

Sectors of the Indian Economy

Check Point 01

Q. 1. Which group of activities is associated with natural resources?

Answer: All activities that are associated with the use of natural resources like agriculture, fishing, forestry etc. are included in the primary sector. The primary sector of the economy involves the conversion of natural resources into primary products.

Q. 2. Why is the secondary sector also called industrial sectors?

Answer: Secondary sector is also called the industrial sector as it includes all the activities that transform raw materials into products and goods through industrial processes. It is a sector which includes those economic activities that create a finished product.

Q. 3. Give an example to show the interdependence of the sectors.

Answer: Economic activities can be divided into three sectors – the primary sector associated with the use of natural resources, the secondary sector concerned with the processing of raw materials into products and goods, and the tertiary sector associated with service production for the benefit of the other two sectors. All three sectors are interdependent to each other. For example, cultivation of sugarcane is a primary sector activity. Processing of this sugar cane in factories to produce sugar is a secondary sector activity. Transferring of the sugarcanes to the factories and marketing and selling of the finished product (sugar) is a tertiary sector activity. Thus, the primary sector is dependent on the secondary sector for payment for the sugarcane produced. The secondary sector is dependent on the primary sector for supply of raw materials to keep up continuous production. Both these sectors are dependent on the tertiary sector for the transportation, marketing and selling of both raw materials and finished goods.

Q. 4. Who collects the data for GDP?

Answer: GDP or Gross Domestic Product is the total value of goods produced and services provided in a country during one year and is used to measure a country's economy. The data is collected by the Central Statistics Office (CSO) that falls under the leadership of the Ministry of Statistics and Program Implementation.

Q. 5. BPO is an important activity of which sectors?

Answer: BPO or Business process outsourcing (BPO) is a subset of outsourcing that involves the contracting of the operations and responsibilities of a specific business process to a third-party service provider. It includes human resources or finance and accounting, and customer-related services. Thus, it is evident that BPO belongs to the tertiary sector as it is associated with service production.



Check Point 02

Q. 1. Which part of the tertiary sector is growing in the importance and which part is less productive?

Answer: The tertiary sector is involved in providing services. With the development and rapid urbanization, the tertiary sector has also gained importance in India. Services which employ highly skilled and educated workers have grown in importance. Growth in the healthcare sector, administrative services have boosted the growth in the tertiary sector. But the lower end of the tertiary sector which employs less skilled and lower educated personnel have been less productive. The earnings are low, but without an alternate source of employment, the workers are stuck at their current jobs. The workers include small shopkeepers, repair persons, transport persons, cattle owners etc.

Q. 2. Name some allied-agricultural activities to need to be promoted to solve the problem of unemployment.

Answer: Agricultural sector often faces underemployment or disguised unemployment in India. To eradicate such disadvantages, several allied agricultural activities need to be promoted. These include a multi-cropping system, promotion and location of agro-based industries in semi-rural and rural areas.

Q. 3. Which act is also known as Right to work?

Answer: The Indian government recognising the need to increase employment in the country has implemented a law in 625 of its districts called Right to Work. The Act Mahatma Gandhi National Rural Employment Guarantee Act 2005 (MGNREGA 2005) ensures this law and it entitles all eligible candidates under this law in the rural areas, guaranteed 100 days of employment.

Q. 4. Write any one disadvantage of a worker in the unorganised sector over workers of the organised sector?

Answer: One of the biggest disadvantages that workers in the unorganised sector face are the lack of job security as organized sector workers have secure jobs. They can be removed without any prior notice and without any notice being given. Casual workers, landless labourers, street hawkers, domestic workers, etc. fall in this category.

Q. 5. Under which sector (organised/unorganised) would you put a labourer is working under a contractor?

Answer: A labourer who is working under a contractor falls in the unorganized sector of employment. His employment does not have any rules and regulations, with low wages and no added amenities like paid leave, provident fund or mandated leaves. They can be removed without any prior notice and without any notice being given. Casual



workers, landless labourers, street hawkers, domestic workers, etc. also fall in this category.

Q. 6. What type of industries generally you may see in the public sector?

Answer: The public sector includes all the services that are fully or partly owned and maintained by the government. Public sector industries dominate in railways, mining, healthcare. Public sector operates with welfare motive, unlike the private sector which operates with a private motive.

Self Assessment

Q. 1. What has the National Rural Employment Guarantee Act, 2005 assured?

Answer: The National Rural Employment Guarantee Act, 2005 assures the Right to Work for Indian citizen, particularly rural people. It guarantees 100 days of employment in a year for the people enrolled under this scheme and in case the government fails to provide sources of employment it provides unemployment allowances.

Q. 2. Give two examples of secondary sector activities in India.

Answer: The secondary sector includes all the activities that transform raw materials into products and goods through industrial processes. Two examples of industries under the secondary sector are industries that produce a finished good like Iron and Steel industry and those involved in construction like a brick kiln.

