



SECTORS OF THE INDIAN ECONOMY CLASS-X ECONOMICS

SECTORS OF THE ECONOMY

ACCORDING TO TYPE OF ACTIVITY



PRIMARY SECTOR-
Agriculture, fishing



SECONDARY SECTOR-
Manufacturing



TERTIARY SECTOR-
Banking, Insurance

ACCORDING TO OWNERSHIP OF FACTORS OF PRODUCTION

PUBLIC SECTOR-Government

PRIVATE SECTOR-Individuals

ACCORDING TO RULES & REGULATIONS FOLLOWED AT WORKPLACE/CONDITIONS OF WORK

ORGANISED SECTOR-Government rules followed

UNORGANISED SECTOR-Government rules not followed



SECTORS OF THE ECONOMY ON THE BASIS OF TYPE OF ECONOMIC ACTIVITY

When we produce a goods by exploiting natural resources, it is an activity of the **PRIMARY SECTOR**. This is because it forms the base for all other products that we subsequently make. Since most of the natural products we get are from agriculture, dairy, fishing, forestry, this sector is also called **AGRICULTURE AND RELATED SECTOR**.

SECTORS OF THE ECONOMY ON THE BASIS OF TYPE OF ECONOMIC ACTIVITY



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 primary. For example Using sugarcane as a raw material, we make sugar or gur. We convert earth into bricks and use bricks to make houses and buildings. Since this sector gradually became associated with the different kinds of industries that came up, it is also called as industrial sector.

SECTORS OF THE ECONOMY ON THE BASIS OF TYPE OF ECONOMIC ACTIVITY



After primary and secondary, there is a third category of activities that falls under **TERTIARY SECTOR** and is different from the above two. These are activities that help in the development of the primary and secondary sectors. These activities, by themselves, do not produce a good but they are an aid or a support for the production process. Transport, storage, communication, banking, trade are some examples of tertiary activities. Since these activities generate services rather than goods, the tertiary sector is also called the service sector.

Primary (Agriculture) Sector



produces
natural
goods

Secondary (Industrial) Sector



produces
manufactured
goods

Tertiary (Service) Sector



helps to develop
other sectors

Primary, secondary, tertiary stages of production – sort the pictures

Primary

Dairy Farming



Fishing



Coal Mining



Oil Wells



Secondary

Car manufacturing



House building



Bread baking



Furniture construction



Tertiary

Banking



Bus driving



Hairdressing



Tourism



Primary Sector	Secondary Sector	Tertiary Sector
It is involved with agriculture and direct use of natural resource	It is involved with large scale Processing of natural resources; aimed at value addition.	It is involved with supporting the activities of primary and secondary sectors
Examples : Farming, apiculture, cattle farming, etc.	Examples : Iron and steel industry, sugar mills shoe factory, etc.	Examples: Banking, transportation , BPO, consultancy, etc.

SECTORS OF ECONOMIC ACTIVITY



Primary Sector

Extract



Secondary Sector

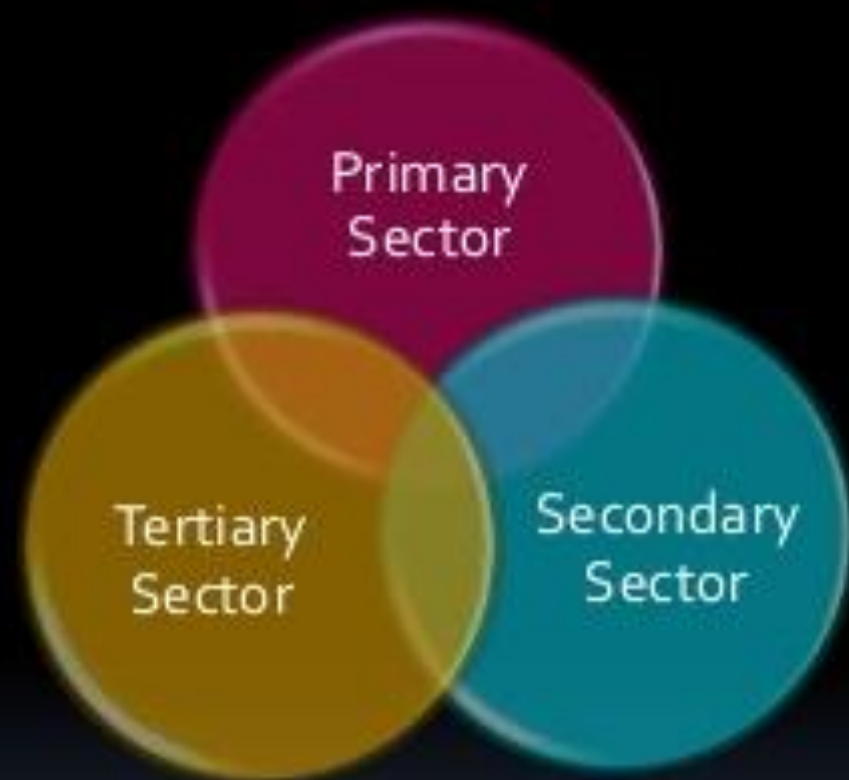
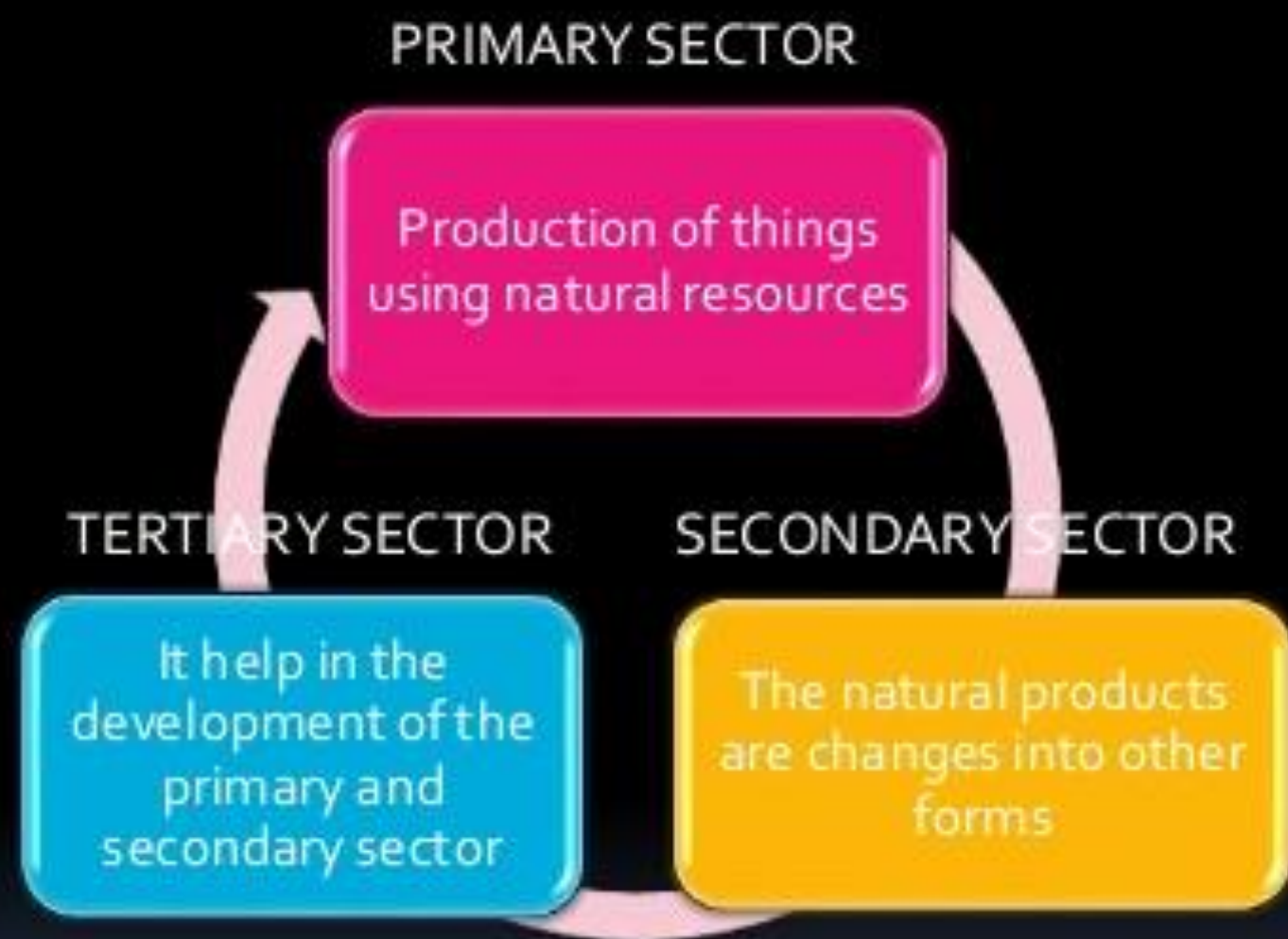
Manufacture,
Construct, Refine



