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## SECTORAL ASPECTS OF INDIAN ECONOMY

We consume various types of goods and services. They can be classified into two types- (i) food items and (ii) non-food items. To make food we need food grains, fruits and vegetables, edible oil etc. These things are produced by farmers in the rural area. There are countless non-food items which we use, such as, clothes, shoes, furniture, utensils, automobiles, pen, paper, book etc. These are produced by industries in towns and cities. Since production of food grains and production of non-food items take place in different environment we classify them as different sectors of the economy.



### OBJECTIVE

After completing this lesson, you will be able to:

- know the three major sectors of Indian economy which the households pursue to earn their living;
- understand the role and importance of each of these sectors in the economy;
- know the linkages among these sectors.

### 20.1 TYPES OF OCCUPATION PEOPLE PURSUE

To earn livelihood people pursue different types of activities based on their education, skill, family tradition etc. Normally we classify them into three different sectors of the economy, such as (i) primary sector, (ii) secondary sector and (iii) tertiary sector.

#### 20.1.1 Primary Sector

Take the scenario in rural areas of India. How do the people, who are living in villages, earn their livelihood? Many of them work on the fields to raise crops, which is known

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as cultivation. They are known as farmers and agricultural labourers and the occupation is called agriculture. There are different types of crops which are cultivated; such as food items and non food items. Food items include cereal, pulses, fruits and vegetables etc. and non-food items include cotton, jute etc.

Similarly people also earn their livelihood from forestry which refers to collection of forest products and selling them in the market. This occupation is called forestry. Forest products include- timber, firewood, herbal medicines etc. Many people work in mining area to extract minerals. There also people who are engaged in raising live stock such as poultry and dairy farming. Finally fishery is another occupation in which people catch fish in ponds, rivers or sea to sell them in the market. All these activities i.e. agriculture, forestry, mining, livestock and fishery are complementary to each other. We classify them as primary production and place them in primary sector.

So primary sector of our economy includes the following.

- (i) Agriculture and allied activities
- (ii) Fishery
- (iii) Forestry
- (iv) Mining and Quarrying

Villages have been existing from ancient days in India and agriculture and the allied activities are very traditional occupation of people. It comes naturally to them because food which comes from agriculture is the basic need of life. But with progress of time human settlements have expanded beyond villages. Towns and cities have come up in the process of development. These are called urban areas. Jaipur, Ahmedabad, Pune, Bhubaneswar etc. are examples of cities in India. Delhi, Chennai, Mumbai and Kolkata are called Metros because they are even bigger cities. These urban areas are known for its non-agricultural occupation. We can divide the non agricultural activities into two sectors.

- (i) Secondary Sector
- (ii) Tertiary sector

### **20.1.2 Secondary Sector**

This sector includes the following production activities

- (a) Manufacturing
- (b) Construction
- (c) Gas, water and electricity supply

## Manufacturing

This implies production of goods by using raw materials in manufacturing units called factories and industries. In terms of size and expenditure involved there are small and large scale industries. Examples of small scale units are: shoe factory, textile unit, printing, glass making, furniture etc. The large scale manufacturing includes steel, automobiles, aluminum, etc. Skilled people work in manufacturing business.

## Construction

This activity includes construction of residential and non-residential buildings, roads, parks, bridges, dams, airports, bus stops and so on. It is a regular activity seen in urban areas.

Another occupation people pursue in secondary sector is gas, water and electricity supply. These are essential services.



### ACTIVITY

- (i) Visit a poultry farm and note down the products it sells.
- (ii) Make a list of five forest products and note down their prices.

### 20.1.3 Tertiary Sector

People are also engaged in tertiary sector activities which are different in nature.

This sector is called service sector where following services are provided.

- (i) Trade, Hotels and Restaurants
- (ii) Transport, Storage and Communication
- (iii) Financial services such as Banking, Insurance etc.
- (iv) Real estate and Business services
- (v) Public Administration
- (vi) Others services.

Table 20.1 provides the percentage of working population in the above mentioned different sub sectors for the year 2009-10.



