GDP sectoral shares, the primary sector remains the largest employer in India.

3. Reasons for Lack of Shift in Employment:

- Insufficient job creation in the secondary and tertiary sectors prevented a similar shift in employment.
- While industrial output increased significantly, employment in the industry only rose moderately.
- Likewise, though production in the service sector surged, employment growth was comparatively slower.

4. Underemployment in Agriculture:

- Despite a large workforce, the agricultural sector contributes only a fraction to the GDP.
- Many workers in agriculture are underemployed, meaning there are more workers than necessary for the level of production.
- This underemployment is exemplified by workers like Laxmi's family, where each member contributes but none are fully employed.

5. Concept of Disguised Unemployment:

- Disguised unemployment refers to underemployment that is not overtly visible, as individuals appear to be working but are not fully utilized.

- Laxmi's family scenario illustrates disguised unemployment, where all members work but their labor is not fully utilized.

6. Mitigating Underemployment Effects:

- Transitioning surplus agricultural workers to other sectors can increase overall family income without affecting agricultural production.
- Examples like Laxmi's family moving some members to other work demonstrate how underemployment can be addressed.

7. Extent of Underemployment Across Sectors:

- Underemployment is not confined to agriculture; it also exists in urban service sectors.
- Many casual workers struggle to find daily employment, resulting in underutilization of skills and limited income opportunities.

8. Impact of Underemployment on Income:

- Addressing underemployment can lead to increased family income, benefiting both individuals and the overall economy.
- Opportunities for better employment can uplift workers from underemployment situations, improving their livelihoods.

How to Create More Employment?



1. Addressing Underemployment in Agriculture:

- Underemployment in agriculture can be alleviated by improving irrigation facilities, such as constructing wells or dams, to enable multiple cropping seasons.
- Investments in irrigation infrastructure can create employment within the agricultural sector, thus reducing underemployment issues.

2. Enhancing Agricultural Productivity and Market Access:

- Improved transportation infrastructure, including rural roads and storage facilities, facilitates the transportation and sale of agricultural products.
- Government investments in transportation and storage infrastructure can create employment opportunities in both agriculture and related services.

3. Access to Affordable Agricultural Credit:

- Access to affordable credit enables farmers to purchase seeds, fertilizers, and equipment necessary for cultivation.
- Providing cheap agricultural credit through local banks helps alleviate financial constraints faced by small-scale farmers like Laxmi.

4. Promotion of Rural Industries:

- Identifying and promoting industries and services in semi-rural areas can generate employment opportunities.
- Examples include setting up dal mills, cold storage facilities, and honey collection centers, which can create jobs in processing and marketing agricultural products.

5. Expansion of Educational and Health Sectors:

- Increasing investment in education and healthcare sectors creates employment opportunities for teachers, healthcare professionals, and support staff.
- Expansion of educational institutions and healthcare facilities, particularly in rural areas, can address both employment and development needs.

6. Harnessing Regional Potential:

- Every state or region has a unique potential for income and employment generation, such as tourism, regional crafts, or IT services.
- Proper planning and government support are essential to leverage regional potential for job creation and economic growth.

7. Short-Term Measures:

- Short-term employment generation measures like the Mahatma Gandhi National Rural Employment Guarantee Act 2005 (MGNREGA) provide 100 days of guaranteed employment to rural workers.
- MGNREGA prioritizes works that enhance land productivity, ensuring sustainable employment while boosting agricultural output.

8. Role of Government Intervention:

- Government intervention through policies and programs plays a crucial role in creating employment opportunities and promoting economic development.
- Initiatives like MGNREGA demonstrate the government's commitment to addressing unemployment and underemployment issues at the grassroots level.

Division of Sectors As Organised and Unorganised

1. Classification Based on Employment Conditions:

- Activities in the economy can be classified based on employment conditions and work arrangements.

2. Comparison of Kanta and Kamal:

- Kanta works in an office with fixed hours, a regular salary, a provident fund, and other allowances, enjoying paid holidays and formal employment terms.

- Kamal, a daily wage labourer, lacks job security, fixed working hours, or benefits like paid leave, and can be asked to leave without notice.

3. Organised Sector:

- The organised sector comprises enterprises with regular employment terms, governed by government regulations such as the Factories Act, Minimum Wages Act, and Payment of Gratuity Act.
- Workers in this sector enjoy job security, fixed working hours, and benefits like paid leave, provident fund, gratuity, medical benefits, and pensions upon retirement.

4. Unorganised Sector:

- The unorganised sector consists of small, scattered units with minimal government control, where rules and regulations are often disregarded.
- Jobs in this sector are low-paid, irregular, and lack benefits such as overtime pay, paid leave, or job security.