Q. 3. Give one example to show how the tertiary sector depends on the primary sector in rural India.

Answer: The tertiary sector is involved with providing service while the primary sector includes all activities that are associated with the use of natural resources like agriculture, fishing, forestry etc. The tertiary sector employs people who need food to not only survive but also to provide the energy necessary for work performance. Primary sector grows this food through agricultural activities in rural areas. Thus, the tertiary sector is dependent on the primary sector.

Q. 4. Name the programme which has created maximum employment in rural India in the past 5 Years.

Answer: The programme that created the maximum employment in rural India in the past 5 years is an Act called the Mahatma Gandhi National Rural Employment Guarantee Act 2005 (MGNREGA 2005). The National Rural Employment Guarantee Act, 2005 assures the Right to Work for Indian citizen, particularly rural people. It guarantees 100 days of employment in a year for the people enrolled under this scheme and in case the government fails to provide sources of employment it provides unemployment allowances.



Q. 5. Give one example of disguised unemployment.

Answer: In some situations, even when people appear to be employed, they are actually unemployed as their removal from the production process does not affect the said process. These people are engaged in activities but not to their full potential. This situation is called disguised unemployment or hidden unemployment. It is present in both rural and urban areas. In rural areas, disguised unemployment is present in the agricultural sector. Owing to the family structure in India, several members of the same family may be working on the same piece of land for agricultural production. They are engaged in an activity which can be carried out by a lesser number of people as rural land holdings in India are notoriously small. Thus, they are not employed to their full potential and contributing to disguised unemployment.

Q. 6. What are intermediate goods?

Answer: An intermediate good is a product used to produce a final good or finished product. These goods are sold between industries for resale or the production of other goods. One example of an intermediate good is salt, a product that is directly consumed but also used to manufacture food products.

Q. 7. Mention with one example how Secondary sector helps in the development of the primary sector.

Answer: The primary sector includes all activities that are associated with the use of natural resources like agriculture, fishing, forestry etc. The secondary sector is concerned with the processing of raw materials into products and goods. Without the secondary sector, the primary sector would not have a market for selling their products and thereby earn income. For example, agricultural production of sugarcane is a primary sector activity. But without a secondary sector activity like mills which buy the sugarcane and process it for sugar, the sugarcane would rot, and farmers would stop production of the same.

Q. 8. Under NREGA, how many days of work in a year guaranteed by the government?

Answer: NREGA is an act established by the Indian Government to ensure the Right to Work for those citizens who find it difficult to find different means of employment. It mostly targets the rural population in India who are mainly employed in agriculture and find it difficult to get employment during the lull in cropping season. NREGA ensures 100 days of employment in a year to such citizens, failing which, the government would provide unemployment allowances.

Q. 9. What comprise unorganised sectors in rural areas?

Answer: Unorganised sectors consist of all unincorporated private enterprises owned by individuals or households engaged in the sale or production of goods and services operated on a proprietary or partnership basis and with less than ten total workers. In



rural areas, the unorganised sector comprises mainly of workers in small-scale industries, casual workers in construction, trade and transport, etc. and those who work in shops, street vendors, garment makers, rag pickers etc.

Q. 10. What is manufacturing?

Answer: Manufacturing is the making of goods by hand or by a machine that upon completion the business sells to a customer. Items used in manufacture may be raw materials or component parts of a larger product. The manufacturing usually happens on a large-scale production line of machinery and skilled labour.

Q. 11. Explain in brief what is Gross Domestic Product (GDP). Which department carries out the task of measuring the GDP in India?

Answer: GDP or Gross Domestic Product is the total value of goods produced and services provided in a country during one year and is used to measure a country's economy. A central government Ministry collects the data for calculating GDP. With the help of various government departments in the different states and union territories of India, this Ministry collects the necessary data, i.e., the total value of goods produced and services provided to estimate the GDP for India in any given year.

Q. 12. Which sector, i.e. Primary, secondary or Tertiary comprises the largest proportion of unorganised worker? Why?

Answer: Unorganised workers are those workers who are employed in the unorganised sector. In India, the primary sector activities specifically agriculture comprises the largest proportion of unorganised workers. This is because disguised unemployment is rampant in this sector. It hires people without the necessity of particular skills and the hiring is not a constant feature. Farmers tend to work on their own along with the help of their families and hire labourers as and when required. Also, because of the seasonal nature of agriculture, the hiring is not on a year-round basis but mostly during the cropping season, and the rest of the time these workers are either idle or working as construction workers, etc.

Q. 13. Differentiate between sector on the basis of nature of activity with examples.

Answer: Economic activities are related to production, distribution, exchange and consumption of goods and services. The primary aim of the economic activity is the production of goods and services with a view to making them available to the consumer. Economic activities can be differentiated into three sectors viz., primary, secondary and tertiary.

1. The primary sector includes all activities that are associated with the use of natural resources like agriculture, fishing, forestry etc.

2. The secondary sector is concerned with the processing of raw materials into products and goods.



3. The tertiary sector is involved with providing service.

All three sectors are interdependent on one another and cannot exist in isolation. For example, cultivation of sugarcane is a primary sector activity. Processing of this sugar cane in factories to produce sugar is a secondary sector activity. Transferring of the sugarcanes to the factories and marketing and selling of the finished product (sugar) is a tertiary sector activity.

