

CHAPTER-II

SECTORS OF THE INDIAN ECONOMY

2 MARKS QUESTIONS

Question 1.

Classify the economy on the basis of ownership of enterprises.

Answer:

Public Sector and Private Sector.

Question 2.

Classify the economy on the basis of the nature of the activity.

Answer:

The economy is classified on the basis of economic activities into three sectors namely Primary sector, Secondary sector and Tertiary sector.

Question 3.

What is disguised unemployment?

Answer:

Disguised unemployment is a situation in which more people are employed on a job than the required number.

Question 4.

Production of a commodity, mostly through the natural process is an activity of which sector?

Answer:

Primary Sector

Question 5.

Name the sector in which the government owns most of the assets and provides all the services.

Answer:

Public Sector

Question 6.

Name the sector which continued to be the largest employer even in the year 2000.

Answer:

The primary sector continued to be the largest employer even in the year 2000.

Question 7.

How many days of guaranteed employment are provided under National Rural Employment Guarantee Act, 2005?

Answer:

100 days of employment are guaranteed under NREGA, 2005.

Question 8.

ATM is an example of which sector?

Answer:

Tertiary sector

Question 9.

Suggest any one way to create employment opportunity in the rural areas.

Answer:

Setting up a dal mill, opening a cold storage, starting or promoting honey collection are some of the ways of creating employment opportunities in rural areas.

Question 10.

Production of a commodity, mostly through the natural process is an activity of which sector?

Answer:

Primary Sector

Question 11.

Name the sector in which the government owns most of the assets and provides all the services.

Answer:

Public Sector

4 MARKS QUESTIONS

Q1: Choose the most appropriate answer.

(a) The sectors are classified into public and private sector on the basis of:

- (i) employment conditions
- (ii) the nature of economic activity
- (iii) ownership of enterprises
- (iv) number of workers employed in the enterprise

(b) Production of a commodity, mostly through the natural process, is an activity in _____ sector.

- (i) primary
- (ii) secondary
- (iii) tertiary
- (iv) information technology

(c) GDP is the total value of _____ produced during a particular year.

- (i) all goods and services
- (ii) all final goods and services
- (iii) all intermediate goods and services
- (iv) all intermediate and final goods and services

(d) In terms of GDP the share of tertiary sector in 2003 is _____

- (i) between 20 per cent to 30 per cent
- (ii) between 30 per cent to 40 per cent
- (iii) between 50 per cent to 60 per cent
- (iv) 70 per cent

Answer:

(a) (iii)

(b) (i)

(c) (ii)

(d) (iii)

Q2: Find the odd one out and say why.

Answer:

- Tourist guide, dhobi, tailor, potter.
- Teacher, doctor, vegetable vendor, lawyer.
- Postman, cobbler, soldier, police constable.
- MTNL, Indian Railways, Air India, Sahara Airlines, All India Radio.
- Potter, because only the potter relates to the secondary sector.
- Vegetable vendor, since only this directly helps in the production of goods.
- Cobbler because the only cobbler falls in the private sector.
- Sahara Airlines, as this is only a private sector company in the group.

Q3: What do you understand by disguised unemployment? Explain with an example each from the urban and rural areas.

Answer: Disguised Unemployment is a kind of unemployment in which there are people who are visibly employed but are actually unemployed. This situation is also known as Hidden Unemployment. In such a situation more people are engaged in a work than required.

For example in rural areas, this type of unemployment is generally found in the agricultural sector like – in a family of 9 people all are engaged in the same agricultural plot. But if 4 people are withdrawn from it there will be no reduction in output. So, these 4 people are actually disguisedly employed.

In urban areas, this type of unemployment can be seen mostly in service sectors such as in a family all members are engaged in one petty shop or a small business which can be managed by less number of persons.

