

## Ch 2 - Sectors of the Indian Economy

### Exercise Questions:

1. Do you think the classification of economic activities into primary, secondary and tertiary is useful? Explain how.

A. The classification of economic activities into primary, secondary and tertiary sectors is helpful as mentioned below:

- It provides information on how and where the people of a country are employed. For example in India in 2000, the share of the primary sector in employment was about 60 percent, i.e., more than other sectors.
- It also helps in ascertaining as to which sector of economic activity contributes more or less to the country's GDP and per capita income.
- If the tertiary sector is developing much faster than the primary sector, then it implies that agriculture is depleting and the government must take measures to rectify this.
- The knowledge that the agricultural profession is becoming unpopular or regressive can only come if we know which sector it belongs to.

- It provides us information about employment conditions in different sectors. For example in India, the primary sector ~~faces~~ faces the problem of disguised unemployment. In this sector, more people are employed and even if some are removed, production will not be affected.
- It provides us with information about progress in different sectors. For example, the importance of the tertiary sector has increased due to various factors needed for basic services and the coming of IT services.
- In the view of the above factors, it is necessary to classify economic activities into three sectors for smooth economic administration and development.

2. For each of the following sectors that we came across in this chapter, why should one focus on employment and GDP? Could there be other issues which should be examined? Discuss.

A (1) For each of the sectors we focus on employment and GDP due to the resources reasons mentioned below :

- To know the number of people employed in that sector. For example in 2000, the share of the primary sector in employment was more than

secondary and tertiary sectors.

- To know the share of each sector in the GDP.
- For example in 2000, the share of the tertiary sector was more than that of the agricultural sector and secondary sector in the GDP.
- By focusing on GDP and employment we can draw conclusions regarding the generation of new employment opportunities in various sectors and take necessary steps accordingly.
- We come to know employment conditions for workers such as in the unorganised sector and take necessary steps to improve their condition. So that the workers are not exploited.

- (2) Focus should be laid on other issues such as conditions of work, profit motive, efficiency, public welfare, and environmentally friendly.
- Conditions of work should be in favour of workers.
  - The employment should be regular and the employer should follow various laws such as Factories Act, Minimum Wages Act etc.
  - The production must be for the welfare of the people who should not be exploited by raising prices or creating a scarcity of goods in the market. Thus, such issues must be examined while discussing the role of different sectors in the economy of the country.

Q3. How is the tertiary sector different from other sectors? Illustrate with a few examples.

A The tertiary sector is different from other sectors as mentioned below -

- The activities, by themselves, do not produce a good, but they are an aid or support for the production process. For example, the transport system helps in taking goods from the factory to markets for the purpose of selling or storing in godowns.
- The activities of the tertiary sector help in the development of primary and secondary sectors.
- It provides telephones and other products for communication to the traders. Banks provide money to help production and trade.

Thus transport, storage, communication etc. are tertiary activities. On the other hand, the primary sector forms the base for all products that we subsequently make.

Minerals and ores are natural products which are converted into other forms by manufacturing. Sugar is made from sugarcane.

4. What do you understand about disguised unemployment? Explain with an example each from the urban and rural areas.

A Disguised Unemployment is a kind of unemployment in which these are people who are visibly employed but are actually unemployed. This situation is also

known as Hidden Unemployment. In such a situation more people are engaged in work than required.

For example in Rural Areas, take the case of a small farmer, Laxmi, owning about two hectares of unirrigated land dependent only on rain and growing crops, like jowar and arhar. All five members of her family work in the plot throughout the year. They have nowhere else to go for work. You will see that everyone is working, none remains idle, but in actual fact, their labour effort gets divided. Each one is doing some work but no one is fully employed. This is the situation of underemployment, where people are apparently working but all of them are made to work less than their potential. This kind of underemployment is hidden in contrast to someone who does not have a job and is clearly visible as unemployed. So, these 2 people are actually disguisedly employed.