Tertiary Sector

Service, Distribute

❖ The three sectors are INTERDEPENDENT on one another





Sugarcane growing
(primary sector)



Transporting of
sugarcane
(tertiary sector)



Manufacturing of
sugar and drink
(secondary sector)



Final
product

CAN OF PEACHES

PRIMARY

Orchardist grows
the peaches

SECONDARY

Factory process
the peaches.

TERTIARY

Supermarket sells
the peaches

Tertiary provides services to all the sectors,
this includes Transport, Marketing, Banking,
Power, Telecommunications etc.

TABLE 2.1 EXAMPLES OF ECONOMIC ACTIVITIES

EXAMPLE	WHAT DOES THIS SHOW?
Imagine what would happen if farmers refuse to sell sugarcane to a particular sugar mill. The mill will have to shut down.	This is an example of the secondary or industrial sector being dependent on the primary.
Imagine what would happen to cotton cultivation if companies decide not to buy from the Indian market and import all cotton they need from other countries. Indian cotton cultivation will become less profitable and the farmers may even go bankrupt, if they cannot quickly switch to other crops. Cotton prices will fall.	
Farmers buy many goods such as tractors, pumpsets, electricity, pesticides and fertilisers. Imagine what would happen if the price of fertilisers or pumpsets go up. Cost of cultivation of the farmers will rise and their profits will be reduced.	
People working in industrial and service sectors need food. Imagine what would happen if there is a strike by transporters and lorries refuse to take vegetables, milk, etc. from rural areas. Food will become scarce in urban areas whereas farmers will be unable to sell their products.	

COMPARING THE THREE SECTORS

The various production activities in the primary, secondary and tertiary sectors produce a very large number of goods and services. Also, the three sectors have a large number of people working in them to produce these goods and services. The next step, therefore, is to see how much goods and services are produced and how many people work in each sector.

WHY IS CLASSIFICATION OF THE SECTORS OF THE ECONOMY ON THE BASIS OF WORK DONE IMPORTANT ?

- 1. We come to know about the employment in the different sectors.**
- 2. We come to know about the value of goods and services produced by the different sectors.**
- 3. We can identify the problems in the sectors.**
- 4. Remedy for the problems identified can be suggested.**

How do we count the various goods and services and know the total production in each sector?

With so many thousands of goods and services produced it would be an enormous work to count the number of goods produced in each sector. To get around this problem, economists suggest that the values of goods and services should be used rather than adding up the actual numbers. For example, if 10,000 kgs of wheat is sold at Rs 8 per kg, the value of wheat will be Rs 80,000. The value of 5000 coconuts at Rs 10 per coconut will be Rs 50,000. Similarly, the value of goods and services in the three sectors are calculated, and then added up

There is one precaution one has to take. Not every good (or service) that is produced and sold needs to be counted. Only value of **final goods and services** should be taken into consideration in the calculation of Gross Domestic Product of the country.

