

# TOPICS to be covered



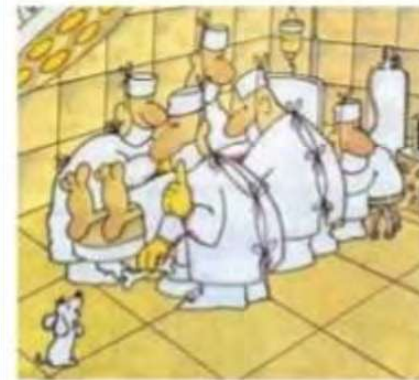
Economic  
Activity



## SECTORS OF THE INDIAN ECONOMY

## Sectors of Economic Activities

- ❖ People are engaged in various economic activities.
- ❖ How do we understand these activities?  
One way of doing this is to group them



## Primary sector ✓

- ❖ When we produce a good by exploiting natural resources, it is an activity of the primary sector.
- ❖ Agriculture and related sector ✓
- ❖ Minerals and ores are also natural products





## 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
- ❖ This could be in a factory, a workshop or at
- ❖ Industrial sector



## Tertiary Sector

- ❖ 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.
- ❖ Since these activities generate services rather than goods

❖ Service sector.

Ex.  
Banking  
insurance  
transportation  
storage  
etc.



## Comparing the Three Sectors

**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, you might think this is an impossible task! ✓
- ❖ To get around this problem, economists suggest that the values of goods and services should be used rather than adding up the actual numbers
- ❖ One precaution one has to take: Not every good (or service) that is produced and sold needs to be counted. It makes sense only to include the final goods and services. ✓





## Intermediate goods?

X

Intermediate good.

final good

Tomato + sugar + Oil + salt = Ketchup.  
(₹10) (₹5) (₹5) (₹5) (₹50)



- ❖ 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
- ❖ The sum of production in the three sectors gives what is called 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. GDP shows how big the economy is.
- ❖ 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.



2023-24

$$\underline{P} + S + T$$

$$₹2cr. \quad ₹3cr \quad ₹5cr$$

Total Production  
of a particular sector

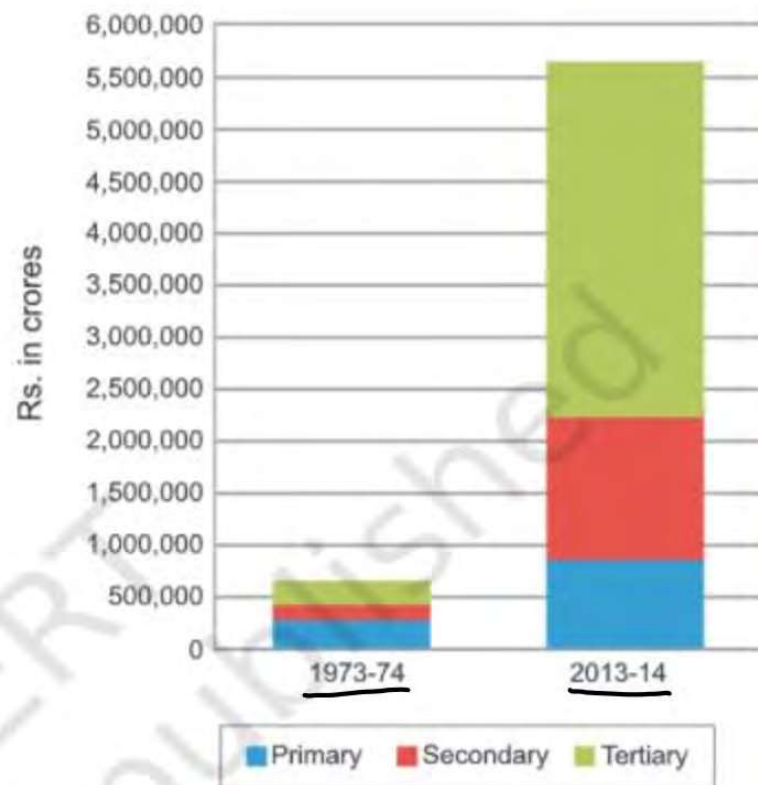


## Historical Change in Sectors

- ❖ In the past 100 years, there has been a further shift from secondary to tertiary sector in developed countries.
- ❖ The service sector has become the most important in terms of total production.
- ❖ Most of the working people are also employed in the service sector. This is the general pattern observed in developed countries.



