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Sectors of the Indian Economy

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Important Terms

- **Disguised Unemployment:** When more people are working than its requirement then it is called disguised unemployment. So, even if we remove a few people from the job, the process of production will not be affected, it is also called underemployment.
- **Final Product:** The goods which are ready for consumption are called final product, for example, bread which is ready for consumption.
- **Intermediate:** All goods which are used as raw material for further production of goods, or for resale in the same year are known as intermediate goods. For example, flour which will be used for production of the bread, so flour is an intermediate product.
- **Job Card :** The job card is the legal document that entitles a person to ask for work under the Act and to get work within 15 days of the demand for work, failing which an unemployment allowance would be payable.
- **MGNREGA:** Mahatma Gandhi National Rural Employment Guarantee Act, 2005. It will provide 100 days assured employment to all needy and unemployed workers. If they are unable to provide employment then they would provide unemployment allowances.
- **Organised Sector:** People have assured work and terms of employment are regular. Rules and regulations given in various laws are registered by the government.
- **Primary Sector:** It includes all those economic activities which are connected with the extraction and production of natural resources, e.g., agriculture, fishing, mining, etc.
- **Secondary Sector:** It includes all those economic activities which are related to the manufacturing process, e.g., mining of iron ore is a primary activity but the manufacturing of steel is a secondary activity.
- **Tertiary Sector:** All service providers which help in the development of primary and secondary sectors come under the category of the tertiary sector. For example, doctors, teachers, lawyers, etc.
- **GDP (Gross Domestic Product):** It is the value of only final goods and services produced within the domestic territory of a country.



- **Unemployment:** When the person is willing to work at the prevailing wage rate, but he/she is not getting a job it is called unemployment.
- **Seasonal Unemployment:** The unemployment which takes place due to the variation in the season is called seasonal unemployment. It is mostly seen in the agricultural sector.
- **Unorganized sector:** It consists of small and scattered units which are not in the control of the government. It has low salary and unsecured jobs.
- **Underemployment or disguised unemployment** means more people engaged in a job than needed.

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Multiple Choice Questions

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1. Agriculture, dairy, fishing, and forestry are examples of _____.

- a) tertiary Sector
- b) secondary Sector
- c) primary Sector
- d) none of the above

2) The _____ covers activities in which natural products are changed into other forms through ways of manufacturing that we associate with industrial activity.

- a) secondary sector
- b) tertiary sector
- c) primary sector
- d) none of the above

3) Which of the following comes under the tertiary sector?

- a) transport
- b) communication
- c) both (a) & (b)
- d) none of the above

4) Service sector also includes some essential services that may not directly help in the production of goods. State whether true or false.

- a) true
- b) false

5) _____ shows how big the economy of a country is.

- a) GSDP
- b) GDP
- c) PPP
- d) None of the above

6) In the past 100 years, there has been a further shift from _____ to _____ in developed countries. This has become the most important in terms of total production.

- a) secondary to tertiary sector
- b) primary to tertiary sector
- c) primary to secondary sector
- d) none of the above



7) In India, _____ was the least producing sector in 2010-11.

- a) primary sector
- b) secondary sector
- c) tertiary sector
- d) quaternary sector

8) In India, which sector grew the maximum from 1970-71 to 2010-11?

- a) primary sector
- b) secondary sector
- c) tertiary sector
- d) quaternary sector

9) In 1970-71, which sector produced the maximum in India?

- a) tertiary sector
- b) secondary sector
- c) primary sector
- d) quaternary sector

10) Which of the following statements are true regarding the services sector?

- a) As income levels rise, certain sections of people start demanding many more services like eating out, tourism, and shopping.
- b) Over the past decade or so, certain new services, such as those based on information and communication technology, have become important and essential.
- c) In the year 2010-11, the tertiary sector has emerged as the largest producing sector in India, replacing the primary sector.
- d) All of the above are true.

11) The _____ continues to be the largest employer in India.

- a) quaternary sector
- b) tertiary sector
- c) secondary sector
- d) primary sector

12) In India, over a span of 40 years (from 1970 to 2010), while production in the service sector rose by more than 14 times, employment in the service sector rose around _____.

- a) five times
- b) twenty times



- c) ten times
- d) none of the above

13) Workers in _____ sector are under-employed.

