

02

Sectors of Indian Economy

Quick Revision

Sectors of Economic Activities

- The activities which are undertaken with the objective to earn money are called Economic activities.
- On the basis of nature of activity, primary, secondary and tertiary are sectors of economic activities.

Primary Sector

- Primary sector includes activities which are associated with the extraction and production by directly using natural resources.
- This includes agriculture, forestry, fishing, mining and extraction of oil and gas. It is also called agricultural and related sector.

Secondary Sector

- Secondary sector includes activities which are associated with processing and manufacturing. Whereas tertiary activities provide services.
- For example, Yarn and cloth weaving from cotton fibre, sugar or gur from sugarcane, etc.
- The development in secondary sector becomes associated with different kinds of industries, thus it is called industrial sector.

Tertiary Sector

- Tertiary sector includes those activities which help in the development of primary and secondary sectors.
- For example, transport service, storage service, communication banking service and so on.

Comparing The Three Sectors

- These primary, secondary and tertiary activities are interdependent on each other, as the goods and services produced in one is used in the other sectors also.
- Goods and services are of two types
 - (i) Final goods and services mean those goods and services that are directly consumed by the consumers and are not meant for further production and processing.
 - (ii) Intermediate goods and services mean those goods and services that are used for further production on processing.
- **GDP** is the sum of the value of final goods and services produced by these three sectors during a particular year.

Historical Change in Sectors

In the initial stages of development, Primary sector becomes important for a country, later it is replaced by Secondary and finally by Tertiary.

Primary, Secondary and Tertiary Sector in India

During last 40 years, Tertiary sector in India emerged as an important sector as its contribution in GDP has increased to many folds.

Rising Importance of the Tertiary Sector in Production

- Tertiary sector has replaced the primary sectors as largest producing sector.



- The main reasons for this are
 - Demands for basic services have increased like hospitals, educational institutions, postal services, banks etc.
 - Greater development in Primary and Secondary sectors has induced demand for service sector growth like transport, trade, storage etc.
 - Due to globalisation, certain new services have entered Indian market like information technology and communication technology.
- However, not all of the service sector is growing equally. Services that employ highly skilled and educated people are growing.

Employment of People in Different Sectors

- The data of 40 years i.e. 1977-78 to 2017-18 show's that still the primary sector is the largest employer as compared secondary and tertiary sectors.
- The share of employment for primary sector, secondary sector and tertiary sector is 44%, 25% and 31% respectively.
- Underemployment or disguised unemployment is largely prevalent in India, particularly in agriculture.

Creating More Employment

- Some important steps can be taken to reduce unemployment. These are providing bank loans to the agriculturists, creating employment by constructing dams, roads and canals.
- Setting up small scale industries (rice, mill, dal mill, honey collection centres, food processing industries, cold storage etc.), improvement in education, health and tourism sector.
- To solve this problem, employment generation has always been a major goal of government. MGNREGA 2005 was one of the major steps taken in this regard.

Division of Sectors as Organised and Unorganised

On the basis of the working conditions or how people are employed, sectors of economy are divided into organised and unorganised sectors.

Organised Sector

- It covers those enterprises or places of work where workers are given regular employment.
- These enterprises are registered by government and follow the rules set by the government.

Unorganised Sector

- This sector is characterised by small and scattered units which are unregistered and do not follow government rules and regulations.
- A large fraction of India's working population is engaged in unorganised sector. They are deprived of various facilities enjoyed by organised sector such as proper wages, healthy working conditions, etc.

Protection of Workers in Unorganised Sector

- There are many groups of vulnerable people who need protection in the unorganised sector.
- In rural areas farmers can be supported through adequate facilities for timely delivery of seeds, agricultural inputs, credit, storage etc.
- In urban areas the small scale industries can be protected by governments support for procuring raw materials and marketing of output.
- Protection and support to farmers and workers are necessary for economic and social development.

Sectors in Terms of Ownership

In terms of ownership, there are **public** and **private** sectors.

Public Sector

- Public sector enterprises are owned by government.
- The public sector has welfare motive so it provides essential goods and services at cheap prices to the poor people.

