

Revision Notes
Chapter-2
SECTORS OF THE INDIAN ECONOMY

SECTORS OF ECONOMIC ACTIVITIES:

1. There are many activities that are undertaken by directly using natural resources.
2. For example, the cultivation of cotton. It takes place within a crop season.
3. When we produce a good by exploiting the natural resources, it is an activity of primary sector.
4. This is because it forms the base for all other products that we subsequently make.
5. Since most of the natural products we get are from agriculture, dairy, fishing, forestry, this sector is also called agriculture and related sector.
6. The secondary sector covers activities in which natural products are changed into other forms through ways of manufacturing that we associate with industrial activity. It is the next step after the primary.
7. Secondary sector gradually becomes associated with the different kinds of industries that came up, it is called as industrial sector.
8. After primary and secondary, there is a third category of activities that fall under tertiary sector and is different from the above two. These are activities that help in the development of the primary and the secondary sector.
9. Transport, storage, communication, banking, trade are some examples of the tertiary sector. Since these activities generate services rather than goods, the tertiary sector is also called the service sector.

COMPARING THE THREE SECTORS:

1. The various production activities in the primary, secondary and tertiary sectors produce a very large number of goods and services.
2. Also, the three sectors have a large number of people working in them to produce these goods and services.
3. There is one precaution one has to take. Not every good that is produced and sold also needs to be counted.

4. It makes sense only to final goods and services.
5. For instance, a farmer who sells wheat to a flour mill for Rs. 8 per Kg. The mill grinds the wheat and sells the flour to a biscuit company for Rs. 10 per Kg.
6. Intermediate goods are used up in producing final goods and services. The value of final goods that are used in making the final goods.
7. The value of final goods and services produced in each sector during a particular year provides the total production of the sector for that year.
8. The sum of production in the three sectors gives what is called Gross Domestic Product (GDP) of the country.
9. It is the value of all final goods and services produced within a country during a particular year. GDP shows how big the economy is.

PRIMARY, SECONDARY AND TERTIARY SECTORS IN INDIA:

1. Over the forty years between 1971-72 and 2011-12, while production in all the three sectors has increased, it has increased the most in the tertiary sector.
2. As a result, in the year 2011-12 the tertiary sector has emerged as the largest producing sector has emerged as the largest producing sector in India replacing the primary sector.
3. There could be several reasons why tertiary sector becoming so important in India.
 - (i) First, in any country several services such as hospitals, educational institutions, post and telegraph services etc. are required. These can be considered as basic services. In a developing country, the government has to take responsibility for the provision of these services.
 - (ii) Second, the development of agriculture and industry leads to the development of services such as transport, trade, storage and the like, as we have already seen.
 - (iii) Third, as income levels rise, certain sections of people start demanding many more services like eating out, tourism, shopping, private hospital, private school.
 - (iv) Fourth, over the past decade or so, certain new services such as those based on information and communication technology have become important and essential.
4. A remarkable fact about India is that while there has been a change in the share of the

three sectors in GDP, a similar shift has not taken place in employment.

5. The primary sector continues to be the largest employer even now.

6. More than half of the workers in the country are working in the primary sector, mainly in agriculture, producing only a quarter of the GDP.

7. The secondary and tertiary sectors produce three-fourth of the produce whereas they employ less than half the people.

8. It means that there are more people in agriculture than is necessary. So, even if you move a few people out, production will not be affected. In other words, workers in the agricultural sector are under-employed.

9. The underemployment is hidden in contrast to someone who does not have a job and is clearly visible as unemployed. Hence, it is also called disguised unemployment.

10. We see other people of the service sector on the street pushing a cart or selling something where they may spend the whole day but earn very little.

11. They are doing this work because they do not have better opportunities.

How to Create More Employment?

1. Away by which we can tackle this problem is to identify, promote and locate industries and a large number of people may be employed.

2. A study conducted by the Planning Commission estimates that nearly 20 lakh jobs can be created in the education sector alone.

3. Every state or region has the potential for increasing the income and employment for people in that area.

4. The same study by the Planning Commission says that if tourism as a sector is improved, every year we can give additional employment to more than 5 lakh people.

5. We must realize that some of the suggestions discussed above would take a long time to implement.

6. Recognizing this, the central government in India made a law implementing the Right to Work.

7. Mahatma Gandhi National Rural Employment Guarantee Act 2005 (MGNREGA 2005).

8. Under MGNERGA 2005, all those who are able to, and are in need of, work are guaranteed 100 days of employment in a year by the government.
9. If the government fails in its duty to provide employment, it will give unemployment allowances to the people.

DIVISION OF SECTORS AS ORGANISED AND UNORGANISED:

1. The organized sector covers those enterprises or places of work where the terms of employment are regular and therefore, people have assured work.
2. It is called organized because it has some formal processes and procedures.
3. The unorganized sector is characterized by small and scattered units which are largely outside the control of the government.
4. Jobs here are low-paid and often not regular. Employment is not secure.
5. This sector includes a large number of people who are employed on their own doing small jobs such as selling on the street or doing repair work.

How to Protect Workers in the Unorganized Sector?

1. The organized sector offers jobs that are the most sought-after.
2. It is also common to find many organized sector enterprises in the unorganized sector.
3. Since the 1990s, it is also common to see a large number of workers losing their jobs in the organized sector.
4. In the rural areas, the unorganized sector mostly comprises of landless agriculture labourers, small and marginal farmers, sharecroppers and artisans.
5. Nearly 80% of rural households in India are in small and marginal farmer category.
6. In the urban areas, unorganized sector comprises mainly of workers in the small-scale industry, casual workers in the construction, trade and transport etc., and those who work as street vendors, head load workers, garment makers, rag pickers etc.

SECTORS IN TERMS OF OWNERSHIP: PUBLIC AND PRIVATE SECTORS:

1. In the public sector, the government own most of the assets and provide all services.
2. In the private sector, ownership of assets and delivery of services is in the hands of private individuals or companies.
3. Activities in the private sector are guided by the motive to earn profits.
4. The purpose of the public sector is not just to earn profits.

5. Governments raise money through taxes and other ways to meet expenses on the services rendered by it.
6. There are several things needed by the society as a whole but which the private sector will not provide at a reasonable cost.
7. Collecting the money from thousands of people who use these facilities is not easy.
8. Even if they provide these things they would charge a high rate for their.
9. Thus, governments have to undertaken such heavy spending and ensure that these facilities are available for everyone.
10. There are some of the activities, which the government has to support.
11. The private sector may not continue their production or business unless government ensures it.
12. The government has to bear part of the cost.
13. There are a large number of activities which are the primary responsibility of the government. The government must spend on these. Providing health and education facilities for all is one example.
14. The government also needs to pay attention to aspects of human development.
15. It is also the duty of the government to take care of the poorest and most ignored regions of the country through increased spending in such areas.