Q4: Distinguish between open unemployment and 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

Q5: Service sector in India employs two different kinds of people. Who are these?**Answer:**

The service sector in India employs the following two different kinds of people. They are:

- (a) The people involved in the services that may directly help in the production of goods. For example, people involved in the transportation, storage, communication, finance etc.
- (b) The people involved in such services that may not directly help in the production of goods e.g. teachers, doctors, barbers, cobblers lawyers etc. They may be termed as ancillary workers means those who give services to the primary service providers.

Q6: Compare the employment conditions prevailing in the organised and unorganised sectors.

Answer:

The employment conditions prevailing in the organised and unorganised sectors are vastly different. The organised sector has companies registered with the government and hence, it offers job security, paid holidays, pensions, health and other benefits, fixed working hours and extra pay for overtime work. On the other hand, the unorganised sector is a host of opposites. There is no job security, no paid holidays or pensions on retirement, no benefits of provident fund or health insurance, unfixed working hours and no guarantee of safe work environment.

7 MARKS QUESTIONS

Q1: Do you think the classification of economic activities into primary, tertiary, and secondary is useful? Explain how.

Answer:

The classification of economic activities into primary, secondary, and tertiary sectors is helpful as mentioned below :

- It provides information on how and where the people of a country are employed. For example in India in 2000, the share of the primary sector in employment was about 60 percent e., more than other sectors.
- It also helps in ascertaining as to which sector of economic activity contributes more or less to the country's GDP and per capita income.
- If the tertiary sector is developing much faster than the primary sector, then it implies that agriculture is depleting and the government must take measures to rectify this.
- The knowledge that the agricultural profession is becoming unpopular or regressive can only come if we know which sector it belongs to.
- It provides us information about employment conditions in different sectors. For example in India, the primary sector faces the problem of disguised unemployment. In this sector, more people are employed and even if some are removed, production will not be affected.

- It provides us the information about progress in different sectors. For example, the importance of the tertiary sector has increased due to various factors need for basic services and the coming of IT services.

In view of the above factors, it is necessary to classify economic activities into three sectors for smooth economic administration and development.

Q2: For each of the following sectors that we came across in this chapter why should one focus on employment and GDP? Could there be other issues which should be examined? Discuss.

Answer:

(1) For each of the sectors we focus on employment and GDP due to the reasons mentioned below :

- To know the number of people employed in that sector. For example in 2000, the share of the primary sector in employment was more than secondary and tertiary sectors.
- To know the share of each sector in the GDP. For example in 2000, the share of the tertiary sector was more than that of the agriculture sector and secondary sector in the GDP.
- By focusing on GDP and employment we can draw conclusions regarding the generation of new employment opportunities in various sectors and take necessary steps accordingly.
- We come to know employment conditions for workers such as in the unorganized sector and take necessary steps to

improve their condition. So that the workers are not exploited.

(2) Focus should be laid on other issues such as conditions of work, profit motive, efficiency, public welfare, environmentally friendly.

- Conditions of work should be in the favour of workers.
- The employment should be regular and the employer should follow various laws such as Factories Act, Minimum Wages Act etc.
- The production must be for the welfare of the people who should not be exploited by raising prices or creating a scarcity of goods in the market. Thus, such issues must be examined while discussing the role of different sectors in the economy of the country.

Q3: How is the tertiary sector different from other sectors? Illustrate with few examples.

Answer:

The tertiary sector is different from other sectors as mentioned below :

1. The activities of the tertiary sector help in the development of primary and secondary sectors.
2. These activities, by themselves, do not produce a good, but they are an aid or support for the production process. For example, the transport system helps in taking goods from the factory to markets for the purpose of selling or storing in godowns.
3. It provides telephones and other products for communication to the traders. Banks provide money to help production and trade.
4. Thus transport, storage, communication etc. are not tertiary activities. On the other hand, primary sector forms the base for all products that we subsequently make. Minerals and ores are natural products which are converted into other forms by manufacturing. Sugar is made from sugarcane.