**Graph 1 : GDP by Primary, Secondary and Tertiary Sectors**



## Primary, Secondary and Tertiary Sectors in India

*Tertiary Sector → Rising Importance*



## Rising Importance of the Tertiary Sector

- 1) **Basic services:** hospitals, educational institutions, post and telegraph services, police stations, courts, village administrative offices, municipal corporations, defence, transport, banks, insurance companies, etc. are required.
- 2) **Development of Primary and Secondary Sector:** leads to the development of services such as transport, trade, storage and the like, as we have already seen.
- 3) **Rise in income levels:** certain sections of people start demanding many more services like eating out, tourism, shopping, private hospitals, private schools, professional training etc. You can see this change quite sharply in cities, especially in big cities
- 4) **New Services:** certain new services such as those based on information and communication technology have become important and essential. The production of these services has been rising rapidly.

## Inequality in Tertiary Sector

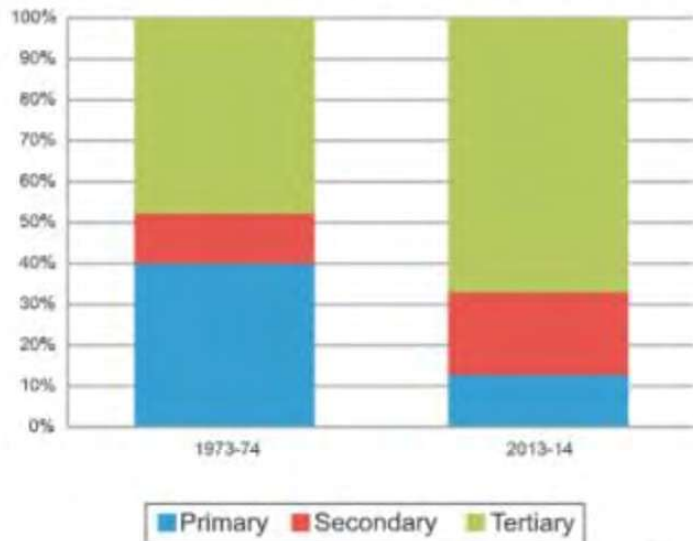
↑  
Skilled  
Ed. ↓

- ❖ 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

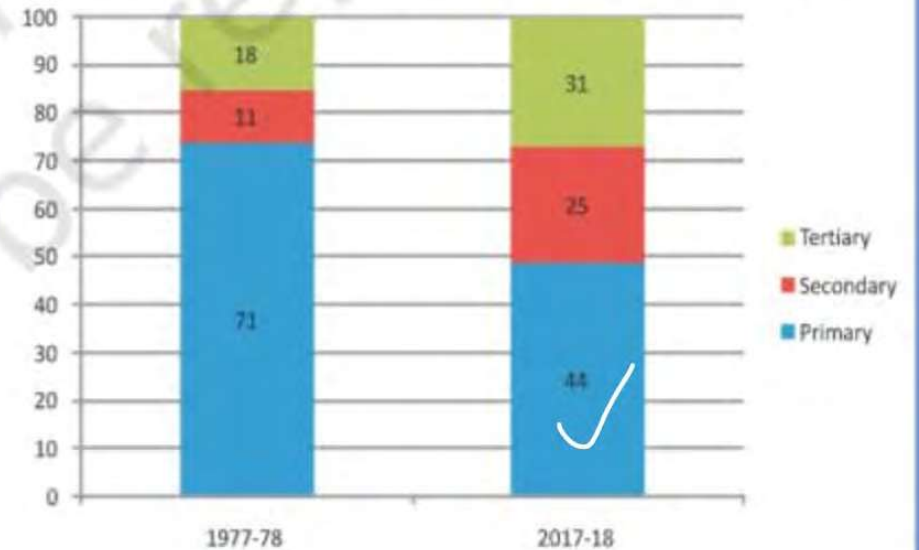


## Where are most of the people employed?

Graph 2 : Share of Sectors in GDP (%)



