Chapter 2
Sectors of the Indian Economy

❖ Primary Sector
- Those activities wherein goods are produced by exploiting natural resources. It provides the basic raw materials for all goods subsequently produced.
- E.g. Agriculture, forestry, mining, fishing, animal husbandry etc.
- Share in India’s GDP: 17%

<table>
<thead>
<tr>
<th>Agriculture</th>
<th>Forestry</th>
<th>Fishing</th>
<th>Animal Husbandry</th>
<th>Mining</th>
</tr>
</thead>
</table>

❖ Secondary Sector
- It refers to the industrial activity that involves the manufacturing process. Goods are produced in big factories using natural or synthetic products as raw material.
- E.g. Textile production, construction, automobile, manufacturing etc.
- Share in India’s GDP: 28%

<table>
<thead>
<tr>
<th>Textile</th>
<th>Automobile</th>
<th>Construction</th>
<th>Manufacturing</th>
</tr>
</thead>
</table>

❖ Tertiary Sector
- This sector covers those activities that aid the primary and secondary sectors. It provides services rather than goods and hence, it is also called the service sector.
- E.g. Transportation, education services, telephone, information technology, banking, health services etc.
- Share in India’s GDP: 55%
GDP
Gross Domestic Product
- It is the value of all final goods and services produced in a country during a year. It includes the total production of all the three sectors of the economy.
- It is a measure of the size of a country’s economy.
- In India, primary sector was traditionally the biggest and most important sector.
- With the coming of industrialisation, secondary sector gained importance. Manufacturing became a major industry of the Indian economy.
- In the past few decades, tertiary sector has assumed much importance in terms of total production. Today, tertiary sector is the largest producing sector in India and contributes the most to the country’s GDP.

Reasons for the Growing Importance of Tertiary Sector
- With the development of the nation, services such as banking, education, health, information technology, municipal corporation, transport etc. are increasingly required.
- Development of agriculture and industry propelled the growth of service sector.
- Increase in the standard of living led to the introduction of new services such as eating outlets, shopping arcades, professional training centres, tourism and hotels etc.
- Growth of information technology-based services.

Sectors in Terms of Employment & Share in GDP

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Employment</th>
<th>Share in GDP (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>63%</td>
<td>17%</td>
</tr>
<tr>
<td>Secondary</td>
<td>14%</td>
<td>28%</td>
</tr>
<tr>
<td>Tertiary</td>
<td>23%</td>
<td>55%</td>
</tr>
</tbody>
</table>

- Primary sector is the largest employer yet its contribution to the GDP is the least.
Underemployment
A situation wherein a person is apparently employed in an activity though is not working to his/her full potential. It is also called disguised unemployment as the person seems to be employed but in actuality, he/she is not adding anything to production. It is most commonly observed in the Indian agricultural sector where all members of a family work on a single field that produces the same output every year.

Solutions for Reducing Underemployment

- Provision of bank loans to farmers so that they can buy HYV seeds for increasing the yield.
- Irrigation facilities must be provided by constructing wells, canals and dams in order to increase production and provide employment.
- Connecting villages to the nearby town through pukka roads so that farmers can sell their produce. Also, the transportation of food crops to markets will generate employment opportunities for many.
- Promotion of local and small-scale industries in rural areas for channelizing the excessive work force of the agricultural sector into the secondary sector. E.g. Flour mill, cold storage, etc.

National Rural Employment Guarantee Act (NREGA)

- Passed by the Government of India in 2005.
- Initially implemented in 200 districts of India. Later extended to cover the entire nation.
- Guaranteed 100 days of wage employment in a year is provided to each person able and willing to do unskilled manual work.
- In case of failure to provide employment, the government shall give an unemployment allowance.

Organised Sector

- It refers to those work places where the terms of employment are fixed and the rules established by the government are followed.

Features

- Registered by the government
- Follow labour laws such as the Factories Act, the Minimum Wages Act and the Payment of Gratuity Act etc.
- Job security
- Fixed working hours
- Fixed salary and leave policy
- Provision of provident fund and gratuity, medical benefits etc.

Unorganised Sector

- It is characterized by small and scattered work units that are largely outside the government’s control.
• Features
  ➢ Laws laid down by the government are not followed
  ➢ No job security
  ➢ Low paying jobs
  ➢ No leave policy
  ➢ No fixed working hours
  ➢ In rural areas, the workers are mostly landless farmers, sharecroppers and artisans.
  ➢ In urban areas, it includes workers in small-scale industry, trade and transport, construction etc.

❖ Public Sector
It refers to the business enterprises owned by the government that provide services for the welfare of the people.
E.g. Railways, post offices, education etc.

❖ Private Sector
It refers to those enterprises that are owned by private individuals. The production is done with a motive of earning profits.
E.g. TISCO, Reliance etc.

❖ Sectors of the Indian Economy

<table>
<thead>
<tr>
<th></th>
<th>Basis of Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary</strong></td>
<td>The nature of production process</td>
</tr>
<tr>
<td><strong>Secondary</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Tertiary</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Organized</strong></td>
<td>The nature of employment</td>
</tr>
<tr>
<td><strong>Unorganized</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Public</strong></td>
<td>On the basis of ownership</td>
</tr>
<tr>
<td><strong>Private</strong></td>
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</tbody>
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