

# SECTORS OF INDIAN ECONOMY

- » Economy - System according to which the money industry, and trade of a country or region are organized.
- » Economic activity - Activities that generate some income
- » Economic activities are classified into SECTORS.

## 1. Primary Sector

- » Directly associated with nature
- » Production using <sup>natural</sup> resources (raw materials)
- » Forms base for all products
- » We get products from agriculture, dairy, fishing, forestry, etc.

## 2. Secondary Sector

- » Natural products changed into other forms through manufacturing.
- » Nature gives raw materials, does not make products. Therefore, manufacturing is required.
- » Associated with industries that came up - called industrial sector.
- » Examples - Yarn and cloth from cotton, Construction, etc.

## 3. Tertiary Sectors

- » Help in development of primary and secondary sector.
- » Support for production process

» Examples - Transport, Storage, Communication, banking, etc.

» Include essential services by professionals - doctors, lawyers, teachers, etc.

### COMPARING THE THREE SECTORS

» The production activities in all all Sectors produce a large number of goods and services.

» Three sectors have large number of people working in them.

» The next step is to see how much goods and services are produced and how many people work in each sector.

» Some sectors are dominant in terms of production and employment, while other sectors are relatively small.

Good and Services - 2 types:

1. Final Goods and Services
2. Intermediate Goods and Services

① Raw materials - Basic products required

Eg - rubber

② Intermediate goods - Unfinished goods made from raw materials.

Eg - tyre

③ Final goods - Finished goods whose value is calculated for GDP, ready to use.

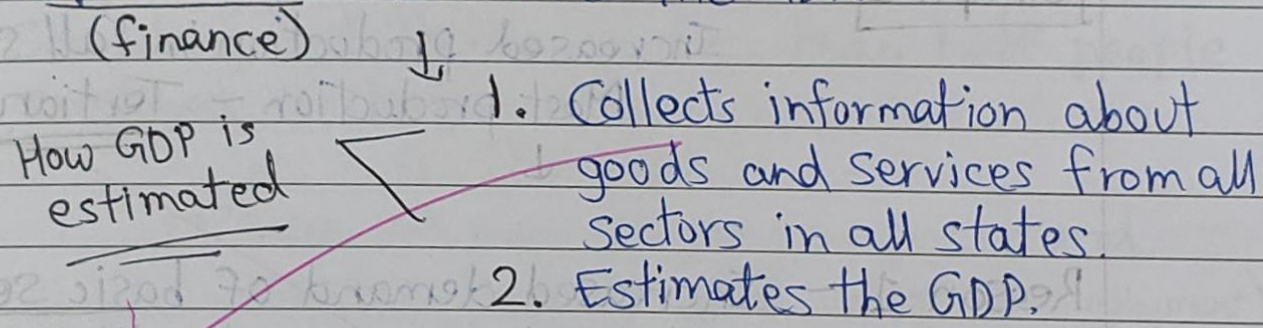
Eg - car

» Example:

- Farmer sells wheat (primary) to flour mill for £8 / Kg
- The mill grinds the wheat and sells flour (intermediate) to biscuit company for £10 / Kg.
- The biscuit company uses things to make 4 packets of biscuits (final).
- It sells biscuits in market for £60 (£15 / packet)
- Biscuits (final) reach consumers.

Gross Domestic Product

- » Value of final goods and services produced in each sector during a year.
- » GDP = Sum of production in all sectors
- » GDP shows how big the economy is.
- » The Central govt. ministry with various departments calculates the GDP.



HISTORICAL CHANGES IN SECTORS

Primary Sector

- » Was most important
- » Methods of farming changed → Agricultural sector began to prosper → produced more
- » People could take many other activities.

### Secondary sector

- » Introduction of new methods of manufacturing
- » People who worked on farms began to work in factories
- » People began to use factory-goods because they were cheap.
- » Gradually became most important

### Tertiary sector

- » From past 100 years - tertiary became most important in terms of production in developed countries.
- » Most of the working people employed in tertiary sector.

### Rising Importance of Tertiary Sector

**Graph 1** - 1973-74 → 2013-14  
Increased production in all sectors  
Most production - Tertiary  
↓

**Reason 1** - Increased demand of basic services  
- hospitals, educational institutions, defence, transport, courts, etc.

