

# THREE SECTORS OF INDIAN ECONOMY

CHAPTER 2

# THREE SECTORS OF ECONOMY

## ECONOMIC ACTIVITIES

- Those activities which generates some income are known as economic activities

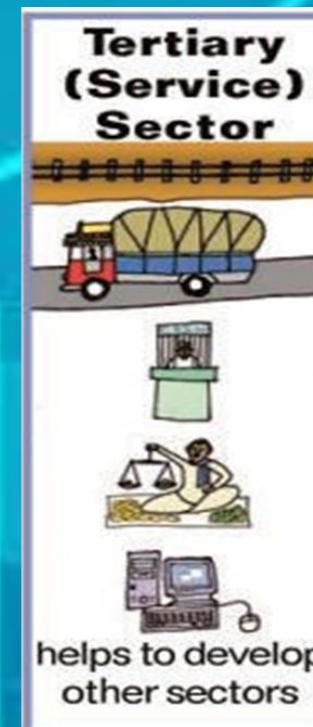
**Sectors** are groups of people who engage in diverse activities including the production of commodities or services.

# DIVISIONS OF ECONOMIC ACTIVITIES

**PRIMARY SECTOR** – related to farming activities

**SECONDARY SECTOR** – related to manufacturing

**TERTIARY SECTOR** – provide support to other two sectors



# THREE SECTORS OF ECONOMY

1. Primary Sector: The primary sector is when we make a product by extracting and collecting natural resources.

Ex. Farming, forestry, hunting, fishing, and mining

2. Secondary Sector/ Industrial sector

- This includes the transformation of natural goods into new forms through various manufacturing processes.

Ex. Cloths from cotton, Sugar from sugarcane

3. Tertiary Sector / Service Sector

- which helps in the development of primary and tertiary sector.

Ex. Banking, Transport, Teachers, Lawyers

## Historical Changes in Sectors:

1. The primary sector was the most important sector of economic activity in a country throughout its early phases of development.
2. With the innovation in farming methods, agriculture sector began to produce much more food than before.
3. People started working in industries, some involved in transportation.
4. Gradually, secondary sector became the most important in economy and providing employment.
5. Different industries related to food processing, equipment's making, textiles coming in large numbers.
6. This leads to start of services such as banking, health, education etc.
7. The service sector became the most important sector in terms of total production and started employing more people.

# Comparison

- All sectors are interdependent on each other
- as the good and services produced in one is used in the other sector
- Goods and services are of two types
  1. Final goods and services – goods and services that are directly consumed by the consumers.
  2. Intermediate goods and services- good and services that are used for production and processing.

# GDP

**Gross Domestic Product (GDP):**

- GDP stands for Gross Domestic Product.
- GDP is the value of all final goods and services produced within a country during a particular year
- The value of final goods and services produced in each sector during a particular year = total production of the sector
- The sum of the production in the three sectors = Gross Domestic Product of a country

**The task of measuring GDP is undertaken by a central government ministry , with the help of various government, departments.**

# Comparing the three sectors

Some questions arises:

- Large number of good and services are produced.
- Huge employment is generated.
- which sectors contribute what in economy.

## Counting and comparing different sectors of economy

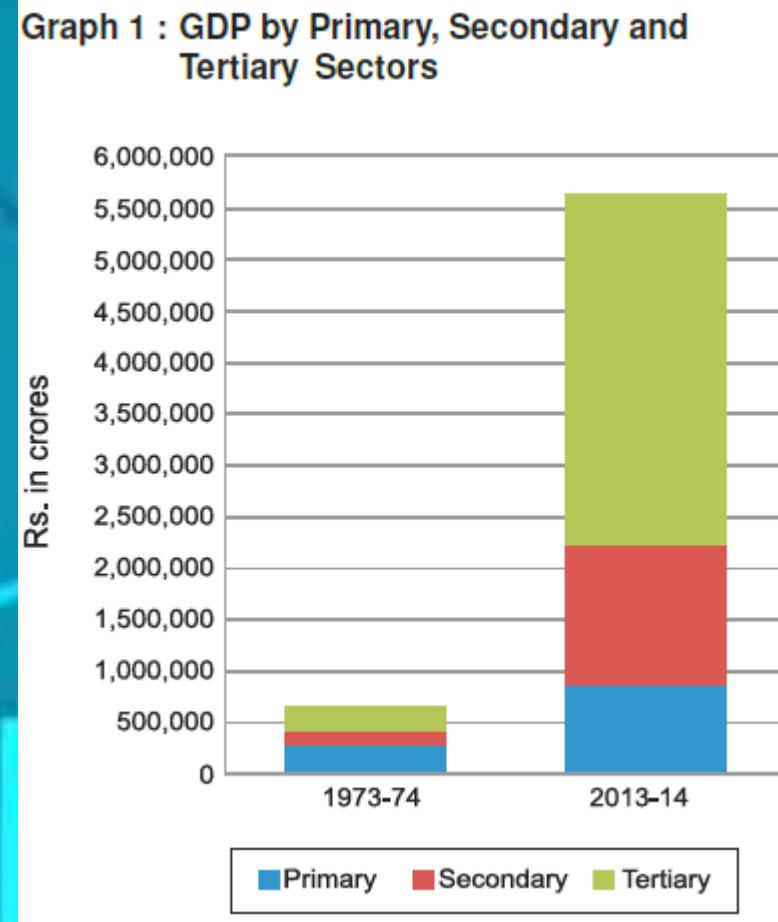
Economists suggest that : *the value of product and services should be used rather than adding up the actual numbers(Quantity).*