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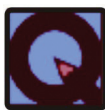


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**Table 20.1 Occupational Distribution of working Population in India (percentage) in 2009-10**

(i) Agriculture	50.19
(ii) Mining and quarrying	0.61
(iii) Manufacturing	13.33
(iv) Electricity, water etc	0.33
(v) Construction	6.10
(vi) Trade, Hotels etc.	13.18
(vii) Transport, storage etc	5.06
(viii) Financial, business services etc.	2.22
(ix) Other services etc.	8.97

*Source: Economic Survey*



**INTEXT QUESTIONS 20.1**

- (i) Which of the following is a part of primary sector?
  - (a) Fishery                      (b) electricity                      (c) banking
- (ii) Which is the largest sector in terms of share in working population in India?



**ACTIVITY**

Visit three households in your neighborhood and ask them about their occupation. Then categorize their occupation into different sectors.

Since people work in various activities under the above mentioned sectors and earn income we can analyse the contribution of these sectors to national product as well as their role and importance in the economy.

**20.2 ROLE AND IMPORTANCE OF PRIMARY SECTOR**

In the primary sector agriculture is the predominant occupation and has the largest share in national income. So let us concentrate on the role and importance of agriculture

in the Indian economy in terms of its share in the national income, providing employment food and raw materials. Let us take them one by one.

### 1. Share in National income

At the time of independence agriculture was contributing more than 50 percent to national income. In recent years its share has come down. In 2009-10 agriculture contributed around 15 percent to national income.

### 2. Providing employment to largest section of population

Agriculture is the mainstay of Indian economy. It is the occupation of the largest section of India's population. At the time of independence about 70 percent of our population depended on agriculture and allied activities to earn their livelihood. With development of manufacturing and service sector dependency on agriculture has slightly reduced. About 50 percent of India's population was working in agriculture in the year 2009-10.

### 3. Providing Food to Millions

Food is the most basic requirement of life. Without agriculture food production and supply would be non-existent. India's food requirement is not only very high but also increasing every year because of increase in its population. The total food grain production of India in 2008-9 was around 234 million tonnes. This includes wheat, rice and pulses.

### 4. Providing raw materials to industries

Industries such as sugar, jute, cotton textiles, vanaspati etc. get their raw materials from agriculture. Do you know how paper is made? It requires a special type of grass, bamboo etc. Without agriculture paper production is not possible. Look at the food processing industry which is supplying so many different varieties of packed food items such as pickles, fruit jam, juice, biscuits, bread, semi-prepared food etc. Food processing industry is operating because of agriculture only.



### INTEXT QUESTIONS 20.2

1. How much was the food grain production of India in 2008-09?
2. Give three examples of products from food processing industry?
3. What was the share of agriculture in National income at the time of independence?
4. How much has agriculture contributed to India's income in 2009-10?



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## 20.3 ROLE AND IMPORTANCE OF SECONDARY SECTOR

In the secondary sector manufacturing industries form the major part. These industries are categorized into small scale industry and large industry.

What is a small scale industry? An industry which can be established by spending a minimum of Rs. 25 lakh on plants and machinery is called a small scale industry. These industries mostly use labour-intensive technology. i.e. production process of these industries use more labour force. Large scale industry, on the other hand needs huge amount of investment in the form of plant and machinery. It is also physically spread over many acres of land and employs large number of people. It also uses capital intensive technology in the form of big machines. Take for example an iron and steel plant. The Tata Iron and steel plant is the oldest in the country. It is situated in Jamshedpur over an area of about 37.31 km. square of land.

The importance of Industrial sector, both small and large, has been increasing after independence. Let us discuss them one by one.

### (i) Share in national income

The contribution of industrial sector has been increasing slowly over time after independence. In 2009-10 the share of this sector was 28 percent in India's domestic product. At the time of independence it was only 14 percent. The increase is due to increase in number of manufacturing units and increase in industrial production.

### (ii) Employment generation

Industrial sector has also largely contributed to providing employment opportunities to India's population. Nearly 3 crores 30 lakhs people are engaged in both small and large scale industries combined. Out of this small industries provide nearly 3 crore 12 lakh jobs.

### (iii) Creation of Infrastructure

Today it has become easier to travel to distant places because of existence of roads, highways, railways, airways. Think of the big Dam projects such as Hirakud and Bhakra-Nangal which provide electricity and irrigation. Look at the big buildings which accommodate offices, shopping centers, factories, institutions etc. and provide residences. Also see the Radio and Telephone towers which facilitate communication. These are all part of infrastructure. You can imagine, how impossible will it be to live without these facilities today? Infrastructure building is possible because of contribution of large scale industries which make the machinery and equipments needed build infrastructure.