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Q4: Tertiary sector is not playing any significant role in the development of Indian economy. Do you agree/ Give reasons in support of your answer?

Answer:

“The tertiary sector is not playing any significant role in the development of Indian economy” is partially correct due to reasons as mentioned below :

The share of tertiary sector in employment has not increased in proportion to its increase in production. In 2000, the production in service sector rose by 11 times, whereas employment has risen less than three times. Therefore, still more than half of the workers in the country are working in the primary sector.

New services such as based on information technology have become important, but not all the services of the service sector are growing well. At one end are highly skilled and educated workers but on the other end, there are a very large number of workers engaged in services such as small shopkeepers, repair Arsons, transport persons. These persons barely manage to earn a living and yet they perform these services because no alternative opportunities for work are available to them. Such persons can not play any important role in the development of the Indian economy. It is this part of service sector that is not growing in importance.

Q5: Workers are exploited in the unorganized sector. Do you agree with this view.? Give reasons in support of your answer.

Answer:

Yes, workers are exploited in the unorganized sector. This would be clear from the following points:

1. There is no fixed number of working hours. The workers normally work 10 – 12 hours without paid overtime.
2. They do not get other allowances apart from the daily wages.
3. Government rules and regulations to protect the labourers are not followed there.
4. There is no job security.
5. Jobs are low paid the workers in this sector are generally illiterate, ignorant and unorganized. So they are not in a position to bargain or secure good wages.
6. Being very poor they are always heavily in debt. So, they can be easily made to accept lower wages.

Q6: How are the activities in the economy classified on the basis of employment conditions?

Answer:On the basis of employment conditions, the activities in the economy are classified into organized and unorganized sectors.

Organized Sector This sector covers those enterprises which are registered by the government and have to follow its rules and regulations. For example, Reliance Industries Ltd., GAIL etc.

Unorganized Sector It includes those small and scattered units which are largely outside the control of the government. Though there are rules and regulations but these are never followed here. For example, casual workers in construction, shops etc. In this sector there is no job security and the conditions of employment are also very tough.

Q7: Explain the objective of implementing the NREGA 2005.

Answer:

1. The objective of implementing the NREGA 2005 i.e., National Rural Employment Guarantee Act 2005 is to implement the right to work.
2. The Act has to be implemented in 200 districts.
3. Under this Act, all those who are able to, and are in need of work have been guaranteed 100 days of employment in a year by the government.
4. If the government fails in its duty to provide employment, it will give unemployment allowance to the people.
5. The types of work that would in future help to increase the production from land will be given preference under this Act.

Q8: Using examples from your area compare and contrast the activities and functions of private and public sectors.

Answer:

The activities and functions of private and public sectors in our area may be compared as mentioned below :

Private Sector	Public Sector
(1) The vegetable shops, grocery shops, sweet shops etc. are in private sector.	(1) Mother Dairy booths which sell vegetables, fruits, milk and milk products are in public sector.
(2) These are owned by private individuals.	(2) These are owned by public sector undertaking 'Mother Dairy'
(3) Vegetables and other products are generally of good quality.	(3) The vegetables and fruits are generally of average or poor quality.
(4) The rates may be slightly higher	(4) The rates are lower than the market rates.
(5) The companies like Reliance, Tata, Airtel provide telephone and TV services which are of	(5) MTNL provides telephone services. There are complaints against their services.

very good standard.

On many occasions, telephones remain out of order, but they do not charge for that period.

(6) The shopkeepers provide free home delivery service without any extra-charge.

(6) Mother Dairy or any other public undertaking do not provide free home delivery service.

(7) Private schools provide education of good quality. Their students are well-dressed and disciplined. Their medium of instruction is always English.

(7) The schools run by MCD do not provide quality education. Their students are not well-dressed and disciplined. Their medium of instruction is generally Hindi.

Q9: Give three examples of Public Sector activities and explain why the government has taken up them.