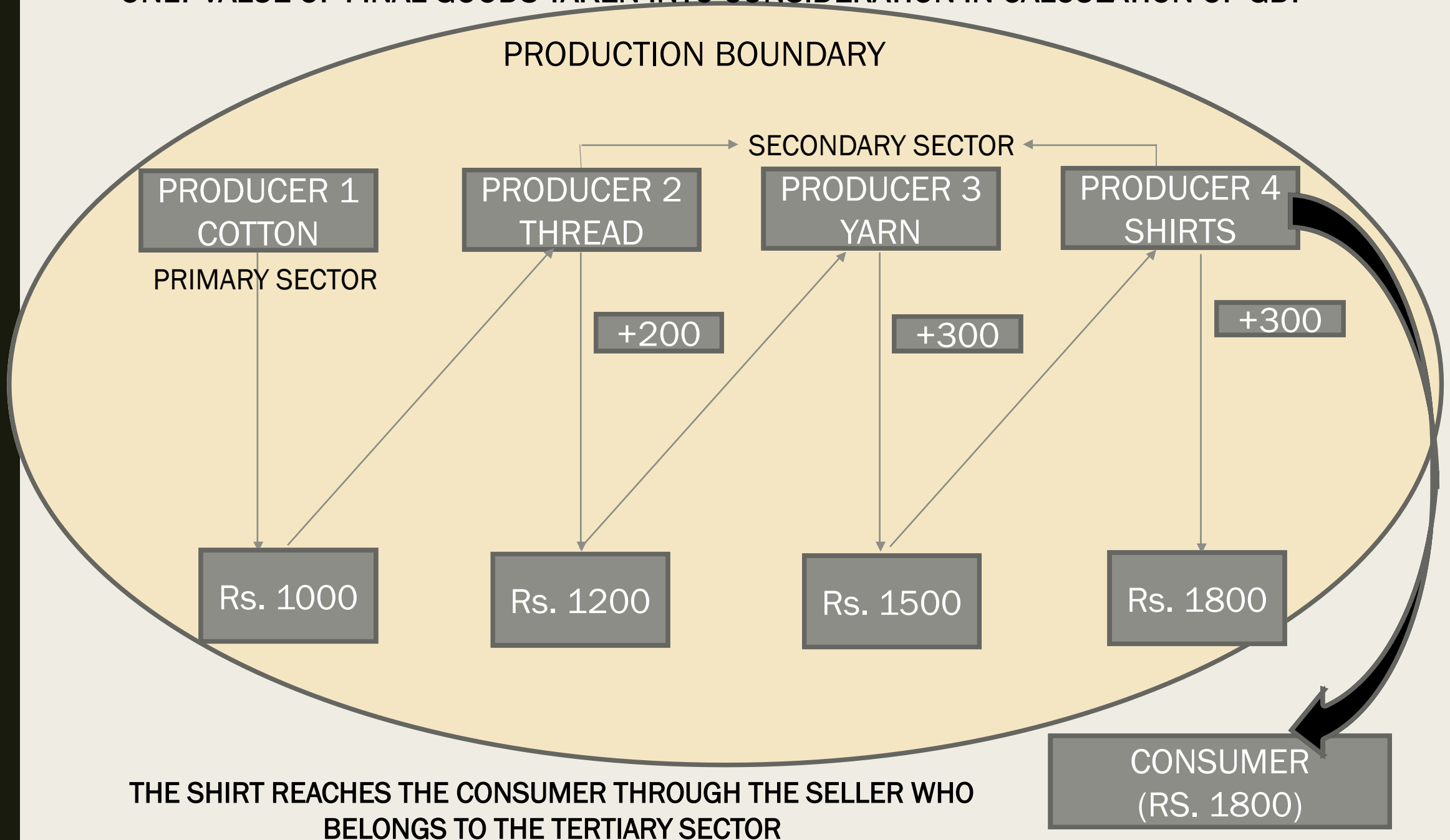
Final Goods

1. These goods are used either for final consumption or for investment.
 2. Cross the production boundary.
 3. No value has to be added with these goods.
 4. Included in GDP.
- Eg.- sugar purchased by households for consumption, Machine purchased by a producer etc.

Intermediate Goods

1. These goods are used either as raw material for further production or for reselling.
 2. Remain within the production boundary.
 3. Some value has to be added with these goods.
 4. Not included in GDP.
- Eg.- garments used in retail shop for resale, sugar used by sweet shop to prepare sweets etc.

ONLY VALUE OF FINAL GOODS TAKEN INTO CONSIDERATION IN CALCULATION OF GDP



GDP(GROSS DOMESTIC PRODUCT) is the market value of the Final Goods & Services produced by the three sectors of the economy within the domestic territory in an accounting year.

In India, the mammoth task of measuring GDP is undertaken by a central government ministry. This Ministry, with the help of various government departments of all the Indian states and union territories, collects information relating to total volume of goods and services and their prices and then estimates the GDP.

Historical Change in Sectors

Primary Sector

1. As the method of farming changed and the agricultural sector began to prosper production increased.
2. Many people could now take up other activities.
3. It is the stage of the goods produced were natural products and most people employed in this sector.