In urban area, this underemployment can also happen in other sectors. For example there are thousands of casual workers in the service sector in urban areas who search for daily employment. They are employed as painters, plumbers, repair persons and others doing odd jobs. Many of them don't

find work everyday. Similarly, we see other people of the service sector on the street pushing a cart or selling something where they may spend the whole day but earn very little. They are doing this work because they do not have better opportunities.

5. Tertiary sector is not playing any significant role in the development of Indian economy. Do you agree / Give reasons in support of your answer?

A "The tertiary sector is not playing any significant role in the development of Indian economy." This is partially correct due to reasons as mentioned below:

- The share of the tertiary sector in employment has not increased in proportion to its increase in production. In 2000, the production in the service sector rose by 11 times, whereas employment rose less than three times. Therefore, still more than half of the workers in the country are working in the primary sector.
- New services such as information technology have become important, but not all the services of the services sector are growing well. At one end are highly skilled and educated workers but on the other end, there are a very large numbers of workers engaged in services such as small shopkeepers, repairs persons, transport persons. These persons barely manage to earn a living and yet they perform these services because no alternative opportunities for work are available to them.

Such persons can not play any important role in the development of the Indian economy. It is this part of the service sector that is not growing in importance.

6. Service sector in India employs two different kind of people. Who are these?

A The service sector in India employs the following two different kinds of people.

They are:

(a) The people involved in the services that may directly help in the production of goods for ex., people involved in the transportation, storage, communication, finance, etc.

(b) The people involved in such services that may not directly help in the production of goods, eg. teachers, doctors, barbers, cobblers, lawyers, etc. They may be termed as ancillary workers means those who give services to the primary service providers.

7. Workers are exploited in the unorganized sector. Do you agree with view? Give reasons in support of your answer.

A Yes, workers are exploited in the unorganized sector. This would be clear from the following points:

(a) There is no fixed number of working hours. The workers normally work 10-12 hours without paid overtime.

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A Yes, workers are exploited in the unorganized sector. This would be clear from the following points:

(a) There is no fixed number of working hours. The workers normally work 10-12 hours without paid overtime.

- (b) They do not get other allowances apart from the daily wages.
- (c) Government rules and regulations to protect the labourers are not followed there.
- (d) There is no job security. Jobs are low paid and the workers in this sector are generally illiterate, ignorant and unorganized. So they are not in a position to bargain or secure good wages.
- (e) Being very poor they are always heavily in debt. So, they can be easily made to accept lower wages.

8. How are the activities in the economy classified on the basis of employment conditions?

A On the basis of employment conditions, the activities in the economy are classified into organized and unorganized sectors.

Organized Sector - This sector covers those enterprises which are registered by the government and have to follow its rules and regulations. For example, Reliance Industries Ltd., GAIL etc.

Unorganized Sector - It includes those small and scattered units which are largely outside the control of the government. Though there are rules and regulations, these are never followed here. For example, casual workers in construction, shops etc. In this sector there is no job security and the conditions of employment are also very tough.

9. Compare the employment conditions prevailing in the organised and unorganised sectors.

A The employment conditions prevailing in the organised and unorganised sectors are vastly different.

- The organised sector has companies registered with the government and hence, it offers job security, paid holidays, pensions, health and other benefits, fixed working hours and extra pay for overtime work.

- On the other hand, the unorganised sector is a host of opposites. There is no job security, no paid holidays or pensions on retirement, no benefits of provident funds or health insurance, unfixed working hours and no guarantee of a safe work environment.

10. Explain the objective of implementing the NREGA 2005.

A (a) The objective of implementing the NREGA 2005 i.e., National Rural Employment Guarantee Act 2005 is to implement the right to work.

(b) The Act has to be implemented in 625 districts.

(c) Under this Act, all those who are able to, and are in need of work have been guaranteed 100 days of employment in a year by the government.