Graph 3 : Share of Sectors in Employment (%)





## Where are most of the people employed?

- ❖ The primary sector continues to be the **largest employer** even now
- ❖ Why didn't a similar shift out of primary sector happen in case of employment?
- ❖ While production in the service sector rose by 14 times, employment in the service sector rose around five times.
- ❖ 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
- ❖ Secondary and tertiary sectors produce the rest of the produce whereas they employ less about half the people.

## Where are most of the people employed?

- ❖ There are more people in agriculture than is necessary. So, even if you move a few people out, production will not be affected.

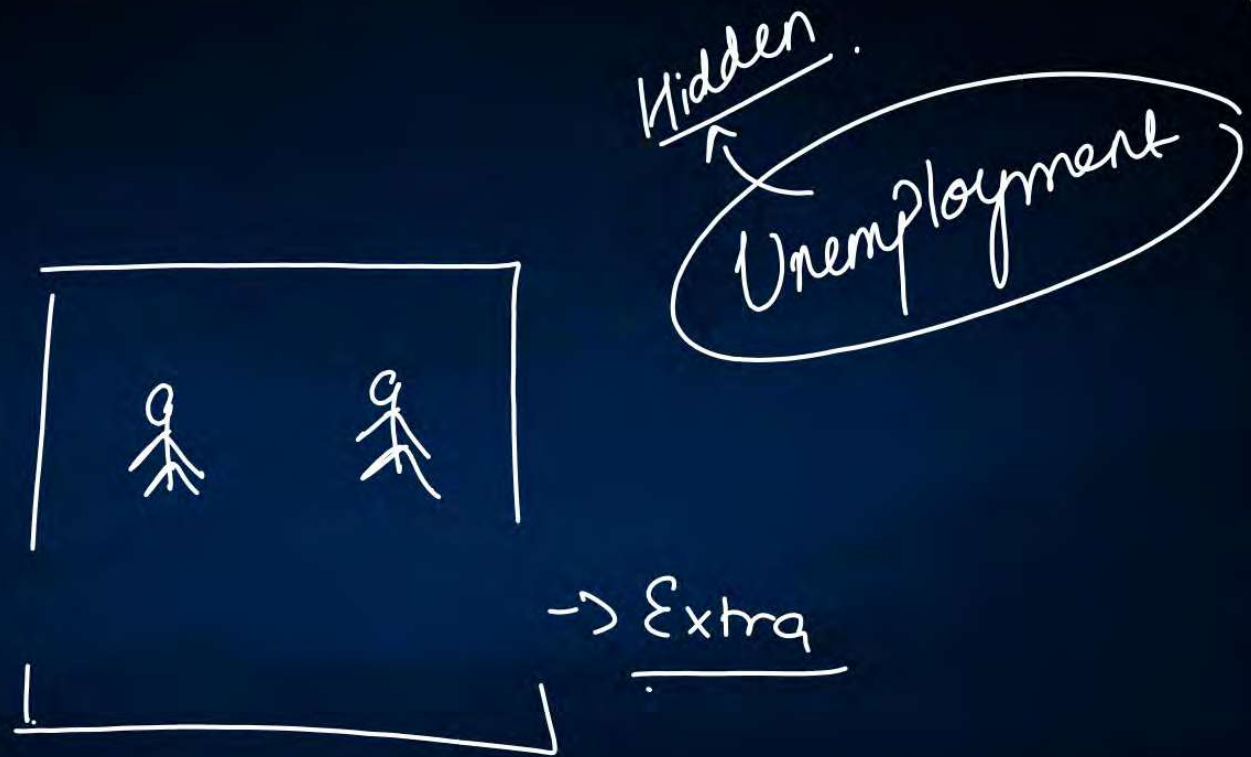
Disguised Unemployment

- ❖ Example of Laxmi ✓

- ✓ Small farmer owning about two hectares of unirrigated land dependent only on rain ✓ and growing crops like jowar and arhar ✓