- a) IT
- b) agricultural
- c) manufacturing
- d) none of the above

14) More than half of the workers in the country are working in the primary sector, mainly in _____.

- a) fishing
- b) mining
- c) agriculture
- d) none of the above

15) As per the same study by the former Planning Commission if tourism as a sector is improved, every year we can give additional employment to more than _____ people.

- a) 20 lakhs
- b) 25 lakhs
- c) 10 lakhs
- d) 35 lakhs

16) The National Rural Employment Guarantee Act was passed by the Government of India in _____.

- a) 2005
- b) 2010
- c) 2004
- d) 2014

17) Under NREGA 2005, all those who are able to and are in need of work are guaranteed _____ of employment in a year by the government.

- a) 180 days
- b) 50 days
- c) 200 days
- d) 100 days

18) Which of the following statements are true regarding the organised sector?



- a) Workers in the organised sector enjoy the security of employment.
- b) They are expected to work only a fixed number of hours.
- c) If they work more, they have to be paid overtime by the employer.
- d) All of the above.

19) The unorganised sector is characterised by small and scattered units which are largely outside the control of the_____.

- a) employers
- b) private individuals
- c) government
- d) employees

20) Which of the following statements are true regarding the unorganised sector?

- a) This sector includes a large number of people who are employed on their own doing small jobs.
- b) Employment is not secure.
- c) People can be asked to leave without any reason.
- d) All of the above.

ANSWER

1. c	5. b	9. c	13. b	17. d
2. a	6. a	10. d	14. c	18. d
3. c	7. a	11. d	15. d	19. c
4. a	8. c	12. a	16. a	20. d



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1. With the example of sugarcane, explain the interdependence of all the three sectors of the economy.

Answer: The primary sector involves production at the most basic level, i.e., through exploitation of natural resources. Cultivation of sugarcane is an agricultural activity which comes under the primary sector. Raw materials from the primary sector are converted into processed goods through manufacturing in the secondary sector. Using sugarcane as raw material, jaggery and sugar is made in the factories. The tertiary or service sector provides support to the process of production. It includes transportation, storage, marketing and sale of products. For instance, transportation of sugarcane from the fields to the sugar mills. Further on, the transportation of jaggery and sugar from factories and sugar mills to the markets.

The farmer (Primary sector) also needs fertilisers and seeds which are processed in some factory (Secondary sector) and which will be delivered to his doorstep by some means of transportation (Tertiary sector). In this way, for every little process there is interdependence of the three sectors of the economy on each other.

2. "The problem of underemployment is not confined only to agriculture". Support the statement with examples.

Answer: The problem of underemployment is not confined only to agriculture. It 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 other 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 such work only due to the lack of better employment opportunities.
- The unorganised sector includes small and scattered units outside the government control. 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.

3. What are final goods and intermediate goods? How do they help in calculating (GDP) Gross Domestic Product?

Answer: Final goods are goods that are ultimately consumed by the consumer rather than used in the production of another good.

- Intermediate goods are goods used as inputs in the production of final goods and services. For example, a car sold to a consumer is a final good; components such as a tyre sold to the car manufacturer is an intermediate good. The value of final goods



already includes the value of all intermediate goods that are used in making the final good.

- 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. And the sum of production in the three sectors gives the Gross Domestic Product (GDP) of a country. It is the value of all final goods and services produced within a country during a particular year.

4. Explain any three ways to solve the problem of underemployment.

Answer: There are people who are capable of better work and earning more than what they are getting. The reason for this is that better jobs for which they are qualified are not available. Such people are termed as underemployed, e.g., a graduate teacher driving a taxi. Underemployment is most prevalent in the primary or agricultural sector.

Three ways to solve the problem of underemployment:

- Provision of loans may help in creating jobs for disguised unemployed and underemployed workers.
- The loan money can be used for the promotion of economic activity of the family adding to the family's earning or for setting up a cottage industry.
- Another way is to promote and locate industries and services in semi-rural areas where a large number of people may be employed. Example, Setting up a dal mill, opening a cold storage, starting or promoting honey collection.
- If local banks give credit to farmers at a reasonable rate of interest, they will be able to buy agricultural inputs and increase productivity.
- Centres for vegetables and fruit processing, health centres, educational institutions, tourism and IT centres will certainly help in creating jobs.

