

Sectors of the Indian Economy

ECONOMICS - CHAPTER 2



SECTORS OF INDIAN ECONOMY ARE DIVIDED INTO THREE MAIN SECTORS:

Primary Sector

- When we produce a good by exploiting natural resources, it is an activity of primary sector
- Example – agriculture, dairy, fishing, forestry, etc.
- This sector is known as agricultural and related sector

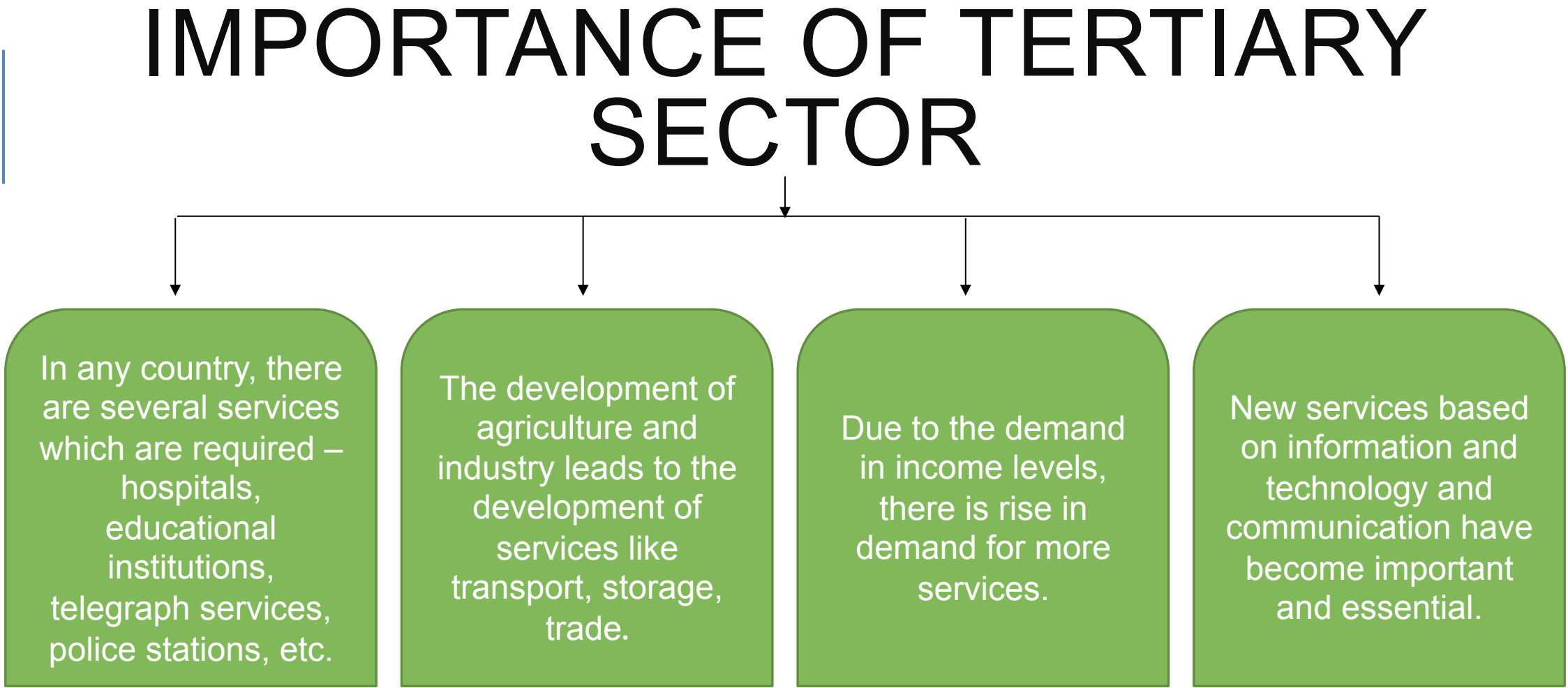
Secondary Sector

- Covers activities in which natural products are changed into other forms through ways of manufacturing that we associate with industrial activities
- Example – using cotton fibre from plants, we spin yarn and weave cloth, etc.
- This sector gradually became associated with the different kinds of industries that came up, its also called Industrial sector
- Adding the sum of all three sectors would give you the GDP; Gross Domestic Product
- Primary sector + Secondary sector + Tertiary sector = GDP
- GDP – shows how big the economy is

Tertiary Sector

- These activities by themselves don't produce a good but they are an aid or a support for the production process
- For example – goods that are produced in the primary or secondary sector would need to be transported by trucks or trains and then sold in wholesale and retail shops
- Since, these activities generate services rather than goods, its also known as the service sector.