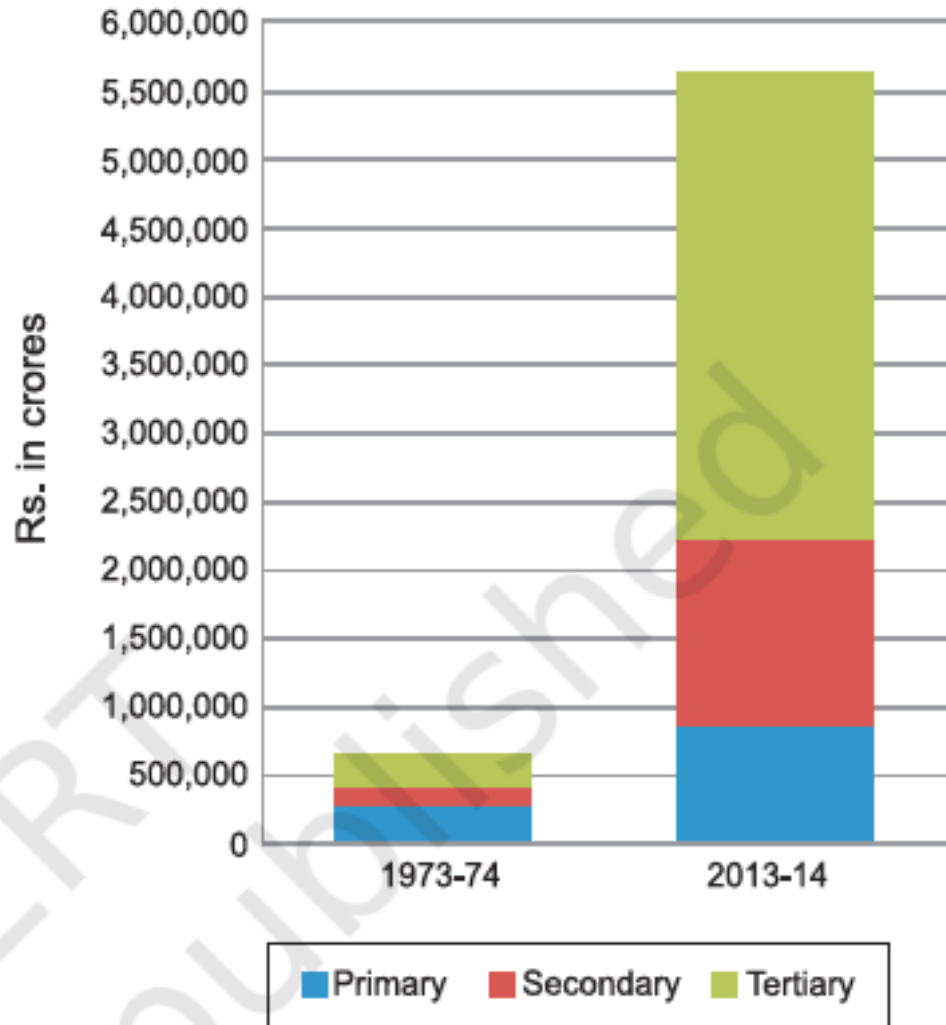
Secondary Sector

1. Because of new methods of manufacturing were introduced, factories came up and started expanding.
2. Farmers began to work in factories.
3. This sector slowly became the most important sector in the total production and employment. Hence a shift had taken place. It means the importance of sectors had changed.

Tertiary Sector

1. In the past 100 years there has been another shift from secondary to tertiary sector in the developed countries.
2. The service has become the most important. in terms of total production.
3. Most of the working people also employed in the service sector.

Graph 1 : GDP by Primary, Secondary and Tertiary Sectors



Over the forty years between 1973-74 and 2013-14, while production in all the three sectors has increased, it has increased the most in the tertiary sector.

As a result, in the year 2013-14, the tertiary sector has emerged as the largest producing sector in India replacing the primary sector

Why is the tertiary sector becoming so important in India?

GROWING IMPORTANCE OF TERTIARY SECTOR IN INDIA

Tertiary sector has become important in India because :

- (i) Basic services like hospitals, education, post and telegraph, courts, etc. are the responsibility of the government in developing countries.
- (ii) Demand for services such as transport, trade, storage will increase with the development of primary and secondary sectors.
- (iii) Demand for tourism, shopping, private schools, private hospitals, etc. increases with the increase in the level of income.
- (iv) Rapid growth of services sector also benefitted from external demand such as software industry and call centre services.
- (v) Liberalisation of financial sector provided an environment for faster growth of financial services.

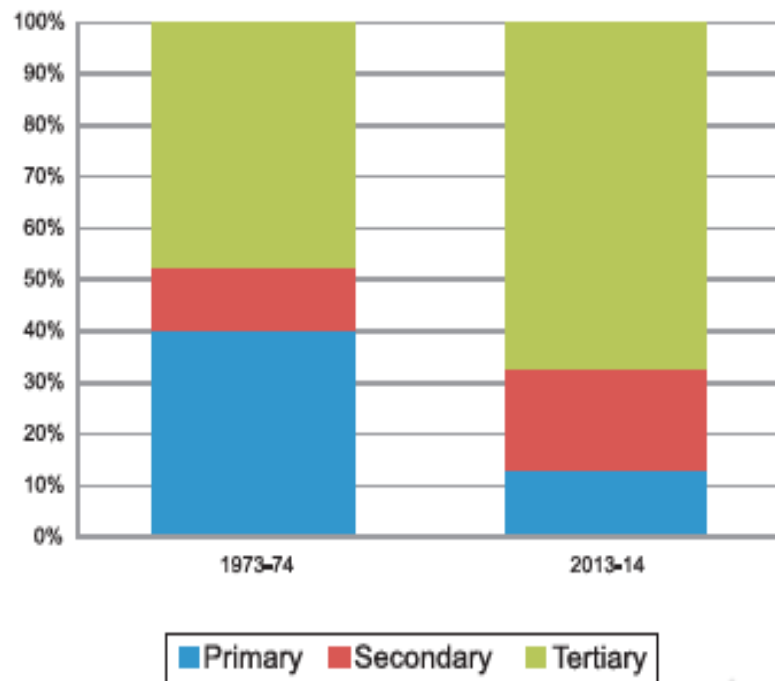


But not all of the service sector is growing equally well. Service sector in India employs many different kinds of people. At one end there are a limited number of services that employ highly skilled and educated workers. At the other end, there are a very large number of workers engaged in services such as small shopkeepers, repair persons, transport persons, etc. These people barely manage to earn a living and yet they perform these services because no alternative opportunities for work are available to them. Hence, only a part of this sector is growing in importance.