5. Why didn't shift out of primary sector happen in case of employment although there has been a change in the share of the three sectors in GDP?

Answer: 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.

- A similar shift out of primary sector did not happen in case of employment because not enough jobs were created in the secondary and tertiary sectors.
- Even though industrial output or the production of goods went up by eight times during the period, employment in the industry went up by only 2.5 times.
- While production in the service sector rose by 11 times, employment in the service sector rose less than three times.

As a result, 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.



6. Classify the economic sectors on the basis of nature of activities. Mention the main feature of each.

Answer: On the basis of nature of activities, economic sectors are classified into:

- Primary sector
- Secondary sector
- Tertiary sector

(i) Primary sector 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 sector for agriculture and related activities (stone quarrying, animal husbandry, etc.)

(ii) Secondary sector covers activities in which natural products are changed into other forms through ways of manufacturing. It can take place in a factory, workshop or at home.

Examples:

(a) Spinning yarn from cotton fibre from plants.

(b) Making sugar from sugarcane.

It is also called the Industrial sector.

(iii) Tertiary sector. Activities in this sector do not produce any goods. This sector produces services that act as aid and support to the Primary and Secondary sectors. Services like administration, police, army, transport, hospitals, educational institutions, post and telegraph, courts, municipal corporation, insurance companies, storage, trade communication and banking are some of the examples of activities of the Tertiary sector.

This sector is also known as Service sector.

7. Describe the importance of Primary sector in the Indian economy.

Answer: Importance of Primary sector:

- Primary Sector provides the basic needs of economy for food and mineral ores.
- It produces some of the raw materials (like jute, cotton, coal extracted from mines) for the industrial sector.
- The Primary sector continued to be the largest employer in the economy even in the year 2000, the reason being that Secondary and Tertiary sectors still do not create enough jobs.
- The agricultural population in the Primary sector provides a very large market of consumers for the Secondary sector (for buying finished products like clothes, goods of daily need, fertilizers, etc.).



8. How can we create more employment in secondary and tertiary sectors in rural India?

Answer: Investing in basic agricultural infrastructure like construction of dams and canals for irrigation can lead to a lot of employment generation within the agricultural sector itself reducing the problem of under employment.

- If the government invests some money in the storage and transportation of crops, or makes better rural roads so that mini-trucks reach everywhere, several farmers can continue to grow and sell these crops throughout the year. This activity can provide productive employment to not just farmers but also others such as those in services like transport or trade.
- Providing credit at a reasonable rate of interest to help farmers buy seeds, fertilisers, agricultural equipments, pumpsets etc. can generate employment in rural banking.
- The government/banks can provide loans at cheap rates to the small farmers to improve their irrigational facilities like constructing a well so that they can irrigate their land well and get two to three crops a year instead of one. Thus more people can be employed in the same field.

Another way is to promote and locate industries and services in semi-rural areas where a large number of people may be employed. For example, setting up a dal mill, opening a cold storage, starting or promoting honey collection, etc.

9. Explain the importance of the service sector.

Or

Explain reasons for the rising importance of the tertiary sector in India.

Answer: Tertiary sector or service sector plays a very significant role and its importance is rising day by day:

- Greater the development of primary sector and secondary sector more would be the demand for Services.
- Tertiary sector has become the largest producer in India because various kinds of Services such as hospitals, educational institutions, post and telegraph services, police stations, courts, village administrative offices, transport, banks, insurance companies, etc. are required.
- Even development of agriculture and industry leads to the development of services such as transport, trade and storage, etc.
- With the rise in income, demand for more services is rising. For example, eating out in restaurants, tourism, malls and shopping complexes, schools, professional training, etc.



- New services like Information Technology and outsourcing have become very important for modern day trade and industry. Unfortunately, the rapid growth of the service sector in India has not yet shown the expected corresponding increase in employment.