IMPORTANCE OF TERTIARY SECTOR



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graph TD; A[IMPORTANCE OF TERTIARY SECTOR] --> B[In any country, there are several services which are required – hospitals, educational institutions, telegraph services, police stations, etc.]; A --> C[The development of agriculture and industry leads to the development of services like transport, storage, trade.]; A --> D[Due to the demand in income levels, there is rise in demand for more services.]; A --> E[New services based on information and technology and communication have become important and essential.];
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New services based on information and technology and communication have become important and essential.

UNDEREMPLOYMENT/ DISGUISED EMPLOYMENT

When more people are working that is needed, this situation is called underemployment or disguised unemployment

In Rural Areas

- All the family members work in the same field
- This means that even if we remove a lot of people from agricultural sector and provide them work somewhere else, the agricultural production will not be affected

In Urban Areas

- There are thousands of casual workers in the service sector, who search for daily employment
- Many of them don't find work everyday
- There are many others like rickshaw pullers or cart pullers on the street selling something, where they may spend the whole day but earn very little

DIVISION OF SECTOR AS

Organized Sector

Terms of employment regular

Follow rules and regulation of Factory act, Minimum Wages Act, Gratuity Act, etc.

Employees register themselves with the government

Security of work

Work for a fixed no. of hours

If work more, paid overtime

Get benefits like paid leave, payment during holidays, provident fund, gratuity, etc.

Get medical benefits, drinking water, safe working environment

Unorganized Sector

Small scattered units outside the control of Govt.

Rulers and regulations not followed

Jobs are low paid and often not regular

No provision for overtime, paid leave, holidays or leave due to sickness

Employment isn't secure

They may be told to leave the job anytime

Lot of them are employed on their own doing small jobs

HOW TO PROTECT THE UNORGANIZED SECTOR?

Rural areas

Vulnerable people are – landless agricultural labourers, small and marginal farmers, sharecroppers and other artisans (weavers, carpenters)

Nearly 80% rural households are marginal and small farmers

Can be supported by adequate facilities for timely delivery of needs, agricultural inputs, etc.

Urban areas

Comprise of workers in small scale industry, casual workers, trade and transport, vendors head load workers, garment makers, rag pickers, etc.

Need governments support for providing raw material and marketing of output

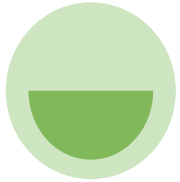
SC/ST

Majority workers from SC/ST and backward communities are in unorganized sectors

Besides irregular and low paid work, they face social discrimination

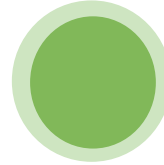
Protection and support is needed to get economic and social development

SECTORS ON THE BASIS OF OWNERSHIP



Public Sector

- Govt. owns most of the assets and provides all the services
- e.g., Railways, post office
- Meant for social benefit
- Govt. raises money through taxes and other ways to meet expenses on the services rendered by it
- Govt. provides subsidies and bear part of the cost to support industries
- Govt. must spend on provision of health and education facilities



Private Sector

- Ownership of assets and delivery of services is in the hands of private individuals
- e.g., Tata iron and steel company of Reliance industries
- Guided by motive to earn profits
- To get services, we have to pay money
- Is unable to provide several things required by the people at reasonable prices

VALUE OF GOODS AND SERVICES IN THE THREE SECTORS ARE CALCULATED, AND THEN ADDED UP



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graph TD; A[VALUE OF GOODS AND SERVICES IN THE THREE SECTORS ARE CALCULATED, AND THEN ADDED UP] --> B[Economists suggest that the value of goods and services should be used rather than the adding up of the actual numbers]; B --> C[For example: A farmer grows cotton and sells it to the textile industry - Now, the industry makes it into a shirt, adds buttons and thread - And sells it at a higher rate]; C --> D[Intermediate goods – are used up in producing final goods and services]; D --> E[The value of final goods already includes the value of all the intermediate goods that are used in making the final good.];
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The value of final goods already includes the value of all the intermediate goods that are used in making the final good.