Answer: The examples are:

Railways: The government has taken up it for the following reasons –

1. Only the government can invest large sums of money on the public project with long gestation period.

2. To ensure and provide transportation at cheap rate.

NTPC: The government has taken up it to provide electricity at a lower rate than the actual cost of production. The aim is to protect and encourage the private sector especially small scale industries.

AIIMS: To provide quality health services at reasonably cheap rate was the main purpose of the government to start this.

Q10: Explain how Public sector contributes to the economic development of a nation.

Answer: In the following ways Public sector contributes to the economic development of a nation:

1. It promotes rapid economic development through creation and expansion of infrastructure.
2. It creates employment opportunities.
3. It generates financial resources for development.
4. It is ensuring equality of income, wealth and thus, a balanced regional development.
5. It encourages development of small, medium and cottage industries.
6. It ensures easy availability of goods at moderate rates.
7. Contributes to community development i.e. to the Human Development Index (HDI) via health and educational services.

Q11: The workers in the unorganised sector need protection on the following issues: wages, safety and health. Explain with examples?

Answer:

The workers in the unorganised sector need protection on the following issues: wages, safety and health. In the construction sector, labourers are employed on a daily basis. Hence, they have no job security. Here, wages too differ from time to time. Consequently, the government has set up a minimum wages act to protect such workers from economic exploitation.

The same problem exists for miners working in private mining companies. Their safety is secondary to the company's profits, and as a result, many miners suffer grievous injuries (and many a times, even die) due to inadequate safety gear and norms. Governments of most nations have now laid down strict rules for private enterprises to ensure workers' safety.

Most companies in the unorganised sector do not provide health insurance to their employees. Some of these might be involved in dangerous factory production that may harm a worker's health in the long term. These workers need to be protected against the tyranny of the employer, and it is here that the government steps in.

Q12: A study in Ahmedabad found that out of 15,00,000 workers in the city, 11,00,000 worked in the unorganised sector. The total income of the city in this year (1997-1998) was Rs 60,000 million. Out of this Rs 32,000 million was generated in the organised sector. Present this data as a table. What kind of ways should be thought of for generating more employment in the city?

Answer:

Ways to generate more employment in the city of Ahmedabad have to be provided by the government, especially in the unorganised sector. As the table shows, the organised sector's earnings are much higher than that of the unorganised sector even though the latter employs almost 80% of the city workers. More companies need to be brought under the roof of the organised sector so that workers from the unorganised sector are attracted to jobs there, with higher and more secure wages. For this, the government must provide loans and aid to companies transferring from unorganised to organised sectors.

Multiple Choice Questions

1. The sectors are classified into public and private sector on the basis of:

- (a) Employment conditions
- (b) The nature of economic activities
- (c) Number of workers employed
- (d) Ownership of enterprises

2. The value of all final goods and services produced within a country during a particular year is called as:

- (a) Gross Domestic Product
- (b) Net Domestic Product
- (c) National Product
- (d) Production of Tertiary Sector

3. The service sector includes activities such as

- (a) agriculture, dairy, fishing and forestry
- (b) making sugar, gur and bricks
- (c) transport, communication and banking
- (d) None of these

4. Choose the correct meaning of organised sector

- (a) It covers those enterprises where the terms of employment are regular.
- (b) It is outside the control of the government.
- (c) Jobs are not regular.
- (d) It provides low salaries.