10. How can employment be increased in both rural and urban areas? Explain.

Answer: Ways to provide more employment opportunities in rural areas:

- Promote and locate industries and services in semi-rural areas where a large number of people may be employed. Example, setting up a dal mill, opening a cold storage, starting or promoting honey collection.
- Promoting small-scale industries, small-scale manufacturing units, agro-processing industries and providing loans for the same. The government/banks can provide loans at cheap rates to the small farmers to improve their irrigation facilities so that they can get two or three crops a year instead of one. Thus more people can be employed in the same field.
- If more dams are built and canal water is provided to all the small farmers, then a lot of employment can be generated in the agricultural sector.
- If more money is spent on transportation and storage, then not only small farmers will be benefitted but many more people can be employed in transport and storage sector. Investing more in tourism and employing more youth in this sector.

11. "There are several things needed by the society as a whole". In the light of this statement explain as to who can provide them at a reasonable cost, the private or the public sector and why?

Or

Explain any three demerits of private sector.

Answer: Society as a whole needs several things which the private sector will not be able to provide at a reasonable cost.

Reasons for this are:

- Activities in the private sector are guided by the motive to earn profits and not welfare of the people,
- There are several services needed by the society which the private sector cannot provide at a reasonable price. Activities like construction of roads, bridges, railways, irrigation through dams etc., require huge amount of money which is beyond the capacity of the Private sector. Private sector charges high rates for the use of these services.



- It is difficult for the Private sector to collect money from thousands of people who use these services.
- The Private sector sometimes ignores regional balanced development, equality of income and development of basic industries.
- Private sector charges include profit margins whereas the government will charge a reasonable price for services. It is the primary duty of the government to ensure the provision of public facilities with a service motto.

12. Describe any five conditions or aspects that you would consider before accepting a job?

Answer: Before accepting a job many factors need to be considered apart from income—

- These include factors such as facilities for families, working atmosphere, or opportunity to learn.
- In another case, a job may give less pay but may offer regular employment that enhances sense of security. Another job however, may offer high pay but no job security and also leave no time for family.
- The terms of employment are as per government rules and regulations.
- The enterprise also gives several other benefits like paid leave, provident fund, gratuity, etc.
- The employer also makes provisions for medical benefits and safe working environment. A safe and secure environment may allow more women to take up a variety of jobs.

13. 'There has been a big change in the three sectors of economic activities, but a similar shift has not taken place in the share of employment.' Explain the above statement on the basis of facts.

Answer: Though there has been a change in the share of the three sectors in GDP, similar shift has not taken place in the structure of employment. The Primary sector continues to be the largest employer even in the year 2000. The reason for this is that not enough jobs are created in the Secondary and Tertiary sectors. More than half of the workers in the country are working in the Primary sector, mainly in agriculture, producing only a quarter of GDP. In contrast to this, Secondary and Tertiary sectors produce three-fourths of the produce though they employ less than half of the people.

Reasons:

- During the last thirty years in the Indian economy, not enough jobs have been created in the Secondary and Tertiary sectors, although their output has increased many folds. As a result more than half of the workers in the country are working in the primary



sector, mainly agriculture, causing gross underemployment due to overcrowding in the sector.

- There are more people engaged in agricultural activities than is necessary. The situation is such that even if we remove a lot of people from agriculture, the production of this sector will not be affected.

14. Define tertiary sector. Describe about the different kinds of people employed in this sector in India.

Answer: Tertiary sector:- Activities in this sector do not produce any goods. This sector produces services that act as aid and support to the primary and secondary sector. Services like administration, police, army, transport, hospitals, educational institutions, post & telegraph, courts, municipal corporation, banking & insurance, storage, trade and communications are examples of activities in the tertiary sector. This sector is also known as the Service Sector.

- The first kind of people are the highly skilled and educated people providing specialised services. E.g., doctors, lawyers, accountants, etc. There are a limited number of services that employ highly skilled and educated workers and offer big salaries.
- There are also a very large number of workers engaged in services, such as small shopkeepers, repair persons, transport persons. 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.



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Case-Based Questions

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QUESTION 1

Read the passage carefully and answer the following questions

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. 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. At times, it may be necessary to store these in godowns. We also may need to talk to others over telephone or send letters (communication) or borrow money from banks (banking) to help production and trade. 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.

Q1. Which economic sector is considered the first sector?

- (i) Tertiary sector
- (ii) Secondary Sector
- (iii) Primary sector
- (iv) Third Sector

Ans.(iii) primary sector

Q2. What comes under the tertiary sector?