**(iv) Provision of consumer goods**

The clothes you wear, the pen, the tooth brush, soap, shoes, cycle, scooter, car etc. you use are produced by manufacturing industries. Today the market is flooded with many goods of your choice. This is possible because of industrialization.



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**INTEXT QUESTIONS 20.3**

1. Define small scale industry?
2. What was the share of industrial sector in national income in 2009-10?
3. Give two examples of infrastructure?

**20.4 ROLE AND IMPORTANCE OF SERVICE SECTOR**

Service sector of India has been expanding and growing very fast. Look around and you will see that number of trains carrying people as well as goods have increased significantly. You also find so many buses, cars and trucks moving on the roads from one place to another. This means that the transport services have grown over time. More number of people are having telephones including mobile phones. More number of schools have been built in the country to provide education. The number of study centers under open schooling has increased so that more students can be benefitted. You can also find hospitals; health centers etc are providing health services to people. Banks have also opened their branches so that people can open their account, withdraw money they want and take loans to purchase house, car, scooter etc. There are hotels and restaurants in almost all public places to provide food to people. These are examples of different types of services. It is difficult to think life in the economy without services. Hence it is important to know the role and importance of service sector which we will discuss below under the following heads.

- (i) Contribution of service sector to National income.
- (ii) Contribution of service sector in providing employment
- (iii) Attracting funds from foreign countries.
- (iv) Contribution of service sector in Exports.

**ACTIVITY**

Prepare a project on your local “transport service” in about 200 words.



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## 20.5 CONTRIBUTION OF SERVICE SECTOR

### (i) Contribution to National Income

Among all the three sectors i.e. agriculture, industry and service, it is the service sector that has contributed maximum to the national income of India. If India's income is 100, then service sector contributed 55.20 in the year 2009-10 which is more than half of the total. We have presented the share of different services in table 20.2 below.

**Table 20.2 Contribution of services sector in GDP (2009-10)**

Trade, Hotels etc.	16.3
Transport, Communication	7.8
Finance, real estate, business	16.7
Community, social and others	14.4
Total service sector	55.2

*Source: Economic Survey*

You can see that financial, real estate and business services contributed 16.7 percent out of the total 55.2. Financial services include Banking and Insurance. Trade and hotel services contributed 16.3 percent. Community and social services which include public administration, defense etc. has contributed 14.4 percent while transport and communication contributed 7.8 percent to national income.

### (ii) Contribution to Employment

Now a days more and more people are getting employment in service sector. Out of total employment level in the country, this sector has absorbed 29.4 percent of them in 2009-10. In times to come this figure is going to increase further. The main reason is that the number of educated people in India is increasing every year. They belong to various fields such as matriculates, graduates in arts, commerce, science, engineering, medicine and other professional and vocational streams. Service sector needs these people. In terms of wages and salaries, service sector, pays more than that of agricultural sector. Compared to agriculture, service sector provides more job opportunities. There is existence of large varieties of services which are provided round the year. But there are some seasonal activities in agriculture. So as people become more educated they move to service sector. So employment in service sector is increasing.

### (iii) Attracting Funds from Foreign Countries

Looking at the growth of service sector of India people from foreign countries are showing more interest to invest money in this sector to earn profit. Banking, insurance,



trade, transport, hotel services combined have attracted more than 1 lac 18 thousand crores rupees from foreign countries in the form of direct investment. Recently computer service has grown many fold in India. This has attracted more than forty seven thousand crores of rupees from foreign countries. If investments are made then more job opportunities are created. This is advantageous for the nation.

### (iii) Contribution of Service Sector to Exports

Exporting means selling goods and services to citizens in foreign countries to earn foreign exchange in the form of dollar, euro, yen, pound etc. In recent years India's service sector has contributed a lot in earning foreign exchange for the country through exports. Our business services which include – IT, consultancy, legal services, etc. have become world standard .

In the year 2009-10 India earned nearly 4.35 lakh crores of rupees from exports in services.



### INTEXT QUESTIONS 20.4

1. What was the share of service sector in employment in 2009-10?
2. What was the share of service sector in national income of India in 2009-10?

