

Economics-sectors of the indian economy

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SECTORS OF THE INDIAN ECONOMY

In order to understand the functioning of any economy, we need to study various sectors that it comprise. All around us we find people engaged in different types of activites.

CLASSIFICATION OF THE ECONOMIC SECTORS: The classifications are based on

1. Nature of activity being performed. —Primary, Secondary & Tertiary
2. Working conditions of the workers—Organised & unorganized.
3. Who own the assets/ on the ownership basis. —Public & Private

PRIMARY SECTOR:

1. Activites undertaken by directly using natural resources.
2. Example—Agriculture, Mining, Fishing, Forestry, Dairy etc.
3. It is called primary sector because it forms the base for all other products that we subsequently make.
4. Since most of the natural products we get are from agriculture, dairy, forestry, fishing it is also called Agriculture and related sector.

SECONDARY SECTOR:

1. It covers activities in which natural products are changed into other forms through ways of manufacturing that we associate with industrial activity.
2. it is a next step after primary, where the product is not produced by nature but has to be made. Some process of manufacturing is essential, it could be in a factory, a workshop or at home. 3

3. Example: Using cotton fibre from plant, we spin yarn and weave cloth; using sugarcane as a raw material we make sugar or gur; we convert earth into bricks. Since this sector is associated with different kinds of industries, it is also called industrial sector.

TERTIARY SECTOR:

1. These are the activities that help in the development of the primary & secondary sector.
2. These activities by themselves do not produce good but they are an aid and support to the production process.
3. Example: a) Transportation--Goods that are produced in the primary sector need to be transported by trucks or trains and then sold in the wholesale and retail shops; b) Storage--at times it is necessary to store these products in godowns, which is also a service made available. c) Communication--talking to others on telephone); d) Banking--borrowing money from the banks. 4. Since these activities generate services rather than goods it is also called Service sector.

Q. How do we count the various goods and services and know the total production in each sector?

As thousands of goods and services are produced, it is an enormous task to add up all these. To get to this problem economists suggested that the value of goods and services should be used rather than adding the actual numbers. But only one precaution is to be undertaken i.e., only final value of the goods and services should be counted as it already includes the value of all intermediate goods. GDP— The value of final goods and services

produced in each sector during a particular year provides the total production of the sector for that year.

And sum of production in three sectors give Gross Domestic Production—GDP of the country. --It is the value of all final goods and services produced within the country during a particular year. --GDP shows how big the economy is.

Q. Who measures the GDP in India? This mammoth(huge) task in India is carried on by the Central government ministry , with the help of various govt. Departments of Indian states and union territories. The information relating to total volume of goods and services and their prices is collected and then estimates the GDP. Historical change in the sectors: three stages.

INITIAL STAGE: After observing the changes that have come in the development patterns of the sectors, it has been found that - in the Initial stages of the development the Primary Sector was the most important sector of economic activity. -As the methods of farming changed and agricultural sector began to prosper, it produced much more food than before and many people could take up many other activities which led to the increase in number of activities. -However at this stage most of the goods produced were natural products from the primary sector, hence most people were employed in this sector.

SECOND STAGE: Over a long time(more than hundred years or so) because new methods of manufacturing were introduced, factories came up and started expanding. -People began to work in factories in large numbers, and also people started using factory goods in large numbers as they were

cheap. -Secondary sector gradually became the most important in total production and employment. There was a shift and the importance of the sectors also changed. THIRD STAGE: In past hundred, there has been a further shift from Secondary to Tertiary sector in the developed countries. - The service sector has become the most important in terms of total production.

Most of working people are also employed in the service sector. Q. What does the history of developed countries indicate about the shifts that have taken place between sectors? (book question) It indicates that both secondary and tertiary sectors are developing and are becoming major contributors of the GDP. -This shift has come up with the improvement in the agricultural sector, people now had more time for other activities and the number of craft persons, traders (SECONDARY) increased and also buying and selling activities also increased . Now there were many transporters, administrators, army etc. TERTIARY) Rising importance of tertiary sector in production: Over thirty years between 1973 and 2003, production in the tertiary sector has increased the most, and it has emerged as the largest producing sector in India replacing the primary sector. Q. Why the Tertiary sector is becoming so important in India? There are several reasons to it:

1. 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 services are called the ' Basic services. ' In the developing countries the government has to take the responsibility for provision of these services.