Thus, the primary sector is dependent on the secondary sector for payment for the sugarcane produced. The secondary sector is dependent on the primary sector for supply of raw materials to keep up continuous production. Both these sectors are dependent on the tertiary sector for the transportation, marketing and selling of both raw materials and finished goods.

Q. 14. Describe the role of Tertiary sectors on the basis of nature of activity with examples.

Answer: Tertiary sector activities do not produce any goods but provide services that support the production process. The demand for these activities is ever-increasing. For e.g. demand for basic services like hospitals, banks, postal services, etc. have increased. It has the highest contribution in GDP of the country and employs a large number of people.

Q. 15. Which sector has been the highest growth in term of output in recent 40 years? Discuss its three characteristics.

Answer: During the 1950s and 1960s, the Indian economy depended on the agricultural sector. But in recent 40 years, in terms of output, tertiary sector has contributed significantly.

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Q. 16. In which sector is underemployment more prevalent? Why is it so?

Answer: Primary sector employs around 50% of the population, but it contributes the most to disguised unemployment. Even when people appear to be employed, they are actually unemployed as their removal from the production process does not affect the said process. These people are engaged in activities but not to their full potential. This situation is called disguised unemployment or hidden unemployment.

It is present in both rural and urban areas. In rural areas, disguised unemployment is present in the agricultural sector. Owing to the family structure in India, several members of the same family may be working on the same piece of land for agricultural production. They are engaged in an activity which can be carried out by a lesser



number of people as rural land holdings in India are notoriously small. Thus, they are not employed to their full potential and contributing to disguised unemployment.

Q. 17. Mention any two social values that you have learnt from the working conditions of organised and unorganised sector.

Answer: organised sectors consist of all unincorporated private enterprises owned by individuals or households engaged in the sale or production of goods and services operated on a proprietary or partnership basis and with less than ten total workers. In rural areas, the unorganised sector comprises mainly of workers in small-scale industries, casual workers in construction, trade and transport, etc. and those who work in shops, street vendors, garment makers, rag pickers etc.

1. They mostly belong to the backward communities
2. They work in insecure and uncertain working conditions and face social discrimination.

Q. 18. The workers in the unorganised sector need protection on the issues of wages, safety and health. Explain.

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They have low wages, and there is no provision of overtime payment, paid holidays, etc. They work in very unsafe conditions and have no job security. They can be asked to quit at any time without any reason. More than 90% of the Indian workforce is employed in the unorganised sector which amplifies the need to provide protection on the issues of wages, safety and health.

Q. 19. There has been a big change in the three sectors of economic activities, but a similar shift has not taken place in the share of employment. Explain the statements on the basis of facts.

Answer: Primary sector employs around 50% of the population, but it contributes the most to disguised unemployment. Even when people appear to be employed, they are actually unemployed as their removal from the production process does not affect the said process. These people are engaged in activities but not to their full potential. This situation is called disguised unemployment or hidden unemployment.

Secondary and tertiary sectors have not created enough jobs to accommodate the people who have migrated from the agriculture sector. The employment in the manufacturing sector went up by only 3 times and in the services sector by 5 times.



Q. 20. Do you think that shift from one sector's dominance to another sector's dominance in an economy is common as the economy develops?

Answer: Yes, there is a shift in one sector's dominance to other as the economy develops. As there is development, there is increased investment by the government in the education and health sector. This increases the knowledge of a person, and an educated individual prefers working in the manufacturing or service sector over agriculture. With time, the number of people employed in the agriculture sector will decrease, and there will be a subsequent increase in other sectors. This results in a shift of dominance from agriculture to other sectors.

Q. 21. How can we tackle the problem of unemployment in semi-urban areas?

Answer: Employment in the semi-urban sector can be increased by following these steps:

1. Invest in industries that employ a large number of people.
2. Improve the transportation sector so that people can be employed to work in this industry.
3. Importance to vocational education so that people with the education in this field get jobs easily.

Q. 22. The agriculture sector in India employs the largest number of people, but its contribution to national income is the lowest. Why?

Answer: The primary sector employs around 50% of the population, but it contributes the most to disguised unemployment. Even when people appear to be employed, they are actually unemployed as their removal from the production process does not affect the said process. These people are engaged in activities but not to their full potential. This situation is called disguised unemployment or hidden unemployment.

It is present in both rural and urban areas. In rural areas, disguised unemployment is present in the agricultural sector. Owing to the family structure in India, several members of the same family may be working on the same piece of land for agricultural production. They are engaged in an activity which can be carried out by lesser number of people as rural land holdings in India are notoriously small. Thus, they are not employed to their full potential and contributing towards disguised unemployment.

As per 2015 estimates, agriculture contributes 16.1%, industry 29.5% and service sector 54.4% of GDP of the country. Agriculture sector's contribution to the national income is lowest due to seasonal nature of it.