Private Sector

- Private sector enterprises are owned by individual and groups of individuals.
- The private sector has profit motive.



Objective Questions

Multiple Choice Questions

01. Which of the following activity belongs to the tertiary sector of the economy?

- (a) Fishing (b) Farming
(c) Factory work (d) Teaching

02. Sunil, son of a farmer after studying in Agricultural University, has become a research scientist and undertakes work for developing hybrid oil seeds. Analyse the information to know the sector in which he has shifted from past to present.

- (a) From tertiary to primary
(b) From secondary to primary
(c) From primary to tertiary
(d) From primary to secondary

03. Arrange the following in the correct sequence.

- (i) Transporting cloth to the workshops (Tertiary)
(ii) Sale in shops and showrooms (Tertiary)
(iii) Spinning the yarn (Secondary)
(iv) Growing of cotton (Secondary)

Codes

- (a) i-iv-iii-ii (b) iv -iii-i-ii
(c) iv-i-ii-iii (d) iii-iv-ii-i

04. As the methods of farming changed and the agriculture sector began to prosper, most of the goods produced were from the primary sector and most people were also employed in this sector?

- (a) Synthetic products (b) Involved machines
(c) Natural products (d) Mixed products

05. The activities in the primary, secondary and tertiary sector of the economy are with each other.

- (a) independent (b) related
(c) interdependent (d) associated

06. Using sugarcane as raw material, we make sugar or gur, under what sector does this activity come?

- (a) Primary (b) Private
(c) Secondary (d) Tertiary

07. Madhav has no regular employment. Sometimes he earns very little with some part time work. He also has no investment capability to use own skills to earn money. In which sector Madhav is engaged?

- (a) Tertiary and organised sector
(b) Primary and public sector
(c) Secondary and organised sector
(d) Tertiary and unorganised sector

08. The following table gives the GDP in rupees (crores) by the three sectors:

Year	Primary	Secondary	Tertiary
2000	52,000	48,500	1,33,500
2013	8,00,500	10,74,000	38,68,000

From 2000 to 2013, which sector of the economy showed the maximum growth in terms of the share of each sector in the GDP of the country.

- (a) Primary sector
(b) Secondary sector
(c) Tertiary sector
(d) All of the above

09. A flower cultivator grows tulips, reaps a good crop and sells it to a trader. The trader exports the tulips and earns huge profit. This increased the GDP but the farmer is still not able to earn well. Why?

- (a) Most of the profit is taken by trader.
(b) Farmer is under employed or disguised employed.
(c) Farmers, traders, exporters work in unorganised sector.
(d) All of the above

10. Arrange in sequence.

1. Making of Khoya
2. Buying of sweets during Diwali
3. Extraction of milk
4. Displaying sweets in showcase

- (a) 4, 1, 3, 2
(b) 3, 1, 4, 2
(c) 1, 2, 4, 3
(d) 2, 3, 1, 4

11. GDP stands for Gross Domestic Product. What does it show? Pick up the correct statement given below:

- (a) It shows the economy of a country in a given year in terms of its total output.
(b) It shows the total product of a country in a given year without counting the country's total resources.
(c) It shows the number of people involved in production in a particular year.
(d) It shows the total value of trade transactions of a country in a particular year.

12. The value of final goods and services produced in each sector during a particular year provides the.....

- (a) average production of the sector for that year.
(b) net production of the sector for that year.
(c) total production of the sector for that year.
(d) gross production of the sector for that year.

13. Consider the following statements about GDP of a country.

- (i) Purchase of sugarcane in the making of sugar.
(ii) Value of silk fabrics for sale in the market.
(iii) Final value of bakery items.

Which of the following statements should be added to find out GDP?

- (a) Only (i) and (ii)
(b) Only (i) and (iii)
(c) Only (ii) and (iii)
(d) None as all are intermediate goods

14. Underemployment is hidden in contrast to someone who does not have a job and is clearly visible as unemployed. It is also called

.....