(d) If the government fails in <sup>its</sup> duty to provide employment, it will give unemployment allowances to the people.

(e) The types of work that would in future help in future help to increase the production from land will be given preference under this Act.

11 Using examples from your area compare and contrast the activities and functions of private and public sectors.

A The activities and functions of private and public sectors in our area may be compared as mentioned below:

### Private Sector

1. The vegetable shops, grocery shops, sweet shops etc. are in the private sectors.

2. These are owned by private individuals.

3. Vegetables and other products are generally of good quality.

4. The rates may be slightly higher.

5. The companies like Reliance, Tata, Airtel provide telephone and TV services which are of very good standard.

6. The shopkeepers provide free home delivery services without any extra-charge.

### Public Sector

Mother Dairy booths which sell vegetables, fruits, milk and milk products are in the public sector.

These are owned by public sector undertaking 'Mother Dairy'.

The vegetables and fruits are generally of average or poor quality.

The rates are lower than the market rates.

MTNL provides telephones services. There are complaints against their services. On many occasions, telephones remain out of order, but they do not charge for that period.

Mother Dairy or any other public undertaking do not provide free home delivery services.

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The schools run by MCD do not provide quality education. Their students are not well-dressed and disciplined. Their medium of instructions is generally Hindi.

12. Give three examples of Public Sector activities and explain why the government has taken up them.

A The examples are -

- Railways: The government has taken up it for the following reasons -

1. Only the government can invest large sums of money on the public project with a long gestation period.

2. To ensure and provide transportation at a cheap rate.

- NTPC: The government has taken up it to provide electricity at a lower rate than the actual cost of production. The aim is to protect and encourage the private sector, especially small scale industries.

- AIMS: To provide quality health services at a reasonably cheap rate was the main purpose of the government to start this.

13. Explain how the Public sector contributes to the economic development of a nation.

A In the following ways Public sector contributes to the economic development of a nation:

- It promotes rapid economic development through creation and expansion of infrastructure.
- It creates employment opportunities.
- It generates financial resources of development.
- It is ensuring equality of income, wealth and thus, a balanced regional development.
- It encourages development of small, medium and cottage industries.
- It ensures easy availability of goods at moderate rates.
- Contributes to community development i.e. to the Human Development Index (HDI) via health and educational services.

14. The workers in the unorganised sector need protection on the following issues: wages, safety and health. Explain with examples?

- A (a) The workers in the unorganised sector need protection on the following issues: wages, safety and health.
- (b) In the ~~cont~~ construction sector, labourers are employed on a daily basis. Hence, they have no job security.

- (c) Here, wages too differ from time to time. Consequently, the government has set up a minimum wages act to protect such workers from economic exploitation.
- (d) The same problem exists for miners working in private mining companies. Their safety is secondary to the company's profits, and as a result, many miners suffer grievous injuries (and many times, even die) due to inadequate safety gears and norms.
- (e) Government of most nations have now laid down strict rules for private enterprises to ensure workers' safety.
- (f) Most companies in the unorganised sector do not provide health insurance to their employees. Some of these might be involved in dangerous factory production may harm a worker's health in the long term. These workers need to be protected ~~that many~~ against the tyranny of the employer, and it is here that the government steps in.

### Short Questions

1. Why is the primary sector called as such?

Ans. (a) The primary sector is called as such because it produces goods exploiting natural resources.

(b) Some of the activities of this sector are agriculture, dairy, fishing and forestry.

2. Mention a few activities under the secondary and tertiary sectors -

- A(a) Some of the activities of the secondary sector are textile factories, sugar mills, brick kilns, industries manufacturing automobiles, electronics and electrical goods, and construction companies.
- (b) Since this sector is associated with different kinds of industries it is also called the industrial sector.
- (c) Some activities of the tertiary sector are transport, storage, communication, banking and trade. Since these activities generate services rather than goods, the tertiary sector is also called the service sector.