5. Production of a commodity, mostly through the natural process, is an activity in sector.

- (a) primary
- (b) secondary
- (c) tertiary
- (d) information technology

6. GDP is the total value of produced during a particular year.

- (a) all goods and services
- (b) all final goods and services
- (c) all intermediate goods and services
- (d) all intermediate and final goods and services

7. In terms of GDP the share of tertiary sector in 2003 is:

- (a) between 20 per cent to 30 per cent
- (b) between 30 per cent to 40 per cent
- (c) between 50 per cent to 60 per cent
- (d) 70 per cent

8. Underemployment occurs when people

- (a) do not want to work
- (b) are working in a lazy manner
- (c) are working less than what they are capable of doing
- (d) are not paid for their work

9. When we produce a good by exploiting natural resources, it is an activity of the

- (a) Secondary sector
- (b) Tertiary sector
- (c) Primary sector
- (d) Organised sector

10. Natural products are changed into other forms through ways of manufacturing

- (a) Primary sector
- (b) Secondary sector
- (c) Tertiary sector
- (d) Unorganised sector

11. Which of the following is included in tertiary sector?

- (a) ATM booths
- (b) Call centres
- (c) Internet cafe
- (d) All of them

12. Only are included to know the total production in each sector.

- (a) Final goods and services
- (b) Intermediate goods
- (c) Only goods
- (d) Only services

13. At the initial stages of development, was the most important sector of economic activity

- (a) Primary sector
- (b) Secondary sector
- (c) Tertiary sector
- (d) Organised sector

14. In the past 100 years, there has been a further shift from secondary to in developed countries.

- (a) Primary sector
- (b) Organised sector
- (c) Tertiary sector
- (d) Unorganised sector

15. Mention the largest producing sector in 2003 in India ?

- (a) Primary
- (b) Secondary
- (c) Tertiary
- (d) Unorganised sector

16. Name the sector which continues to be the largest employer even in the year 2000.

- (a) Secondary
- (b) Primary
- (c) Tertiary
- (d) Banking section

17. A situation in which more persons are employed on a job than are optimally required.

- (a) Structural unemployment
- (b) Disguised unemployment
- (c) Cyclical unemployment
- (d) Seasonal unemployment

18. A study conducted by the planning commission estimates that the following number of jobs can be created in the education sector alone.

- (a) 20 lakhs
- (b) 15 lakhs
- (c) 18 lakhs
- (d) 25 lakhs

19. Out of 200 million children in the school going age group, how many are attending schools?

- (a) One – fourth
- (b) Half
- (c) Two – thirds
- (d) One – fifth

20. According to planning commission, if tourism as a sector is improved, every year we can give additional employment to people more than

- (a) 25 lakhs
- (b) 30 lakhs
- (c) 32 lakhs
- (d) 35 lakhs

21. Central government in India made a law, implementing the Right to Work in how many districts of India ?

- (a) 150 districts
- (b) 200 districts
- (c) 250 districts
- (d) 300 districts

22. Under NREGA 2005, how many days of work, in a year are guaranteed by the government?

- (a) 100 days
- (b) 120 days
- (c) 90 days
- (d) 99 days

23. Enterprises or places of work where the terms of employment are regular and people have assured work comes under

- (a) Primary sector
- (b) Organised sector
- (c) Unorganised sector
- (d) Tertiary sector

24. Percentage of people in the unorganised sector in tertiary sector is

- (a) 67 %
- (b) 76 %
- (c) 51 %
- (d) 75 %

25. In the rural areas, the unorganised sector mostly comprises of

- (i) Landless agricultural labourers
 - (ii) Garment makers
 - (iii) Street vendors
 - (iv) Sharecroppers and artisans
- (a) (i) and (ii)
 - (b) (ii) and (iii)
 - (c) (iii) and (iv)
 - (d) (i) and (iv)

26. Which of them does not generally find itself in the unorganised sector ?

- (a) Scheduled castes
- (b) Scheduled tribes
- (c) Rich families
- (d) Backward communities

27. Government owns most of the assets and provides all the services

- (a) Private Sector
- (b) Public Sector
- (c) Organised Sector
- (d) Tertiary Sector

28. There are large number of activities like providing health and education which are the primary responsibility of

- (a) Primary sector
- (b) Private companies
- (c) Government
- (d) Secondary sector