- (i) Only transport and trade are examples of tertiary activities.
- (ii) Transport, storage, communication, banking, trade are some examples of tertiary activities.
- (iii) Only storage and communication some examples of tertiary activities.
- (iv) Only banking is an example of tertiary activities.

Ans. (ii) Transport, storage, communication, banking, trade are some examples of tertiary activities.

Q3. Which sector is known as service sector?

- (i) Tertiary sector
- (ii) Secondary Sector
- (iii) Primary Sector
- (iv) Third Sector

Ans. (i) Tertiary sector

Q4. Fill in the blanks:



These activities (of service sector), by themselves, do not an_____ or a support for the production process. but they are

- (i) Lend help, support
- (ii) Produce commodities, support
- (iii) Produce aid, good
- (iv) Produce a good, aid

Ans. (iv) Produce a good, aid

QUESTION 2

Read the following passage carefully and answer the following questions

Source A: Sectors of Economic Activities (Primary Sector) There are many activities that are undertaken by directly using natural resources. Take, for example, the cultivation of cotton. It takes place within a crop season. For the growth of the cotton plant, we depend mainly, but not entirely, on natural factors like rainfall, sunshine and climate. The product of this activity, cotton, is a natural product. Similarly, in the case of an activity like dairy, we are dependent on the biological process of the animals and availability of fodder etc. The product here, milk, also is a natural product. Similarly, minerals and ores are also natural products. When we produce a good by exploiting natural resources, it is an activity of the primary sector. Why primary? 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.

Q1. Why is Primary Sector also called agriculture and related sector?

- (i) When we produce a good by properly using natural resources, it is an activity of the Primary Sector. Since most of the natural products we get are from agriculture, dairy, fishing, forestry etc. So, this sector is also called agriculture and related sector.
- (ii) When we produce a good by exploiting natural resources, it is an activity of the Primary Sector. Since most of the natural products we get are from agriculture, dairy, fishing, forestry etc. So this sector is also called agriculture and related sector.
- (iii) Since most of the natural products we get are from agriculture, dairy, fishing, forestry etc. and Primary Sector solely depends on Secondary Sector, so this sector is also called agriculture and related sector.
- (iv) When we produce a good by exploiting natural resources, it is an activity of the Secondary Sector. Since most of the natural products we get are from agriculture, dairy, fishing, forestry etc. So this sector is also called agriculture and related sector.

Ans. (ii) When we produce a good by exploiting natural resources, it is an activity of the Primary Sector. Since most of the natural products we get are from



agriculture, dairy, fishing, forestry etc. So this sector is also called agriculture and related sector.

Q2. Name some natural products.

- (i) Airplanes and boats
- (ii) Cars and trucks
- (iii) Minerals and ores, and milk, etc.
- (iv) Trains and pulleys

Ans. (iii) Minerals and ores, and milk, etc.

Q3. When does the cultivation of cotton take place?

- (i) During the fall
- (ii) During the winter season
- (iii) During the shredding season
- (iv) During the crop season

Ans. (iv) During the crop season

Q4. What do we mostly depend on for the growth of cotton?

- (i) For the growth of the cotton plant, we depend mainly, but not entirely, on natural factors like rainfall, sunshine and climate.
- (ii) For the growth of the cotton plant, we depend mainly on natural factors like rainfall, sunshine and climate.
- (iii) For the growth of the cotton plant, we depend mainly on sunshine and climate.
- (iv) For the growth of the cotton plant, we depend mainly on rainfall, sunshine.

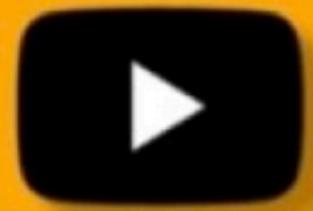
Ans. (i) For the growth of the cotton plant, we depend mainly, but not entirely, on natural factors like rainfall, sunshine and climate.