3. What is called the 'final goods'?

A The goods that reach the consumer are called the final goods. For example the value of biscuits at Rs. 20/- per packet includes the price of wheat, grinding charges, manufacturing charges, transportation, storage charges and selling charges. So only the value of the final goods (biscuit) should be taken into account for evaluation.

4. Distinguish between final goods and the intermediate goods.

A. Final Goods

- (i) The goods which are used either for final consumption or for capital formation.
- (ii) The value of final goods is included in the national income.
- (iii) Example, television, bread or bakery products, etc.

• Intermediate goods

- (i) The goods which are used either for final up in producing the final goods and services.
- (ii) The value of intermediate goods is not included in the national income.
- (iii) Example: flour, cotton, etc.

5. Expand the following

- (i) GDP - Gross Domestic Product
- (ii) MNREGA 2005 - National Rural Employment Guarantee Act 2005.

6. What is GDP?

- Ans (i) The value of final goods and services produced in each sector during a particular year provides the total production of that sector for that year.
- (ii) The sum production in all the 3 sectors gives what is called the 'Gross Domestic Product (GDP) of a country'. The GDP only determines the economic strength of a country.

7. Mention some of the Acts that Companies in the Organised sector have to follow.

Ans Some of the Acts that Companies in the Organised sector have to follow are :-

- (i) Factories Act,
- (ii) Minimum Wages Act,
- (iii) Payment of Gratuity Act,
- (iv) Shops and Establishments Act.

8. Differentiate between the Public and Private sectors.

Ans. • Public Sector

1. It is controlled and managed by the government.
2. The main aim of the sector is public welfare.
3. The sector provides basic facilities like education, health, food and security to the people.
4. For Example : Railways, Post office, BSNL

• Private Sector

1. It is controlled and managed by an individual or a group.
2. The main aim of the sector is to earn profits.
3. Private sector does not provide any service at a reasonable rate.
4. For example : Tatas, Birlas, Reliance.

9. Write a short note on the planning commission.

Ans. The Planning Commission is a body set up by the Central government that chalks out programmes to tackle unemployment and ~~unrelated~~ problems in addition to its major task of planning the economy of the nation.

The following are some of the findings of the Planning Committee Commission.

1. 20 lakh jobs can be created in the education sector alone, by starting more schools and colleges in rural and semi-rural areas. This in turn will educate a multitude of children, who will eventually become employable.

~~2. The development in the~~

2. 35 lakh people could find employment if the tourism industry was developed in every state.

3. Rural craft industry could be boosted along with the tourism industry giving employment to thousands of rural unemployed citizens.

4. Development of the IT services could generate lakhs of jobs for the urban employment.

10. The rising importance of the tertiary sector in production in the present times. Discuss.

Ans Over the past 30 years, while production has increased in all 3 sectors, it has increased the most in the tertiary sector.

The reasons for the fast development of the tertiary sector in India is as follows:-

1. The necessity for 'basic services' like hospitals, educational institutions, post and telegraph services, police stations, courts, administrative offices, defence, transport and banking services have increased with the increase in population.

2. The development in the Agricultural and industrial sectors has increased the need for services such as transportation, storage and trade.
3. As the income of the people increased the demand for services in tourism, ~~retails~~ retailing, catering and elite duration also increased.
4. With the higher income people have started traveling long distances for work and education, resulting in the need for increased services in the transport and communication sectors.

11. How do we create more employment in the agricultural sector?

A More employment can be created in the Agricultural sector if the government takes the following steps.

1. Loans could be given to farmers to dig wells to irrigate their land.
2. Seeds and fertilizers could be subsidized.
3. Dams and can be built to irrigate dry areas.
4. Transport facilities could be provided.
5. Storage facilities could be provided.
6. Industries and other services related companies could be relocated in rural area so that the underemployed people of the agricultural sector could find work.
7. More schools could be started to educate the rural population to help them become employable, as unemployment is prevalent among farmers.