- (a) Hidden employment
(b) Disguised unemployment
(c) Unstable employment
(d) Less employment

15. Choose one correct statement from the following.

Underemployment occurs

- (a) when people are not willing to work.
(b) when people are working slowly.
(c) when people are working less than what they are capable of doing.
(d) when people are not paid for their jobs.

16. How do big private companies contribute in the development of a nation?

- (a) By increasing the demands for their products through advertisements.
(b) By increasing their profits.
(c) By increasing productivity of the country in the manufacturing of industrial goods.
(d) By providing private hospital facilities for the rich.

17. Which one of the following is a private sector industry?

- (a) BHEL
(b) TISCO
(c) OIL
(d) SAIL

18. Identify the correct answer from the alternatives provided.

Both Wipro and Reliance Industries are owned by :

- (a) The government
(b) Private company
(c) A cooperative society
(d) Jointly by private companies and the government



19. Find the incorrect match from the given options

- (a) Private and unorganised sector- Garland seller outside temple
- (b) Public and organised sector- Tourist guide attending tourists
- (c) Tertiary and organised sector- cobbler mending shoes
- (d) Primary and unorganised sector- farmer growing pulses

20. Which among the following exclusive works of the public sector?

- (a) Supplying electricity
- (b) Buying essential food grains like rice, wheat at fair price
- (c) Providing primary education in villages
- (d) All of the above

21. “Harita attends her office from 9:30 am to 5:30 pm. She gets her salary regularly at the end of every month. In addition to the salary, she also gets Provident Fund and other facilities as per the rules laid down by the Government.”

Identify the employment sector in which Harita is working.

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

22. Find the correct match from the given options

- (a) More people working than actually needed : Disguised employment
- (b) Setting up wheat flour mills : Employment in secondary sector
- (c) Heavy work during harvesting time : Non seasonal agriculture
- (d) Banks providing loans for investment : Unorganised sector activity

23. Which scheme is implemented by the Government of India in 625 districts of India under ‘Right to Work’?

- (a) PMKVY
- (b) MGNREGA 2005
- (c) Antyodaya Anna Yojana
- (d) All of the above

24. In a study conducted in Surat city, the findings are summarised in a table. Read and table and answer the question that follows, it was seen that 11000 worked in the organised sector of the economy. The total income of the city in the year 2018-19 was 2000 million. Out of this 1200 million was generated in the public sector.

Total workers	Workers in Organised sector	Total income of the city	Income generated in the organised sector	Income generated in the unorganised sector
5,00,000	150000	6000 million	3900 million	2100 million

What does the number of workers and income shared in the economy shows?

- (a) More employment in unorganised sector but income less
- (b) Less employment in organised sector and income is less
- (c) More employment in the organised sector and income is more
- (d) Less employment in the unorganised sector but income is more

25. Fill in the blanks.

The feature of unorganised sector are holidays, no fixed number of working hours and employments.

- (a) paid, secured
- (b) unpaid, assured
- (c) unpaid, no secure
- (d) paid, assured

26. Choose the incorrect option from the following. (CBSE 2020)

List I	List II
A. Courier	1. Tertiary Sector
B. Fisherman	2. Primary Sector
C. Carpenter	3. Primary Sector
D. Banker	4. Tertiary Sector

27. Match the following.

List I	List II
A. Selling Woollen Garments	1. Private Sector
B. Rearing of Sheep	2. Secondary Sector
C. Raymond Coats	3. Tertiary Sector
D. Preparing Woollen fibres	4. Primary Sector

Codes

- | | | | | |
|-----|---|---|---|---|
| | A | B | C | D |
| (a) | 3 | 4 | 1 | 2 |
| (b) | 1 | 3 | 2 | 4 |
| (c) | 1 | 2 | 3 | 4 |
| (d) | 1 | 4 | 3 | 2 |

Assertion/Reasoning MCQs

Directions (Q. Nos. 28-30) *In the questions given below, there are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the correct option.*

Codes

- (a) Both A and R are true and R is the correct explanation of A
- (b) Both A and R are true, but R is not the correct explanation of A
- (c) A is true, but R is false
- (d) A is false, but R is true

28. **Assertion (A)** Repair persons and daily wage earners are not very productive in tertiary sector.