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Table Based Questions

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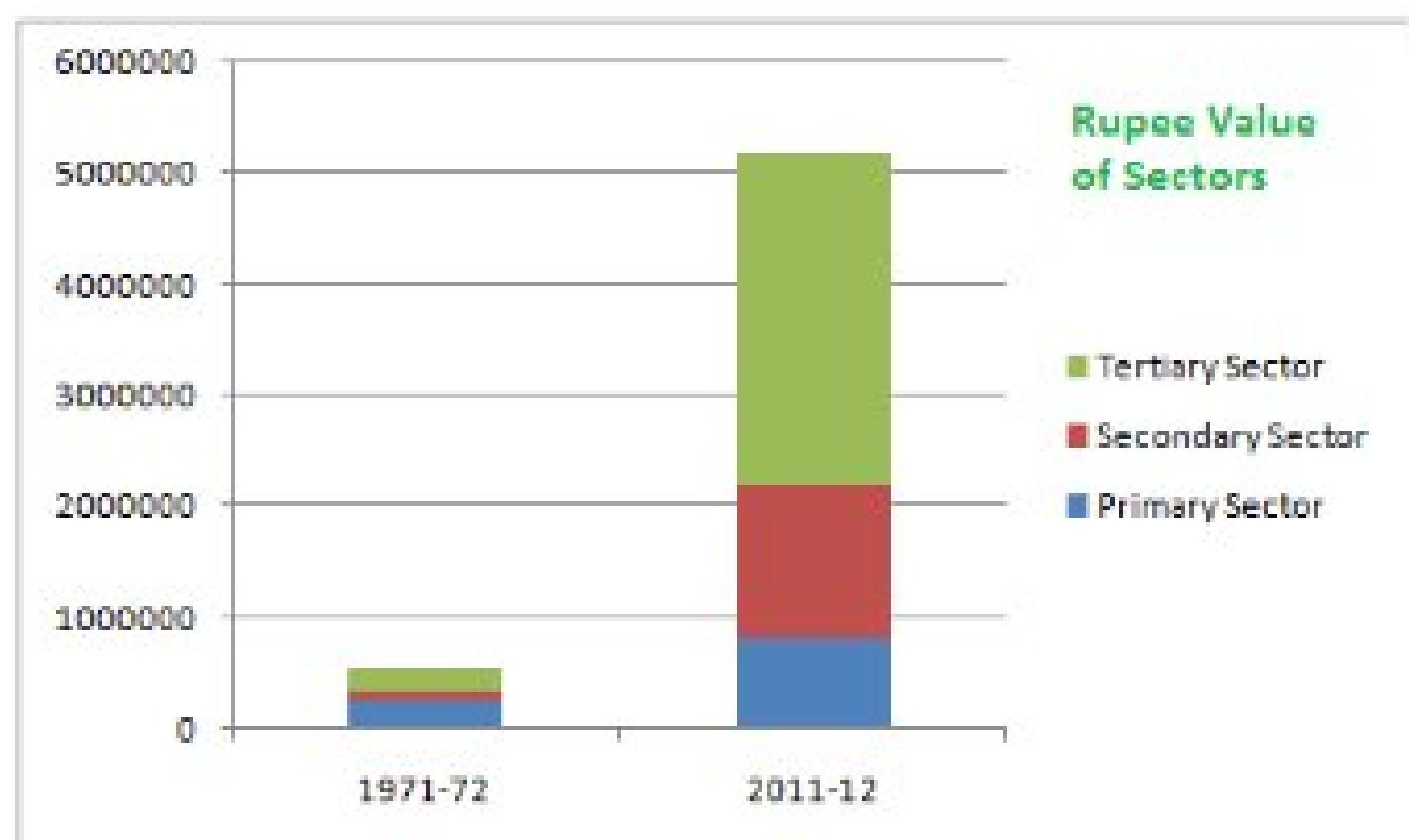
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QUESTION 1



what does this graph shows?