**Reason 2** - Increase in development of secondary and primary sectors → development of services

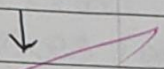
**Reason 3** - Increase in income → more service demand

**Reason 4** - Increasing importance of ICT, due to increase in technology. (Information and Communication Technology)

- » All service sectors not growing equally.  
 Most important - highly skilled and educational workers. (limited employment)
- Less important - Small services (more employment <sup>but</sup> less opportunities)  
 (shopkeeping, repair, transport etc.)

Graph 2, Graph 3

- » Primary is most employed → least contribution to the income (GDP)
- » Tertiary: Lower employment → highest contribution to GDP



- Why was there no similar shift in primary sector in employment?
  - » Not enough jobs in Secondary, tertiary sectors
  - » More than half workers in country are working in primary sector → only 1/6th of GDP
  - » Secondary and Tertiary: Less than half people employed → larger GDP

↓ It means:

- » There are more people in agricultural sector than needed. (disguised unemployment)
- » Workers in agricultural sector are underemployed

Unemployment

Underemployment

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>» No job - people are willing to work, but not able to get jobs.</li> </ul>   | <ul style="list-style-type: none"> <li>» Has job, but job does not use employee's full capabilities.</li> </ul> |
| <ul style="list-style-type: none"> <li>» One type</li> </ul>   | <ul style="list-style-type: none"> <li>» Two types - visible, invisible</li> </ul>                              |
| <ul style="list-style-type: none"> <li>» Causes - Rise in production cost<br/>                     - drop in demand<br/>                     - change in technology</li> </ul> | <ul style="list-style-type: none"> <li>» Causes - disparity in employment opportunity, and skills.</li> </ul>   |

### Example - Laxmi (farmer)

- » Owns 2 hectares of UNIRRIGATED land
- » Dependent only on RAIN
- » Crops like jowar, arhar are grown
- » All members of family does the SAME WORK, even though not needed. (disguised unemployed)

#### Disguised Unemployment

- » Appear to be employed, but are not.
- » Agricultural sector (whole family working in same land)

#### Seasonal Unemployment

- » No jobs during some months of a year
- » Agricultural sector (employed during sowing, harvesting periods only)

#### Underemployment (urban areas)

- » Casual workers (like painters, plumbers, repair person, odd jobs) don't get employed everyday.
- » Some (like people pushing carts on street) spend whole day earning, but earn little. They don't have better opportunities.

#### How to Create Employment?

- » Construction of dams and canals for irrigation
- » Govt. must invest in transportation and storage of crops
- » Construction of better roads
- » Banks for cheap credit / loans
- » Promote and locate industries and services
- » Cold storage for crops
- » Educational institutions

»»»

# In India

- » 60% population age group 5-29 yrs
- » Only 51% are attending educational institutions
- » The rest are under 18, staying at home or working as child labourers

» Every state has potential for increasing the income and employment

1. Tourism
2. Regional craft industry
3. IT services (and other modern ones)

» Govt. planning and support required

» Planning Commission study - It says that if (NITI Aayog) tourism is improved, every year can give employment to more than 35 lakh people.

National Institution for Transforming India

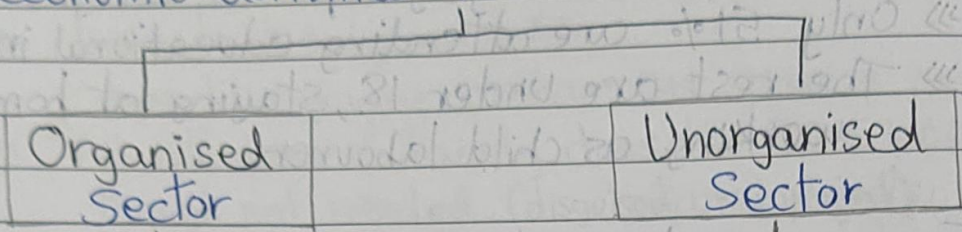
20 Lakh jobs can be created in educational sector alone if children start to attend schools.

» Right To Work - 625 districts (Central Govt.)

» MGNREGA 2005 - Mahatma Gandhi National Rural Employment Guarantee Act, 2005

- Guaranteed 100 days of employment in a year by govt.
- Unemployment allowances to people if govt. fails to provide employment.
- Works that help to increase production are preferred.