5. Characteristics of Unorganised Sector Jobs:

- Employment in the unorganised sector is insecure, with workers being hired and fired at the employer's discretion.
- Workers do not receive benefits like overtime pay, paid leave, or provisions for sickness leave.

6. Variety of Unorganised Sector Jobs:

- The unorganised sector includes self-employed individuals engaged in street vending, repair work, and farming, as well as casual labourers hired on a temporary basis.

7. Lack of Compliance with Regulations:

- While there are rules and regulations for the unorganised sector, they are often not followed, leading to exploitative working conditions and a lack of job security.

8. Impact of Seasonal Variations:

- Workers in the unorganised sector are particularly vulnerable to fluctuations in demand, such as seasonal changes, which may result in layoffs or reduced work hours.

9. Government Intervention:

- Government regulations aim to protect workers' rights and ensure fair employment practices, particularly in the organised sector, through laws and enforcement mechanisms.

10. Need for Formalization and Regulation:

- Encouraging formalization and regulation of employment in the unorganised sector is essential to safeguard workers' rights and improve working conditions.

How to Protect Workers in the Unorganised Sector?



1. Organised Sector Employment:

- Organised sector jobs are highly desirable due to better working conditions, regular salaries, and benefits.
- However, employment opportunities in this sector have been expanding slowly over time.

2. Presence of Organised Sector in Unorganised Sector:

- Many enterprises from the organised sector operate within the unorganised sector to evade taxes and bypass labour laws, leading to the exploitation of workers.

3. Challenges in Unorganised Sector Employment:

- Workers in the unorganised sector often face low wages, irregular payment, lack of job security, and absence of benefits.

4. Impact of Job Loss in Organised Sector:

- Since the 1990s, there has been a trend of workers losing jobs in the organised sector, forcing them to seek employment in the unorganised sector with lower earnings.

5. Support Needed for Unorganised Sector Workers:

- There is a crucial need for protection and support for workers in the unorganised sector to ensure fair wages, job security, and other benefits.

6. Vulnerable Groups in Rural Areas:

- In rural areas, the unorganised sector includes landless agricultural labourers, small and marginal farmers, sharecroppers, and artisans, comprising a significant portion of the population.

7. Support for Rural Unorganised Sector:

- Rural unorganised sector workers require support such as timely access to seeds, agricultural inputs, credit, storage facilities, and marketing outlets to improve their livelihoods.

8. Composition of Urban Unorganised Sector:

- In urban areas, the unorganised sector consists of workers in small-scale industries, construction, trade, transport, street vendors, garment makers, rag pickers, etc.

9. Support for Urban Unorganised Sector:

- Government support is essential for small-scale industries to procure raw materials and market their products, while casual workers in urban areas need protection and support.

10. Representation of Marginalized Communities:

- A significant proportion of workers from scheduled castes, tribes, and backward communities are employed in the unorganised sector, facing not only economic challenges but also social discrimination.

11. Need for Economic and Social Development:

- Providing protection and support to workers in the unorganised sector is crucial for both economic development and social justice.

Sectors in Terms of Ownership: Public and Private Sectors

1. Classification Based on Ownership:

- Economic activities can be classified into public sector and private sector based on ownership and service delivery responsibilities.

2. Public Sector Examples:

- Examples of the public sector include government-owned entities like railways and post offices.

3. Private Sector Examples:

- The private sector comprises privately owned entities like Tata Iron and Steel Company Limited (TISCO) and Reliance Industries Limited (RIL).

4. Profit Motive in Private Sector:

- Private sector activities are primarily driven by the motive to earn profits, and consumers pay for services rendered by private individuals or companies.

5. Purpose of Public Sector:

- The primary purpose of the public sector is not profit-making; instead, governments raise funds through taxes to finance services and infrastructure development.

6. Public Sector Responsibilities:

- Governments undertake heavy spending on activities like constructing roads, bridges, railways, generating electricity, and providing irrigation through dams.

7. Government Support for Industries:

- Government intervention is necessary to support industries, such as providing affordable electricity, purchasing agricultural produce at fair prices, and selling essential commodities at subsidized rates.

8. Role in Education and Healthcare:

- The government is responsible for providing essential services like education and healthcare to all citizens, particularly focusing on elementary education and improving health indicators.

9. Addressing Social Issues:

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- Government initiatives are crucial for addressing social issues like *malnutrition*, and *infant mortality*, and *ensuring* access to safe drinking *water*, *housing*, and *nutrition*.

10. Focus on Human Development:

- It is the government's duty to prioritize human development by allocating resources to improve living standards and address inequalities, especially in the poorest regions of the country.



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