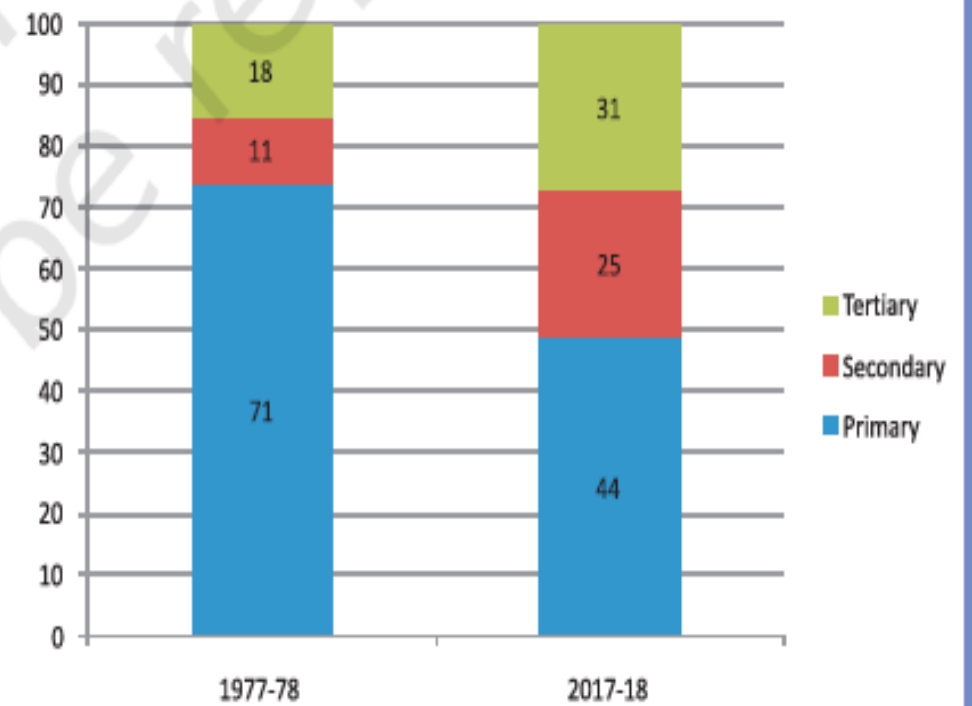


A remarkable fact about India is that while there has been a change in the share of the three sectors in GDP, a similar shift has not taken place in employment.

Graph 2 : Share of Sectors in GDP (%)



Graph 3 : Share of Sectors in Employment (%)

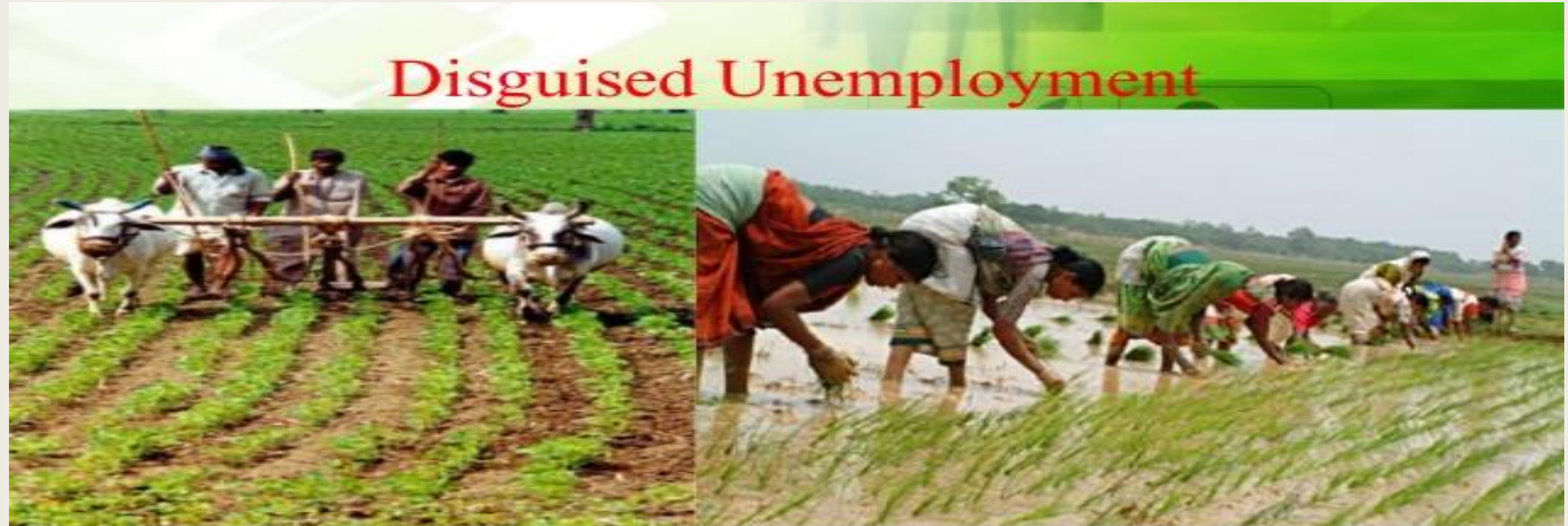


The primary sector continues to be the largest employer even now.

It is because not enough jobs were created in the secondary and tertiary sectors. Even though industrial output or the production of goods went up by more than nine times during the period, employment in the industry went up by around three times. The same applies to the tertiary sector as well. While production in the service sector rose by 14 times, employment in the service sector rose around five times.

As a result, more than half of the workers in the country are working in the primary sector, mainly in agriculture, producing only about one sixth of the GDP. In contrast to this, the secondary and tertiary sectors produce the rest of the produce whereas they employ less about half the people.

It means is 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 underemployed.



When more people are engaged in some activity than the number of person required for that, this is called disguised unemployment

EXAMPLE:

An agricultural field require 3 laborers but people engaged in this activity is 6 then this unemployment for 3 labors is called disguised unemployment

Open Unemployment

When a country's labour force do not get opportunities for adequate employment, this situation is called open unemployment.

This type of unemployment is generally found in the industrial sector of our country. This is also found among the landless agricultural labourers in rural areas.

Disguised unemployment

This is a kind of unemployment in which there are people who are visibly employed but actually they don't have full employment. In such a situation more people are engaged in a work than required.

This type of unemployment is generally found in unorganized sector where either work is not constantly available or too many people are employed for the same work that does not require so many hands.



- ❖ There are lakhs of farmers in India who are underemployed. This means that even if we remove a lot of people from agricultural sector and provide them with proper work elsewhere, agricultural production will not suffer. The incomes of the people who take up other work would increase the total family income.
- ❖ This underemployment can also happen in other sectors. For example there are thousands of casual workers in the service sector in urban areas who search for daily employment.
- ❖ They are employed as painters, plumbers, repair persons and others doing odd jobs. Many of them don't find work everyday. Similarly, 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. They are doing this work because they do not have better opportunities.

HOW MORE JOBS CAN BE CREATED

(i) Government can spend money or banks can provide loan for irrigation.

(ii) Construction of new dams and canals. Constructing dams, canals or digging wells in villages. On one hand, this would serve the needs of farmers for irrigation and on the other, people engaged in such construction activity would gain employment.