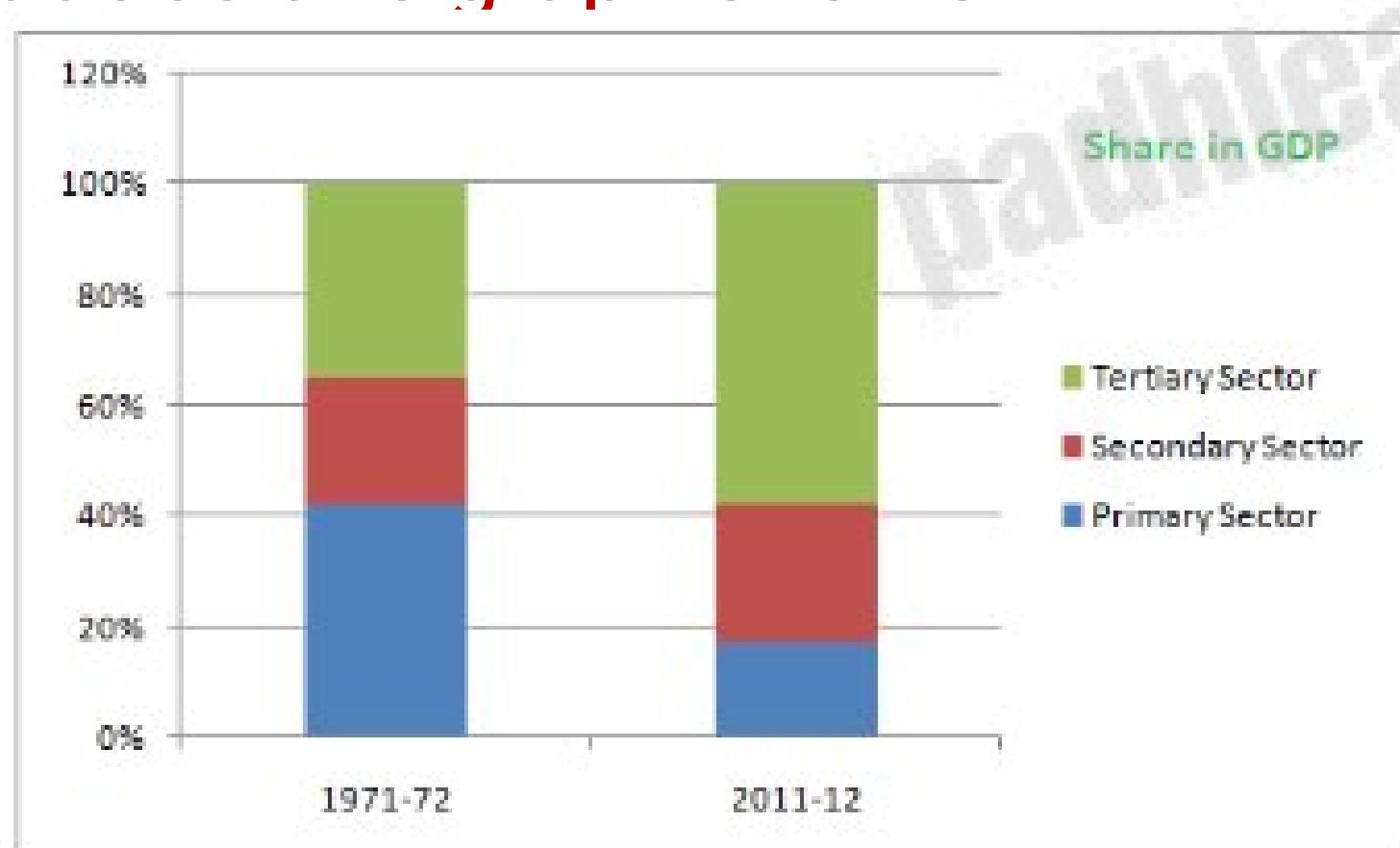
Answer:

This graph shows the rupee-wise turnover of various sectors in over 40 years, i.e. 1971-72 and 2011-12. The second graph shows the share of three sectors in the GDP during these 40 years and last graph shows share in providing employment.

It shows a massive increase in turnover for all these sectors during 40 years, which shows the way our economy grew.

QUESTION 2

what does this graph shows?