*Every goods and services and intermediate goods are not calculated.*

*Only final goods and services should be counted (A+B+C)*

# Primary, Secondary & Tertiary Sectors in INDIA

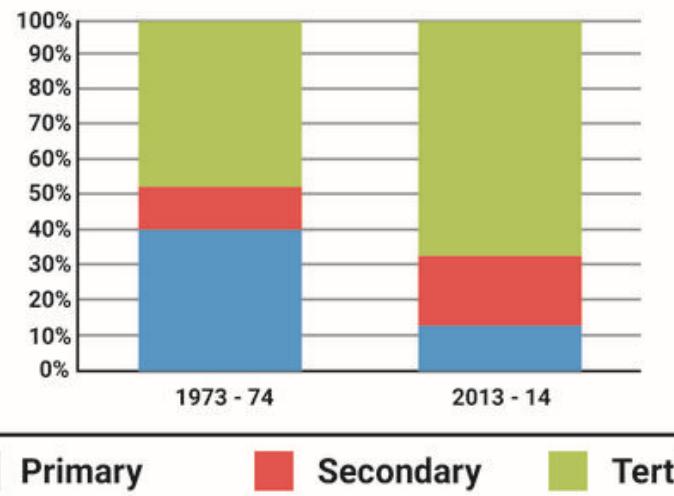


## Reasons for the rising importance of Tertiary sector in India.

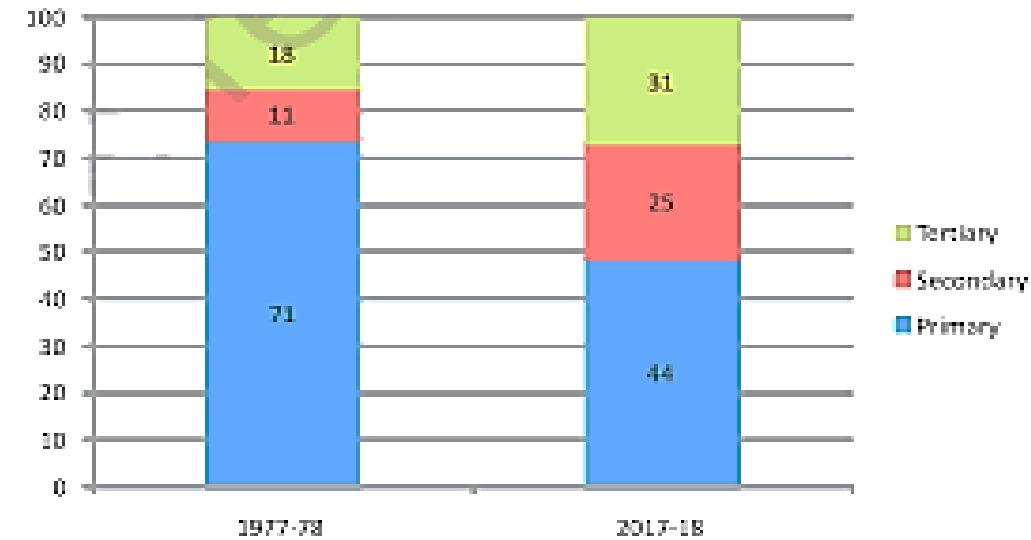
- (i) This sector provides basic services such as hospitals, educational institutions, post and telegraph services, police stations, courts, municipal corporations, defence, banks, insurance etc. which are basic for the development of the country.
- (ii) This sector provides services such as transport, trade, storage etc. which help in the development of the agriculture or the Primary sector and the industries or the Secondary sector.
- (iii) Increasing income level has created demands for many more services like eating out, tourism, shopping, private hospitals. private schools etc.
- (iv) Over the last decade, or so, certain new services such as those based on information and communication technology have become important and essential.
- (v) The production of these services has been rising rapidly.