(iii) The government can invest some money in transportation and storage of crops, or makes better rural roads so that mini-trucks reach everywhere.



(iv) Identify, promote and locate industries and services in semi-rural areas where a large number of people may be employed.



(v) Opening a cold storage could give an opportunity for farmers to store their products like potatoes and onions and sell them when the price is good. In villages near forest areas, we can start honey collection centres where farmers can come and sell wild honey. It is also possible to set up industries that process vegetables and agricultural produce like potato, sweet potato, rice, wheat, tomato, fruits, which can be sold in outside markets.



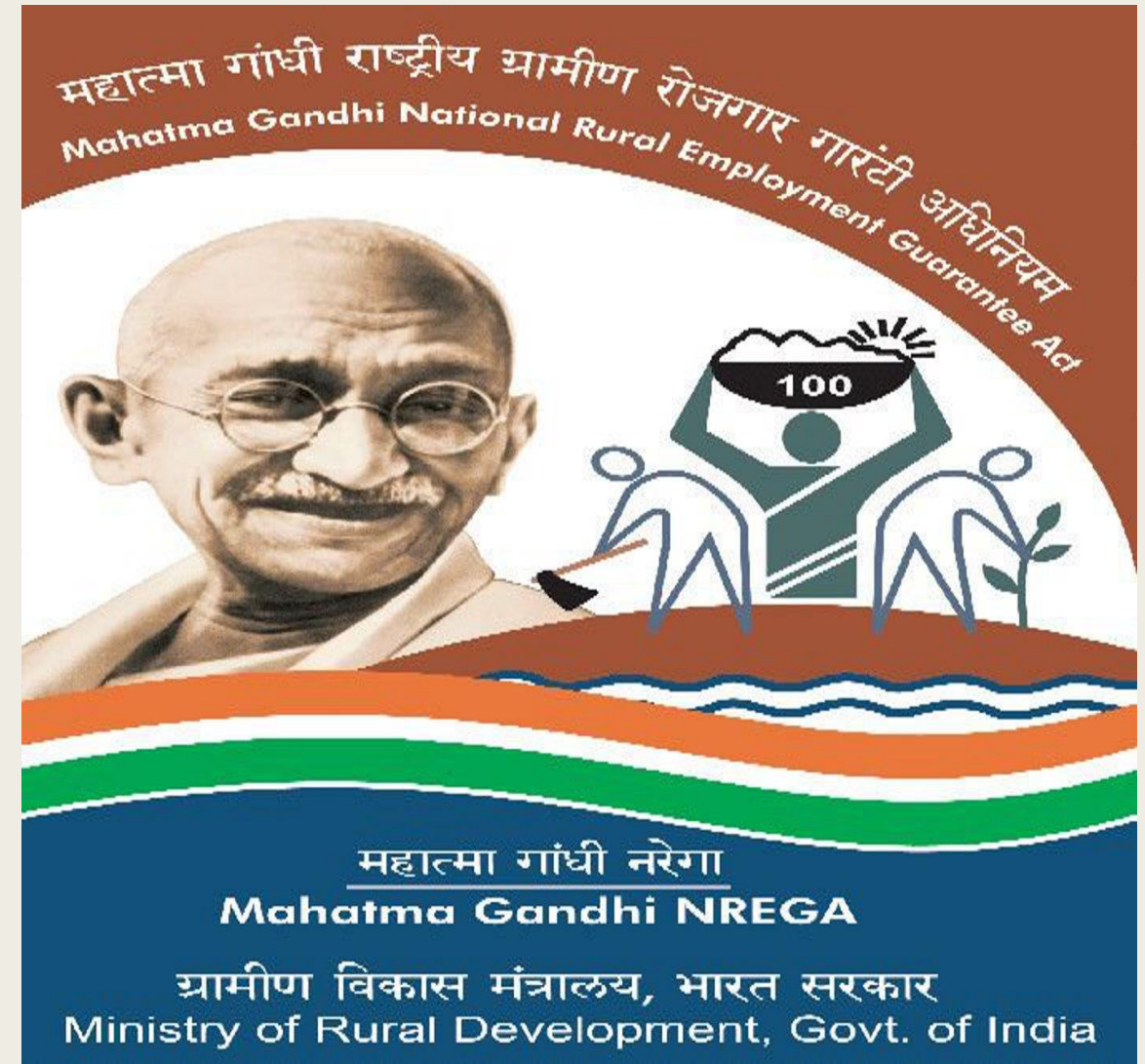
(vi) Improve the Health and Education sectors where by setting up of more schools, colleges, universities, hospitals and medical colleges many people can get employment.



(vii) Promoting tourism, regional craft and IT sector can also help create more job opportunities.



Mahatma Gandhi Employment Guarantee Act 2005 (or, NREGA No 42, later renamed as the "Mahatma Gandhi National Rural Employment Guarantee Act", MGNREGA), is an Indian labour law and social security measure that aims to guarantee the 'right to work'. This act was passed in September 2005.





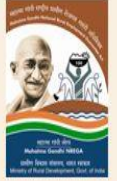
For the short-term, we need some quick measures for generating employment. Recognising this, the central government in India made a law implementing the Right to Work in about 625 districts of India. It is called Mahatma Gandhi National Rural Employment Guarantee Act 2005 (MGNREGA 2005). Under MGNREGA 2005, all those who are able to, and are in need of, work in rural areas are guaranteed 100 days of employment in a year by the government. If the government fails in its duty to provide employment, it will give unemployment allowances to the people. The types of work that would in future help to increase the production from land will be given preference under the Act.

Objectives of MGNREGA -

- a) Mahatma Gandhi National Rural Employment Guarantee Act aims at providing the right to work to rural people.
- b) The aim is to provide at least one hundred days of guaranteed wage employment in each financial year to every house where adult members volunteer to do unskilled manual work.
- c) Aims to provide social security to certain class of rural people and give them opportunities to earn some money.
- d) It is especially to be administered by gram Panchayats. No middlemen is involved in this.
- e) If work is not provided within 15 days of registration, unemployment allowance will be given, work is provided within the radius of 5 km.