ANSWERS

Multiple Choice Questions

- | | | | | | | | | |
|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 1. (d) | 2. (a) | 3. (c) | 4. (a) | 5. (a) | 6. (b) | 7. (d) | 8. (c) | 9. (c) |
| 10. (b) | 11. (d) | 12. (a) | 13. (a) | 14. (c) | 15. (c) | 16. (b) | 17. (b) | 18. (a) |
| 19. (c) | 20. (d) | 21. (b) | 22. (a) | 23. (b) | 24. (b) | 25. (d) | 26. (c) | 27. (b) |
| 28. (c) | | | | | | | | |

Fill in the blanks using the correct option given in the bracket:

- (i) Employment in the service sector _____ increased to the same extent as production. (has / has not)
- (ii) Workers in the _____ sector do not produce goods. (tertiary / agricultural)
- (iii) Most of the workers in the _____ sector enjoy job security. (organised / unorganised)
- (iv) A _____ proportion of labourers in India are working in the unorganised sector. (large / small)
- (v) Cotton is a _____ product and cloth is a _____ product. (natural / manufactured)
- (vi) The activities in primary, secondary and tertiary sectors are _____. (independent / interdependent)

Answer:

- (i) Employment in the service sector **has not** increased to the same extent as production.
- (ii) Workers in the **tertiary** sector do not produce goods.
- (iii) Most of the workers in the **organised** sector enjoy job security.
- (iv) A **large** proportion of labourers in India are working in the unorganised sector.
- (v) Cotton is a **natural** product and cloth is a **manufactured** product.
- (vi) The activities in primary, secondary and tertiary sectors are **interdependent**.

SECTORS OF THE INDIAN ECONOMY summary

The Indian economy can be broadly classified into three main sectors based on the nature of economic activities. These sectors are:

1. Primary Sector:

- **Overview:** The primary sector, also known as the agricultural sector, involves the extraction of natural resources directly from the earth. It is the backbone of the Indian economy and employs a significant portion of the population.
- **Activities:** Agriculture, forestry, fishing, mining, and quarrying are primary activities in this sector.
- **Contribution:** Though its contribution to GDP has decreased over the years due to industrialization, it still plays a crucial role in providing raw materials for various industries.

2. Secondary Sector:

- **Overview:** The secondary sector, also known as the industrial sector, involves the processing and manufacturing of raw materials obtained from the primary sector. It includes both manufacturing and construction activities.
- **Activities:** Manufacturing industries, construction, and electricity generation are the key activities in this sector.

- **Contribution:** The secondary sector has seen significant growth, contributing substantially to the GDP and providing employment opportunities.

3. Tertiary Sector:

- **Overview:** The tertiary sector, also known as the service sector, is characterized by the provision of services rather than the production of goods. It is the fastest-growing sector in the Indian economy.
- **Activities:** Trade, finance, banking, insurance, communication, education, healthcare, and hospitality are part of the tertiary sector.
- **Contribution:** The tertiary sector is the largest contributor to India's GDP, reflecting the country's shift towards a more service-oriented economy. It also provides a large share of employment opportunities.

Recent Trends:

- **Digitalization:** The Indian economy has witnessed a rapid digital transformation, with increased emphasis on information technology and digital services.
- **Start-ups:** There has been a surge in entrepreneurial activities, with a growing number of start-ups contributing to innovation and economic growth.
- **Globalization:** India's economy is increasingly integrated into the global economy, with international trade and investments playing a significant role.

Challenges:

- **Agricultural Issues:** The agricultural sector faces challenges such as low productivity, lack of modernization, and dependence on monsoons.
- **Unemployment:** Despite growth, unemployment remains a concern, especially in the context of a rapidly growing population.
- **Income Disparities:** Disparities in income levels persist, with a significant portion of the population still facing economic challenges.

In summary, the Indian economy is diverse, with a mix of agricultural, industrial, and service activities. The country has experienced significant growth, but challenges related to agriculture, employment, and income distribution persist. Ongoing efforts to address these challenges are essential for sustained and inclusive economic development.