# Where are most of the people employed

Graph 2 : Share of Sectors in GDP (%)



Graph 3 : Share of Sectors in Employment (%)



## Reasons – Why there is no shift in the share of sectors in employment, as it has been share of sector in GDP

- enough jobs are not created in the secondary and tertiary sector
- 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.
- People in the primary sector are underemployment/disguised unemployment. (story of Laxmi)

# How to create more employment

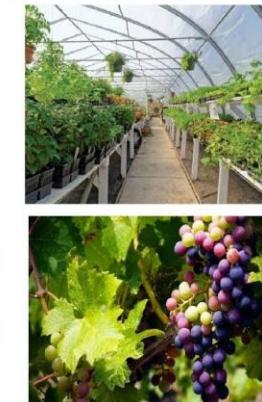
## 1. Diversification of Agriculture

- Farmers should be encouraged
- Adopt diverse agriculture.
- Govt, can spend more money on Irrigation facilities, constructs wells And canals
- This could lead to employment generation in primary sector itself and can remove underemployment.

### Different Types of Culture



- 1: Agriculture
- 2: Sericulture
- 3: Viticulture
- 4: Pisciculture
- 5: Horticulture



# How to create more employment

2. Cheap Credits: Government should encourage commercial banks to provide loans to farmers and business at cheaper rates.
3. Provisions of basic facilities : like roads, transportation, banking, market etc. (to link the villages with market)
4. Promoting local and small scale industries.
5. Improvement in Education & health
6. Exploring new sectors for employment
  - Planning commission(Niti Aayog) estimates

Education -20 lakh jobs can be created in education itself .

Health – More doctors , nurses, health workers are needed.

Tourism – If improved, every year more than 35 lakh people can be employed.

# How to create more employment

MNREGA (Mahatama Gandhi National Rural Employment Guarantee Act, 2005)

- enacted on September 2005, based on “right to work”
- State funded work creation programme
- Under MNREGA, 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 govt.
- If govt. fails, will give unemployment allowances to the people
- The work given is related to the land and its productivity.
-

# Division of sectors on the basis of working condition

## Kanta

Kanta works in an office. She attends her office from 9.30 a.m. to 5.30 p.m. She gets her salary regularly at the end of every month. In addition to the salary, she also gets provident fund as per the rules laid down by the government. She also gets medical and other allowances. Kanta does not go to office on Sundays. This is a paid holiday. When she joined work, she was given an appointment letter stating all the terms and conditions of work.



## Kamal

Kamal is Kanta's neighbour. He is a daily wage labourer in a nearby grocery shop. He goes to the shop at 7:30 in the morning and works till 8:00 p.m. in the evening. He gets no other allowances apart from his wages. He is not paid for the days he does not work. He has therefore no leave or paid holidays. Nor was he given any formal letter saying that he has been employed in the shop. He can be asked to leave anytime by his employer.



Do you see the differences in the conditions of work between Kanta and Kamal?

- ORGANISED
- UNORGANISED

ORGANISED	UNORGANISED
Comprises enterprises where the term of employment is regular and the job is assured.	Comprises small units where jobs are not regular and hence the job is not assured.
Companies are registered by the government and have to follow rules and regulations.	Companies are outside the control of the government. They have rules and regulations but these are not followed.
Employees in the organised sector have fixed working hours and they are paid if they work overtime.	Workers in the unorganised sector are paid low wages. There is no provision of payment if they work overtime.
Employees in the organised sector get social security benefits such pension, provident fund, paid leave, sick leave etc.	Workers in the unorganised sector do not get benefits such as pension and provident fund. There are no paid leaves and no leaves due to sickness.
Workers in the organised sector are paid a fixed salary.	Workers in the unorganised sector are not paid a fixed salary.

- Organised Sector is most desirable
- But the employment opportunities in organised sector is expanding very slowly.
- So the people are moving to unorganised sectors



Exploitation of workers



Need of Protection

# How to protect workers in Unorganised sectors

RURAL AREA	URBAN AREA
Landless agricultural labourers, small and marginal farmers, share croppers, artisans	Workers in small scale industry, casual workers in construction, street vendors, head load workers, transports etc
<ul style="list-style-type: none"><li>- Timely delivery of seeds</li><li>- Providing agricultural inputs.</li><li>- Cheap credits, storage facilities and market outlets</li></ul>	<ul style="list-style-type: none"><li>- Set minimum wages</li><li>- Set working hours and overtime rules</li><li>- Cheap credits facility</li><li>- Taking action against discrimination</li><li>- Implementing the law</li></ul>

# Division of sectors on the basis of OWNERSHIP

## PUBLIC

- Owned by Government

Ex. IRCTC, BSNL, BHEL

Motive: Earn Profit

## PRIVATE

- Owned by private individuals and group

Ex. Reliance, TATA, Infosys

Motive: Providing Services (Basic needs)  
Banks, transport, irrigation, electricity, water

# Why Govt. is needed to spend?

1. There are several things that are needed by the society as whole but which the private sector will not provide at a reasonable cost.  
- Govt have to undertake heavy spending to ensure that these facilities are available to everyone.
2. There are some activities, which the government has to support, like selling electricity etc.  
: Therefore Govt. has to bear the loss
3. Some activities are primary responsibility of the Govt.