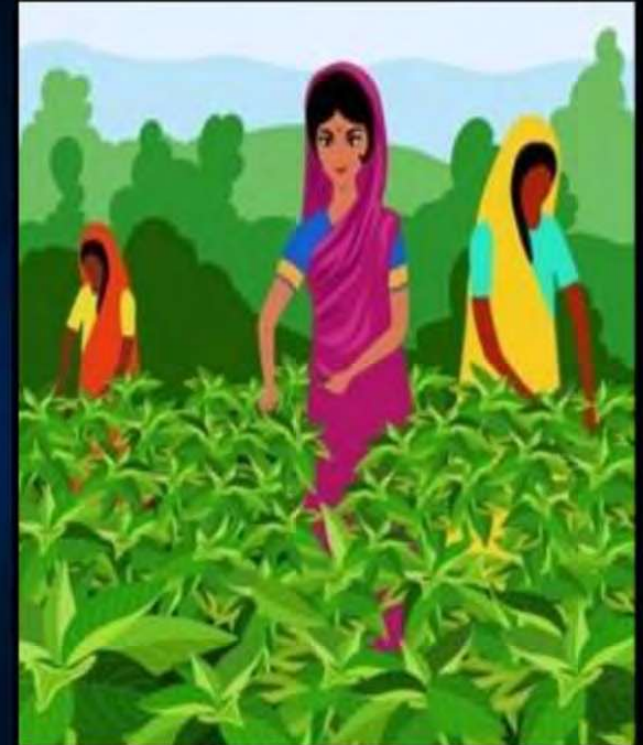
- ✓ All five members of her family work in the plot throughout the year. Why? No other alternative







- ❖ You will see that everyone is working, none remains idle, but in actual fact their labour effort gets divided. Each one is doing some work but **no one is fully employed**.
- ❖ This is the situation of **underemployment** where people are apparently working but all of them are made to work less than their potential.
- ❖ This kind of underemployment is hidden in contrast to someone who does not have a job and is clearly visible as unemployed. Hence, it is also called **disguised unemployment**.



- ❖ Now, supposing a landlord, Sukhram, comes and hires one or two members of the family to work on his land. Laxmi's family is now able to earn some extra income through wages.
- ❖ Since you do not need five people to look after that small plot, two people moving out does not affect production on their farm





- ❖ 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.

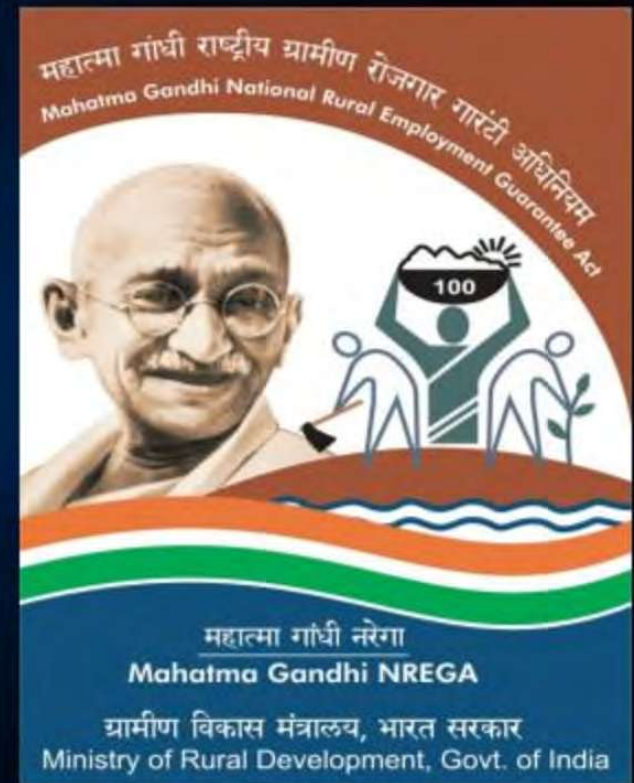


## How to Create More Employment?

1. Farmers should diversify agriculture and adopt horticulture, animal rearing, organic farming, pisciculture besides farming. ✓
2. Government should take necessary steps to provide loans to farmers at cheaper rates and from formal sources of credit. ✓
3. Creation of basic infrastructure facilities such as roads, transportation, market, and banking will lead to the creation of employment opportunities in rural areas. ✓
4. Establishment and promotion of cottage and small-scale industries will also increase employment opportunities in rural areas (honey collection centres, vegetable processing) ✓
5. Making provisions for education and health services in rural belts can also result in employment. ✓