MGNREGA: Basic Features



- 100 days' wage employment assurance
- Unemployment allowance if work not provided
- A fixed timeline for payment of wages, compensation for delayed payments
- Transparency & Accountability
- Wages to be credited to Bank/ Post office accounts

6

DIVISION OF SECTORS AS ORGANISED AND UNORGANISED

- Organised sector covers those enterprises or places of work where the terms of employment are regular and therefore, people have assured work.
- They are registered by the government and have to follow its rules and regulations which are given in various laws such as the Factories Act, Minimum Wages Act, Payment of Gratuity Act, Shops and Establishments Act etc.
- It is called organised because it has some formal processes and procedures.
- Workers in the organised sector enjoy security of employment.
- They are expected to work only a fixed number of hours. If they work more, they have to be paid overtime by the employer.
- They get paid leave, payment during holidays, provident fund, gratuity etc. They are supposed to get medical benefits and, under the laws, the factory manager has to ensure facilities like drinking water and a safe working environment. When they retire, these workers get pensions as well.



Kanta

Kanta works in an office. She attends her office from 9.30 a.m. to 5.30 p.m. She gets her salary regularly at the end of every month. In addition to the salary, she also gets provident fund as per the rules laid down by the government. She also gets medical and other allowances. Kanta does not go to office on Sundays. This is a paid holiday. When she joined work, she was given an appointment letter stating all the terms and conditions of work.

- ☐ The unorganised sector is characterised by small and scattered units which are largely outside the control of the government.
- ☐ There are rules and regulations but these are not followed.
- ☐ Jobs here are low-paid and often not regular.
- ☐ There is no provision for overtime, paid leave, holidays, leave due to sickness etc.
- ☐ Employment is not secure. People can be asked to leave without any reason. When there is less work, such as during some seasons, some people may be asked to leave. A lot also depends on the whims of the employer.
- ☐ 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. Similarly, farmers work on their own and hire labourers as and when they require.



Kamal

Kamal is Kanta's neighbour. He is a daily wage labourer in a nearby grocery shop. He goes to the shop at 7:30 in the morning and works till 8:00 p.m. in the evening. He gets no other allowances apart from his wages. He is not paid for the days he does not work. He has therefore no leave or paid holidays. Nor was he given any formal letter saying that he has been employed in the shop. He can be asked to leave anytime by his employer.



BASIS FOR COMPARISON	ORGANISED SECTOR	UNORGANISED SECTOR
Meaning	The sector in which the employment terms are fixed and employees have assured work is Organised sector.	The sector that comprises of small scale enterprises or units and are not registered with the government.
Governed by	Various acts like Factories Act, Bonus Act, PF Act, Minimum Wages Act etc.	Not governed by any act.
Government rules	Strictly followed	Not followed
Remuneration	Regular monthly salary.	Daily wages
Job security	Yes	No
Working hours	Fixed	Not fixed
Overtime	Workers are paid remuneration for overtime.	No provision for overtime.
Salary of workers	As prescribed by the government.	Less than the salary prescribed by the government.
Contribution to Provident fund by the employer	Yes	No
Increment in salary	Once in a while	Rarely
Benefits and perquisites	Employees get add-on benefits like medical facilities, pension, leave travel compensation, etc.	Not provide

The organised sector offers jobs that are the most sought-after. But the employment opportunities in the organised sector have been expanding very slowly. It is also common to find many organised sector enterprises in the unorganised sector. They adopt such strategies to evade taxes and refuse to follow laws that protect labourers. As a result, a large number of workers are forced to enter the unorganised sector jobs, which pay a very low salary. They are often exploited and not paid a fair wage. Their earnings are low and not regular. These jobs are not secure and have no other benefits. Since the 1990s, it is also common to see a large number of workers losing their jobs in the organised sector. These workers are forced to take up jobs in the unorganised sector with low earnings. Hence, besides the need for more work, there is also a need for protection and support of the workers in the unorganised sector.

Who are these vulnerable people who need protection in rural areas?

In the rural areas, the unorganised sector mostly comprises of landless agricultural labourers, small and marginal farmers, sharecroppers and artisans (such as weavers, blacksmiths, carpenters and goldsmiths). Nearly 80 per cent of rural households are in small and marginal farmer category. These farmers need to be supported through adequate for timely delivery of seeds, inputs, credit, storage facilities and marketing outlets.

Who are these vulnerable people who need protection in urban areas?

In the urban areas, unorganised sector comprises mainly of workers in small-scale industry, casual workers in construction, trade and transport etc., and those who work as street vendors, head load workers, garment makers, rag pickers etc. Small-scale industry also needs government's support for procuring raw material and marketing of output. The casual workers in both rural and urban areas need to be protected.

Majority of workers from scheduled castes, tribes and backward communities find themselves in the unorganised sector. Besides getting the irregular and low paid work, these workers also face social discrimination. Protection and support to the unorganised sector workers is thus necessary for both economic and social development.



SECTORS IN TERMS OF OWNERSHIP: PUBLIC AND PRIVATE SECTORS

Another way of classifying economic activities into sectors could be on the basis of who owns assets and is responsible for the delivery of services. In the public sector, the government owns most of the assets and provides all the services. In the private sector, ownership of assets and delivery of services is in the hands of private individuals or companies. Railways or post office is an example of the public sector whereas companies like Tata Iron and Steel Company Limited (TISCO) or Reliance Industries Limited (RIL) are privately owned.

BASIS FOR COMPARISON	PUBLIC SECTOR	PRIVATE SECTOR
Meaning	The section of a nation's economy, which is under the control of government, whether it is central, state or local, is known as the Public Sector.	The section of a nation's economy, which owned and controlled by private individuals or companies is known as Private Sector.
Basic objective	To serve the citizens of the country.	Earning Profit
Raises money from	Public Revenue like tax, duty, penalty etc.	Issuing shares and debentures or by taking loan
Benefits of working	Job security, Retirement benefits, Allowances, Perquisites etc.	Good salary package, Competitive environment, Incentives etc.
Basis of Promotion	Seniority	Merit
Job Stability	Yes	No

ओएनजीसी
ONGC
Oil and
Natural Gas
Corporation


सेल SAIL
Steel
Authority of
India

बी एच ई एल
BHEL
Bharat Heavy
Electricals
Limited

इंडियनऑयल
IndianOil
Indian Oil
Corporation

 Office for
National Statistics

Office for
National
Statistics

गैल
GAIL
GAIL


BSNL
Connecting India
Bharat
Sanchar
Nigam Limit...