»» On basis of employment conditions and rules, economic activities are divided into: ««



Example - Kanta

Example - Kanta

- »» Works in office
- »» 9:30 am to 5:30 pm (reasonable working hours)
- »» Regular wages (monthly) along with:
  - Provident fund
  - Medical allowances (as per govt. rules)
- »» Sundays are paid holidays

- »» Daily wage workers
- »» 7:30 am to 8:00 pm (long working hours)
- »» Only wages (daily), no other allowances
- »» Not paid for days on which he didn't work, so, no leaves or paid holidays.

»» On joining, She got a formal appointment letter with all terms and conditions.

»» No formal letter received saying that he was employed, can be asked to leave anytime by employer.

### ORGANISED SECTOR

- »» Assured work, regular terms of employment
- »» Registered by govt., must follow all rules, regulations (like Factories Act, Minimum Wages Act, etc.)

- Workers enjoy
- job security
  - fixed working hours
  - Overtime payments

Other Benefits:

- » Paid leave, payment during holidays, provident fund, gratuity, etc.
- » Medical benefits, facilities like drinking water, safe working environment, etc. (must be given by employers under laws)
- » Pensions (on retirement)

## UNORGANISED SECTOR

- » Small and scattered units
- » No govt. control
- » Rules and regulations exist, but not followed
- » Low-paid and irregular jobs
- » No provisions for overtime, paid leave, holidays, sick leave, etc.
- » Employment not secured

Other

- » If less work (like in some seasons), workers are asked to leave
- » Jobs depend on whim of the employer
- » Large number of people employed for doing small jobs

## HOW TO PROTECT WORKERS IN THE UNORGANISED SECTOR?

— Why do workers need protection?

- » Employment opportunities in the organised sector are expanding slowly.

⇒ Many organised sector enterprises are found in the unorganised sector, to:

1. evade taxes
2. refuse to follow laws that protect labourers



⇒ Therefore, the workers are forced to join the unorganised sector. They are exploited and not paid a fair wage.

⇒ Many people lost jobs in organised sector and were forced to join the unorganised sector with lower earnings.

⇒ Thus, along with need of more work, protection of workers in unorganised sector is also needed.

Who needs protection? (vulnerable people)

⇒ Rural areas

1. landless agricultural labourers
2. Small and marginal farmers (80% rural households)
3. Sharecroppers
4. artisans (weavers, blacksmiths, carpenters, goldsmiths)

How can they be protected?

- Adequate facilities for timely delivery of seeds
- agricultural inputs
- credit
- storage facilities
- marketing outlets

⇒ Urban areas

1. Workers in small-scale industry
2. Casual construction workers
3. Trade and transport workers

4. street vendors
5. head load workers
6. garment makers
7. rag pickers

How can they be protected?

- govt's support for procuring raw material
- govt's support for marketing of output

» Commonly vulnerable

1. ~~Scheduled Castes (SCs)~~
2. ~~Scheduled Tribes (STs)~~
3. ~~Other Backward Classes (OBCs)~~

} Face social discrimination

On basis of ownership, classification of economic activities:

**Public Sector**

**Private Sector**

» govt. owns most of the assets and provides services.

» private individuals or companies own assets and deliver services.

» Eg - Railways, post office

» Eg - TISCO, Reliance (RIL)

» Motive is not to earn profits

» Motive is to earn profits

» govt. raise money through taxes and other ways to meet expenses

» To enjoy services, people have to pay money to the private individuals or companies.

Why do private sectors do not provide several needed things at a reasonable cost?

1. Some important services require large amounts of spending, beyond the capacity of private sectors.
  2. Collecting money from thousands of people using facilities is not easy.
  3. Even if they collect, they would charge high rates.
- Eg - Construction of roads, bridges, railways, harbours  
- generating electricity  
- providing irrigation through dams
- ∴ Govt. must take responsibility for such facilities.

### Role of Govt

1. Provides required facilities at a reasonable cost
2. Provides support and encouragement to private sector  
» Govt produces and supply electricity  
(so the private companies' cost of production does not increase and small-scale industries don't shut down)
3. Buys wheat and rice from farmers at a 'fair price' and sell it through ration shops at a lower price.  
(Govt. has to bear some of the costs to ensure benefits to both farmers and consumers)
4. Takes responsibility for primary activities:
  - (i) Providing health and education facilities
  - (ii) Ensure human development aspects
    - availability of safe drinking water
    - proper housing facilities
    - food and nutrition
  - (iii) Protect poorest and ignored regions of country by spending more money.