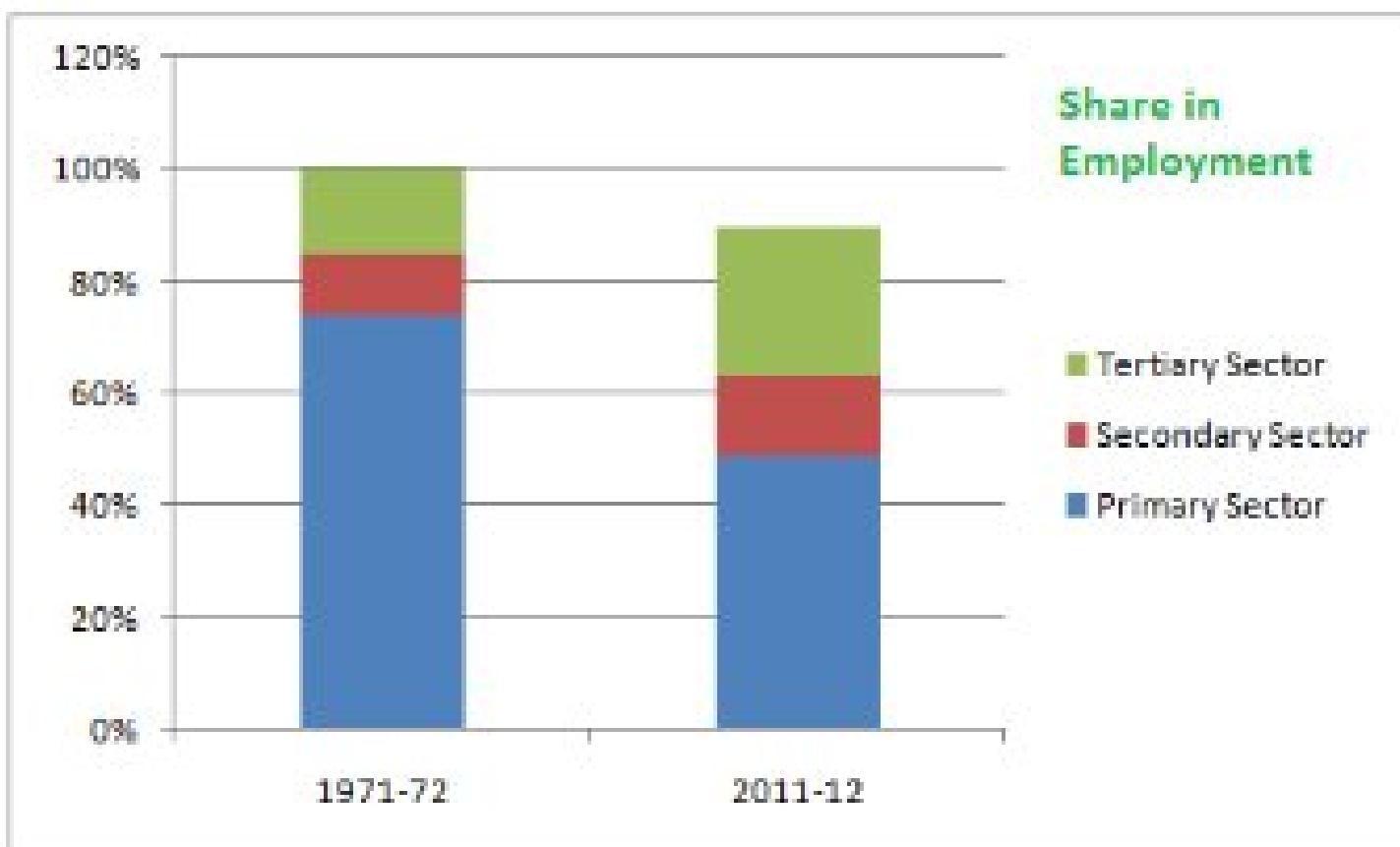


Answer:

This graph shows that share of agriculture decreased substantially and that of industry remained static and share of services grew. What is remarkable is the fact that growth of share of services sector was phenomenal from 35% to 58%.

QUESTION 3

what does this graph shows?



Answer:

The share in providing employment was not in tune with the share in GDP. The agriculture provided employment to 75% workers and this decreased to 49% in 2011-12, which is not as big a drop as agriculture's drop in GDP contribution. On the other hand, the growth in employment provided by remaining sectors was substantially low.

The meaning of this finding is as follows:

- Majority of people are still employed in agricultural activities. As agriculture provides seasonal employment during cropping season so chances of hidden employment are big. Moreover, as history suggests; a developed nation's dependency shifts from primary sector towards tertiary sector in all aspects of economic development, so it can be said that India is still way behind because majority still depend on agriculture.
- Secondary and Tertiary Sector have failed to generate enough employment opportunities making a pressure on the primary sector. Although educated and skilled workforce does get employed in secondary and tertiary sectors but for unskilled and semi-skilled workers there is still a shortage of employment avenues.



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