Reason (R) Repair persons and daily wage earners are unskilled, therefore they are mostly unemployed on a short-term basis.

29. **Assertion (A)** Not every good or service that is produced and sold needs to be counted to know the total production in each sector.

Reason (R) The value of final goods already includes the value of all the intermediate goods.

30. **Assertion (A)** The Government of India buys wheat and rice from farmers at fair price.

Reason (R) Public sector contributes to the economic development.

Case Based MCQs

01. Read the extract and answer the questions that follow.

Another way of classifying economic activities into sectors could be on the basis of who owns assets and is responsible for the delivery of services. In the public sector, the government owns most of the assets and provides all the services. In the private sector, ownership of assets and delivery of services is in the hands of private individuals or companies.

Railways or post office is an example of the public sector whereas companies like Tata Iron and Steel Company Limited (TISCO) or Reliance Industries Limited (RIL) are privately owned. Activities in the private sector are guided by the motive to earn profits. To get such services we have to pay money to these individuals and companies.

The purpose of the public sector is not just to earn profits. Governments raise money through taxes and other ways to meet expenses on the services rendered by it.

Modern day governments spend on a whole range of activities. There are several things needed by the society as a whole but which the private sector will not provide at a reasonable cost.

- (i) In the private sector the assets are owned by
 - (a) government
 - (b) Public
 - (c) Institutions
 - (d) Individuals



- (ii) Which of the following is an example of public sector ownership?
(a) TISCO (b) Railways (c) RIL (d) Airtel
- (iii) The purpose of the industries operating in the private sector is to
(a) develop the country
(b) generate employment
(c) earn profits
(d) Social welfare
- (iv) Why the costs of goods are more reasonable in the public sector?
(a) Due to welfare motive of the public sector
(b) Due to high competition from other industries operating in public sector
(c) Due to competition from private sector
(d) Due to lack of competition from any of the sectors
- (v) Governments sell at reasonable costs, then how do they meet their expenses?
(a) By collection of taxes
(b) By selling services at a high price
(c) By raising money through charity
(d) All of the above

02. Read the source and answer the following questions.

The 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. The product is not produced by nature but has to be made and therefore some process of manufacturing is essential. This could be in a factory, a workshop or at home. For example, using cotton fibre from the plant, we spin yarn and weave cloth. Using sugarcane as a raw material, we make sugar or gur. We convert earth into bricks and use bricks to make houses and buildings. Since this sector gradually became associated with the different kinds of industries that come up it is also called as industrial sector.

- (i) Manufacturing activities such as making of bread from wheat flour is grouped under
(a) Primary sector (b) Secondary sector
(c) Tertiary sector (d) Quaternary sector
- (ii) Which of the following is an important way of secondary sector?
(a) Extraction of natural resources.
(b) Providing services to the customers.
(c) Distribution of goods to the market.
(d) Manufacturing of goods.
- (iii) If a woman has stopped going to the fields for cultivation and now works as a primary health worker then she has shifted from to
(a) Primary, Secondary (b) Primary, Tertiary
(c) Secondary, Tertiary (d) Secondary, Primary
- (iv) In order to enhance the industrial sector, the government should
(a) provide farm machines for tree
(b) open more IT parks
(c) open more manufacturing units
(d) open more schools

03. Read the source and answer the following questions.

Over the forty years between 1973-74 and 2013-14, while production in all the three sectors has increased, it has increased the most in the tertiary sector. As a result, in the year 2013-14, the tertiary sector has emerged as the largest producing sector in India replacing the primary sector. Why is the tertiary sector becoming so important in India? There could be several reasons. First, in any country several services such as hospitals, educational institutions, post and telegraph services, police stations, courts, village administrative offices, municipal corporations, defence transport, banks, insurance companies, etc. are required. These can be



considered as basic services. In a developing country the government has to take responsibility for the provision of these services.

Second, the development of agriculture and industry leads to the development of services such as transport, trade, storage and the like, as we have already seen. Greater the development of the primary and secondary sectors, more would be the demand for such services. Third as income levels rise, 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. Fourth, over the past decade or so 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.