**एनटीपीसी
NTPC**
NTPC Limited

भारतीय खाद्य निगम

Food
Corporation...
India


BHEL


IRCTC


**Bharat
Petroleum**
energising lives


IndianOil


HP


**ओएनजीसी विदेश
ONGC VIDESH**


सेल SAIL


**BHARAT SANCHAR
NIGAM LIMITED**


**UNITED INDIA
INSURANCE**


**NUMALIGARH
REFINERY
LIMITED**


Power Finance Corporation Ltd.
(A Govt. of India Undertaking)

Top Company Using SAP



- Reliance Industries Limited
- Tata Consultancy Services (TCS)
- Infosys Technologies Ltd
- Wipro Limited
- Bharti Tele-Ventures Limited
- ITC Limited
- Hindustan Lever Limited
- ICICI Bank Limited
- Housing Development Finance Corp. Ltd.
- TATA Steel Limited

IMPORTANCE OF PUBLIC SECTOR

The purpose of the public sector is not just to earn profits. Governments raise money through taxes and other ways to meet expenses on the services rendered by it. Modern day governments spend on a whole range of activities.

There are several things needed by the society as a whole but which the private sector will not provide at a reasonable cost.

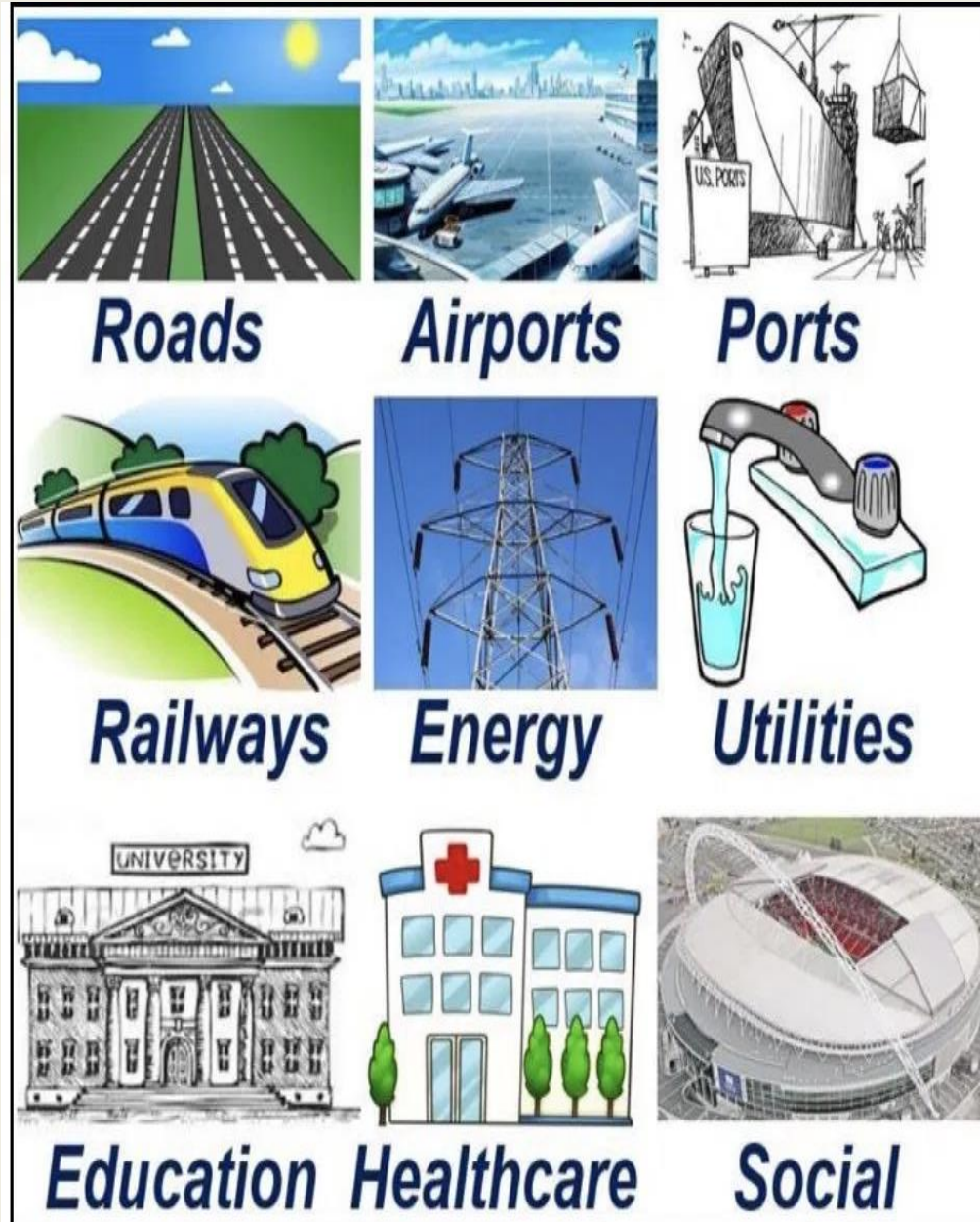


Public sector is an important sector for the development of economy.

(i) There are several things needed by the society as a whole but which the private sector will not provide at a reasonable cost. As huge sum of amount is needed which private sector can not afford, so public sector is needed there. For example, building bridges, railway etc.

(ii) There are several basic activities which government has to support, for example, selling electricity at lower cost, providing drinking water at affordable rate etc.

(iii) There are some activities which government has to perform like providing health and education facilities. So public sector is needed.



(iv) The Government in India buys wheat and rice from farmers at a 'fair price'. This it stores in its godowns and sells at a lower price to consumers through ration shops.

(v) 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.

(vi) Running proper schools and providing quality education, particularly elementary education, is the duty of the government. India's size of illiterate population is one of the largest in the world.

(vii) Government also needs to pay attention to aspects of human development such as availability of safe drinking water, housing facilities for the poor and food and nutrition. 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.

THANK YOU