## MGNREGA 2005

- ❖ Central government in India made a law implementing the **Right to Work** in about 625 districts of India.
- ❖ 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.







## ORGANISED SECTOR

It is a sector where the employment terms are fixed and regular, and the employees get assured work.

The job is regular and has fixed working hours. If people work more, they get paid for the overtime by the employer.

Workers enjoy the security of employment.

Employees will get medical and several other benefits.

## UNORGANISED SECTOR

The unorganised sector is characterised by small and scattered units, which are largely outside the control of the government.

Jobs are low-paid and often not regular.

Employment is not secure. People can be asked to leave without any reason.

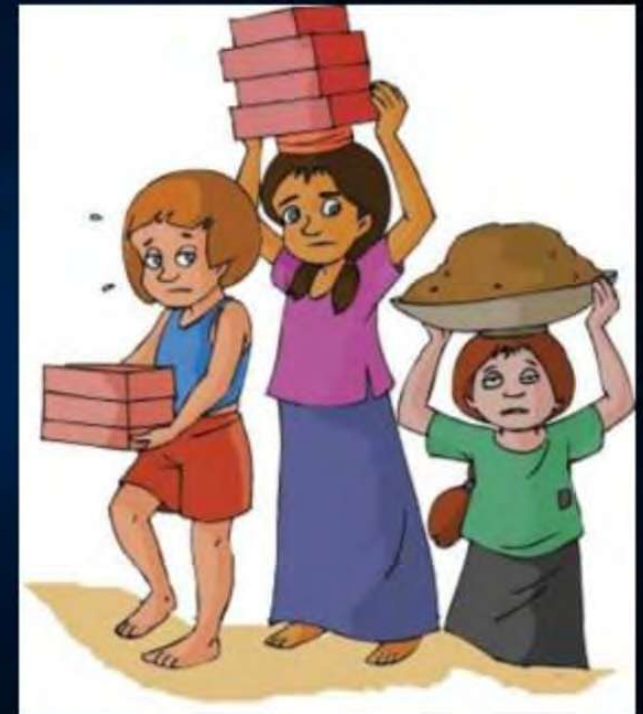
No benefits are available for the workers.



## How to Protect Workers in the Unorganised Sector?

The following are the ways in which the workers in the unorganized sector can be protected:

- ❖ Minimum working hours and wages should be fixed by the government. ✓
- ❖ To help self-employed people, the government can provide loans. → low int. rate. ✓
- ❖ Basic services such as education, health, and food should be taken care of by the government. ✓





## SECTORS IN TERMS OF OWNERSHIP: PUBLIC AND PRIVATE SECTORS

### PUBLIC SECTORS

- ❖ government owns most of the assets and provides all the services.
- ❖ The purpose of the public sector is not just to earn profits. Its main aim is public welfare.

### PRIVATE SECTORS

- ❖ ownership of assets and delivery of services is in the hands of private individuals or companies.
- ❖ Activities in the private sector are guided by the motive to earn profits.

## Responsibilities of Government

- ❖ Government raises money through taxes and other ways to meet expenses on the services rendered by it.
- ❖ Governments have to undertake such heavy spending and ensure that these facilities are available for everyone.
- ❖ Some activities, which the government has to support. The private sector may not continue their production or business unless government encourages it.





- ❖ The Government in India - buys wheat and rice from farmers at a 'fair price' - stores in its godowns and sells at a lower price to consumers through ration shops
- ❖ There are a large number of activities which are the primary responsibility of the government – spends on those
- ❖ 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, taking care of the poorest and most ignored regions of the country.