- (i) Transportation of industrial goods from factories to wholesale market is which type of activity?
 - (a) Tertiary
 - (b) Secondary
 - (c) Primary
 - (d) None of these
- (ii) According to the source given above, the basic services are
 - (a) Post and telegraph services, hospital, transport
 - (b) Educational institutions, police station, defence
 - (c) Banks, municipal corporations, insurance companies
 - (d) All of the above
- (iii) Which factor will not result in more of tertiary activities in the economy?
 - (a) Opening shopping malls
 - (b) Making roads
 - (c) Restricting private companies
 - (d) Opening private schools

(iv) The tertiary sector is also called the sector.

- (a) administrative
- (b) construction
- (c) production
- (d) service

04. Read the source and answer the following questions.

Another way of classifying economic activities into sectors could be on the basis of who owns assets and is responsible for the delivery of services. In the public sector, the government owns most of the assets and provides all the services. In the private sector, ownership of assets and delivery of services is in the hands of private individuals or companies.

Railways or post office is an example of the public sector whereas companies like Tata Iron and Steel Company Limited (TISCO) or Reliance Industries Limited (RIL) are privately owned.

Activities in the private sector are guided by the motive to earn profits. To get such services we have to pay money to these individuals and companies.

The purpose of the public sector is not just to earn profits. Governments raise money through taxes and other ways to meet expenses on the services rendered by it.

Modern day governments spend on a whole range of activities. There are several things needed by the society as a whole but which the private sector will not provide at a reasonable cost.

- (i) The bifurcation into public and private sector is on the basis of
 - (a) Investment
 - (b) Number of people working
 - (c) Ownership
 - (d) Type of activity
- (ii) Which factor makes Indian railways a part of public sector?
 - (a) Owned by private individual
 - (b) Reasonable price of services
 - (c) Quick delivery of goods
 - (d) Government ownership



(iii) If private sector operates for motive then public sector operates for motive.

- (a) welfare, profit (b) profit, welfare
(c) welfare, welfare (d) profit, profit

(iv) The private companies cannot do which of the following?

- (a) Sell their goods at high prices
(b) Keep temporary workers
(c) Provide services
(d) Collect taxes from people

ANSWERS

Multiple Choice Questions

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

Assertion/Reasoning MCQs

28. (a) 29. (a) 30. (b)

Case Based MCQs

Passage 1

- (i) (d) (ii) (b) (iii) (c) (iv) (a) (v) (a)

Passage 2

- (i) (b) (ii) (d) (iii) (b) (iv) (c)

Passage 3

- (i) (a) (ii) (d) (iii) (c) (iv) (d)

Passage 4

- (i) (c) (ii) (d) (iii) (b) (iv) (d)

EXPLANATIONS

2. Sunil is a farmer's son, which means that his family works in the primary sector. He, after studying in Agricultural University, has now taken up research work. This means that he has shifted from primary to tertiary sector, since the tertiary sector generates services. Therefore, option (c) is the answer.
12. If the value of every good or service that is produced, is counted then the problem of double counting will come up and the value of GDP will be overestimated. This is because in the value of final goods, the value of all intermediate goods that have been used in production, is included. So R is the correct explanation of A, hence option (a) is the answer.
13. Only (ii) and (iii) should be added to find out the GDP as it will include only the final goods. Purchase of sugarcane for making of sugar is the intermediate good. If it is added in GDP, the problem of double counting will arise.
19. A cobbler works in an unorganised sector. There is no specific term of employment. The work is also on short term basis. But as the option is written as tertiary and organised, so option (c) is the answer.
28. Repair persons and daily wage earners are mostly unskilled labourers. They work in the tertiary sector. Their employment is very limited as they are not needed everyday so they are employed on a short term basis. Therefore, R is the correct explanation of A, hence option (a) is correct.
30. The Government of India buys wheat and rice from farmers at fair price to support the farmers. Public sector is the sector that is controlled by the state. It includes public companies like LIC, BHEL, SAIL etc. It works for the economic development of the country and welfare of the people. Therefore, both A and R are correct, but the R is not the correct explanation of A. Hence, option (b) is the answer.

