Ch 2 Sectors of Indian Economy

• Three sectors of Economy

• Comparison of three sectors of the Economy

• Difference between organised and unorganised sectors

• Classification of economic activities

Economic Activities

• Those activities which generates some income are known as economic activities.

→ For example, a computer engineer creating software for profit is making money from his work.

• **Division of Economic Activities:**

→ **Primary sectors**: related to farming activities.

→ **Secondary sectors**: related to manufacturing.

→ **Tertiary sector**: provide support to other two sectors.

Comparison of **three sectors** of the Economy (Through productivity and population)

• As thousands of economic activities going around in all three sectors, it makes almost impossible to take account of every such activities.

• We check only final goods and services.

• for example, 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.**

→ The biscuit company uses the flour and things such as sugar and oil to make four packets of biscuits.

→ It sells biscuits in the market to the consumers for **Rs 60 (Rs 15 per packet).**

→ Biscuits are the final goods, i.e., goods that reach the consumers.

Gross Domestic Product (GDP)

• The value of final goods and services produced in all three sectors during a particular year provides the total production of the sector for that year is called **the Gross Domestic Product (GDP)** of a country.

• More the GDP, bigger the economy of the country is.

Historical Changes in sectors

• At initial stages of development, primary sector was the most important sector of economic activity in a country.

• With the innovation in farming methods, agriculture sector began to produced much more food than before.

• People started working in industries. Some people also get involved in transportation.

• Gradually, Secondary sector became the most important in economy and providing employment.

• Different industries related to food processing, equipment's making, textiles coming in large numbers.

• This lead to start of services such as banking, health, education etc.

• The service sector has become the most important sector in terms of total production and started employing more people.

Contribution in GDP

• In the period of 1973-74, **the primary sector** has contributed maximum to the GDP

• But in 2013-14 when **tertiary sector** has contributed maximum in GDP. Now the question is Why? There are various factors behind this. Let's study these in detail.

Factors behind the shift in contribution in GDP

• The development of agriculture and industry leads to the development of services such as transport, trade, storage, banking.

• The greater the development of the primary and secondary sectors, more would be the demand for such services.

Where are most of the people employed?

In the period during 1973-74, **40%** is contributed by the primary sector in GDP of the country

→ Secondary sector contributed only **12%** and **48%** is contributed by the tertiary sector.

→ Employment percent during the period of 1972-73, **74%** people of India are engaged in primary sector while only **15%** are involved in tertiary sector.

• In 2013-14, the percent of contribution of tertiary sector in GDP of the country increased and reached to **67%**

→ The primary sector reduced to only **12%.**

→ The primary sector continues to be the largest employer during 2011-12.

Disguised Unemployment

• More people engaged in agriculture than the necessity.

• This kind of underemployment is hidden in contrast to someone who does not have a job and is clearly visible as unemployed, it is also called disguised unemployment.

How to create employment?

• Granting Loans at lower interest Rate

• Investing in infrastructure such as Building a dam at suitable place.

• Increasing efficiency of transportation and Storage.

• Promoting small scale Industries such as mills, honey collection centers.

• Emphasis on Education and training center.

• Identifying Potential of an area. For example, an area can be developed as tourist site.

• Government Welfare Schemes like making well or pump near farms, providing electricity, building hospitals.

MGNREGA

• The central government in India made a law implementing the Right to Work in 625 districts called Mahatma Gandhi National Rural Employment Guarantee Act 2005 known as MGNREGA 2005.

• Under MGNREGA 2005:

→ In rural areas, all those who are able to, and are in need of work 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.

Difference between Organised and unorganised sectors

• Organised sector are registered by the government and have to follow its rules and regulations while unorganised sector are largely outside the control of the government.

• Workers in the organised sector enjoy security of employment while in the unorganised sector, there is no job security.

• Organised sector are expected to work only a fixed number of hours while in unorganised sector, there is no pay for overtime working.

• Organised sector workers get paid leave, payment during holidays, provident fund, gratuity, medical benefits etc while no such benefits are given in unorganised sector.

• Examples of organised sectors are government employees, banks while examples of unorganised sectors are home tutors, person working in small general stores.

Classification of Economic activities into sectors (on the basis of who owns assets and is responsible for the delivery of services)

Activities can be classified into two types:

• Public sector:

→ The government owns most of the assets and provides all the services.

→ Example: Railways or post office

• Private sectors:

→ Ownership of assets and delivery of services is in the hands of private individuals or companies.

→ Example: Tata Iron and Steel Company Limited (TISCO) or Reliance Industries Limited (RIL).