



Class X, Economics

CH 2: SECTORS OF THE INDIAN ECONOMY

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TYPES OF ACTIVITIES

ECONOMIC ACTIVITIES

An activity of providing, making, buying or selling commodities or services by people to satisfy day-to-day needs of life. Any activity that includes manufacturing, distributing or utilising products or services.

NON-ECONOMIC ACTIVITIES

An activity performed with the purpose of rendering services to others without any consideration to financial gain. Those activities which are initiated for personal content or to meet human sentiments are non-economic activities.

SECTORS OF INDIAN ECONOMY



PRIMARY



SECONDARY



TERTIARY

PRIMARY SECTOR

- Contains the activities that are undertaken directly using natural resources.
- The product of this activity is a natural product.
- When we produce by exploiting natural resources, it is an activity of the primary sector.
- It forms the base of all other products that we subsequently make. Eg. agriculture, mining, dairy, fishing, forestry etc.
- This sector is also called agriculture related sector.



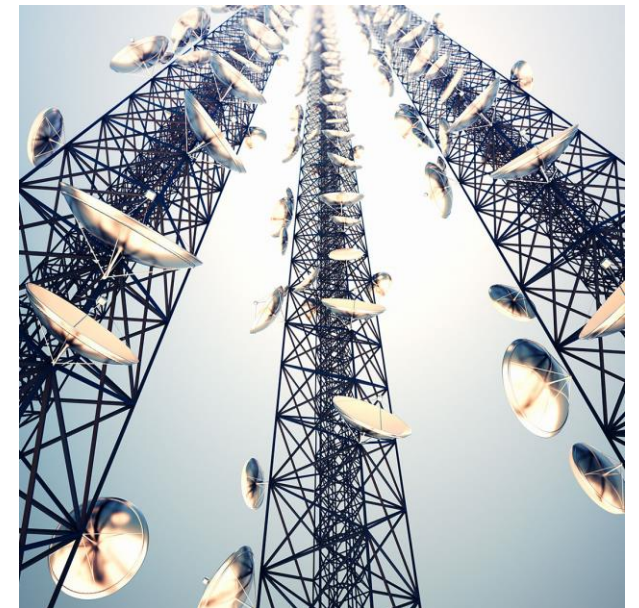
SECONDARY SECTOR

- Secondary sector covers the activities in which natural products are changed into other forms through ways of manufacturing that we associate with industrial activity.
- The product is not produce by nature but has to be made and therefore some process of manufacturing is essential. Eg. using cotton files from the plant, we spin yarn and weave cloth.
- This sector gradually becomes associated with the different kinds of industries that come up. It is also called as industrial sector.



TERTIARY SECTOR

- Tertiary sector covers the activities that help in the development of the primary and secondary sectors. It does not produce any goods but acts as an aid or support to the other two sectors. Eg. transportation, trading, telecommunication, banking etc.
- Since its activities provide services instead of production of goods, this sector is also called the service sector.
- It also includes some essential services that may not directly help in the production of goods. Eg. services provided by teachers, doctors, lawyers etc.



COMPARISON OF THE CONTRIBUTION OF EACH SECTOR TO THE GDP

- The final values of goods and services are used to calculate the GDP rather than the addition of all inputs used to make a good or provide a service.
- Thus, not every good that is produced and sold is counted, only the final goods are included as intermediate goods are used up in the production of final goods and services.
- The value of final goods already includes the value of all intermediate goods that are used in making the final goods.
- The value of final goods and services produced by each sector during a particular year provides the total production of the sector for that year.

COMPARISON OF THE CONTRIBUTION OF EACH SECTOR TO THE GDP (CONTD.)

- The sum of the production of the three sectors gives us what is called the Gross Domestic Product (GDP) of a country.
- It is the value of all final goods and services produced within a country during a year. The GDP shows how big the economy is.
- It is the value of all final goods and services produced within a country during a particular year.
- In India, the mammoth task of calculation of GDP is performed by the Central Statistics Office which comes under the Ministry of Statistics and Program Implementation.

HISTORICAL CHANGES IN SECTORS

- During the initial stages of development, primary sector was the most important sector of economic activity.
- As the methods of farming changed and the agricultural sector began to prosper, it produced much more food than before, many people could now take up other activities and this gave rise to the service sector.
- Over a long time and especially because new methods of manufacturing were introduced, factories came up and started expanding. Those people who had earlier worked on farms now began to work in factories in large numbers.
- Secondary sector gradually became the most important in total production and employment in the past 100 years. However, there has been a further shift from secondary to tertiary sector in developed countries.

HISTORICAL CHANGES IN SECTORS (CONTD.)

- The service sector has become the most important in terms of total production. Most of the working people are also employed in the service sector. This is the general pattern observed in developed countries.

RISING IMPORTANCE OF THE TERTIARY SECTOR IN PRODUCTION

In the year 2003, the tertiary sector has emerged as the largest producing sector in India replacing the primary sector. There are several reasons for this:

- In any country several services such as hospitals, educational institutions and post services etc are considered as basic services and are the responsibility of the government.
- The development of agriculture and industry leads to the development of services such as transport, trade, storage etc.
- As income level rise, certain sections of people start demanding many more services like eating out, tourism, shopping, private hospitals, private schools, professional training etc.

RISING IMPORTANCE OF THE TERTIARY SECTOR IN PRODUCTION (CONTD.)

- Over the past decade or so, certain services such as those based on information and communication technology have become important and essential.
- However, not all of the service sector is growing equally well.
- At one end, there are a limited number of services that employ highly skilled and educated workers. At the other end, there are a very large number of workers engaged in services such as small shopkeepers, repair persons, transport persons etc.
- These people barely manage to earn a living and yet they perform those services because no alternative opportunities for work are available to them.