2. The development of the agriculture and industrial leads to the development of services such as transport, trade, storage and the like. Greater the development of primary and secondary sectors more will be demand of such services.
3. As the income level rise, certain sections of people start demanding many more services like eating out, tourism, shopping , private hospitals, professional training etc. This is found especially in the big cities.
4. Over the past decade or so certain new services such as those based on the information and communication technology have become important & essential.

It is a remarkable fact that while there has been a change in the share of three sectors in GDP, a similar shift has not taken place in employment. -- Service sector in India employs many different kinds of people—at one end there are a limited number of services that employ highly skilled workers and on the other end there are a very large number of workers engaged in services such as small shopkeepers, repair persons, transporters etc.

Hence only a part of sector is growing in importance. -- More than half of the workers in the country are working in primary sector, mainly in the agricultural, producing only a quarter of GDP. In contrast to this secondary and tertiary sector are producing three-fourth of the produce whereas they employ less than half the people.

Q. WHERE ARE MOST OF THE PEOPLE EMPLOYED? WHY? The primary sector employs the largest number of people in India. --It is because not enough jobs were created in the secondary and tertiary sectors. Q.

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Even though primary sector employs largest number of people yet its share in GDP is less. Why? --More than half of the workers in the country are working in primary sector, mainly in the agricultural, producing only a quarter of GDP. In contrast to this secondary and tertiary sector are producing three-fourth of the produce whereas they employ less than half the people. --This also means that there are in agriculture more people than necessary and even if we move a few people out, production will not be effected. In other words, workers in the agricultural sector are under-employed.

UNDER-EMPLOYMENT: It is a situation, where people are apparently working but all of them are made to work less than their potential. --if few people move out , it will not effect the production. --it is hidden in contrast to the open unemployment where a person is clearly or visibly without job. --it is also called disused unemployment. --this underemployment also happens in the other sectors for example there are thousands of casual workers in service sector in the urban areas as painters, plumbers, repair persons etc.

HOW CAN WE CREATE EMPLOYMENT?

There are various ways in which govt. can create employment opportunities as...

1. The govt. can spend some money or banks can provide loans to construct well ect. Which will reduce the dependency of farmers on rains, and they will be able to grow two crops a year.
2. Construction of Dams and Canals can lead to lot of generation of employment in agricultural sector itself.

3. If govt. invests some money on transportation and storage of crops or makes better rural roads, it can provide productive employment not just to farmers but also to other who are in services like transport or trade.
4. If local banks give credits at reasonable rates to the small and marginal farmers, they will be able to buy necessary inputs for their crops in time.
5. Another way to solve this problem is to identify, promote and locate industries and services in the semi-rural areas where a large number of people maybe employed. Example: many farmers grow arhar chickpea for them a dall-mill to procure and process these & sell in the cities; opening a cold storage will give an opportunity to the farmers to store their produce like potato & onion and sell them price is good; villagers near forests can start with honey collection. To improve health situation we need health centres, hospitals & for that doctors, nurses, workers.
6. Similarly to provide education to all children we would need lot of schools which can also generate employment. Tourism: every state or region has the potential for increasing the income and employment for people in that area. This can also be done by promoting tourism or regional craft industry.
7. News services like IT are also creating jobs.

All these are the long term projects but govt also has certain short term projects for people as: NREGA-2005. NREGA—2005 --National Rural Employment Guarantee Act 2005. --started by the Central govt. -- made a law implementing Right to work in 200 districts of India. --all those who are in

need of work will get guaranteed 100 days work and if the govt. fails to do so, it will give unemployment allowances to them the work will of the type which will in future help to increase the production from land.