## 20.6 LINKAGES AMONG THE THREE SECTORS OF THE ECONOMY

All the three sectors are interlinked. In fact they complement and supplement each other. We give you the following story to understand it.

Hari Singh is a farmer who cultivates wheat on his agricultural land in the village Rampur. Last year he had a good harvest due to good rain fall. So he could sell 10 quintals of wheat in the local mandi and keep another 10 quintals for his household consumption. This year there is no proper rainfall. The area is also having no irrigation facility. Then how to provide water to the wheat crop ? Hari Singh decided to lift ground water. But for this he needs a diesel pump set. Who will provide a diesel pump set? It is produced by a manufacturing unit called Ravi manufacturers which is situated 200km away in an industrial area called Karim Nagar. Now going to such distant place is a difficult task. Ganga Singh, a friend of Hari Singh told that there is no need to worry. He took Hari Singh to the nearest township market called Shiv Mandi. In the market complex there is a shop called Pappu Hardware Store run by Ganga's brother-in-law named Pappu who sells pump sets. When Hari Singh asked for the pump set Pappu told him to wait for two hours because the truck carrying 50 Ravi pump sets and some spare parts for



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tractors from Karim Nagar would reach his shop by that time. Pappu also talked to Ravi Khetrapal, who is the owner of Ravi pumps, over his mobile phone to confirm this. In the mean time Ganga and Hari took tea and snacks in the tea stall, went to enquire about admission into primary schooling for Hari's little daughter and brought medicines from the health center for Ganga's son who was having fever at home. After two hours when they came back to Pappu's shop they saw labourers unloading the pumpsets. Pappu told them that he had ordered 50 pumps from the factory in Karim Nagar. The truck would deliver the spare parts to another shop in the same market place which sells auto and tractor parts. Hari saw that Pappu gave a cheque of Rs. 100,000 to the truck driver who received it on behalf of Ravi Khetrapal. "Since the amount is big, it is not safe to give cash. Cheque is a better option. Mr. Khetrapal can deposit the cheque in his bank account to get the money" Pappu said. He further said that this payment was made to settle some earlier dues. The payment for pumps would be made after he sells the pumps to the customers in the similar way. Hari Singh paid Rs. 7000 to Pappu and bought one pump set. "Due to bad monsoon this year pump sets are in great demand and will be sold quickly" said Pappu confidently. "What about the truck now?" asked Hari while returning back to village with Ganga Singh. "The truck will now carry wheat and vegetables from the mandi which would be sold to households in the Karim Nagar industrial area and township" replied Ganga.

From the story above you can easily establish the link between the agriculture, industry and service sectors. Like Hari Singh there are many farmers in the agricultural sector who need diesel pumps to irrigate their land. Besides pumps there are many other inputs such as fertilizer, pesticides, plough, tractor etc. are required for cultivation. These things are supplied by industry in the same way as the pump in the story. In return people working in industries and services get food supplied by the agricultural sector in the same way as Hari Singh had sold his surplus wheat in the mandi. What is role of service sector then? Its role is to facilitate and ensure these transactions between agriculture and industry. In the story the truck carrying pumps and spare parts from Karim Nagar to Shiv Mandi and food items on its journey back is a part of transport service. Use of mobile phone to keep track of the order as part of communication services. Cheque deposit in the bank is part of financial service. Pappu's shop provides business service of delivering the good. Note that all these activities are duly backed and supported by money flow. Here in the story Hari Singh sold wheat and got money. He used the money to buy a pump. Pappu got money from Hari and paid it back to supplier of pumps after keeping his profit. After receiving the money the pump supplier will pay the truck driver his due and give wages to people in the factory. These people will use the money to buy food in the local market transported by the truck from mandi.

From this simple story, now you can imagine how the whole of the economy is linked and connected internally.



### INTEXT QUESTIONS 20.5

1. Give one benefit of making payment by cheque?
2. “Transporting food grain” is a part of which sector?
  - (a) agriculture
  - (b) industry
  - (c) service



### ACTIVITY

Visit your local market and make a list of some services you get there. Also make a list of five agricultural and industrial products you see there and find out their place of origin?



### WHAT YOU HAVE LEARNT

- There are three sectors in the economy, namely, primary (agriculture and allied activities), secondary, (manufacturing etc.) and tertiary (services).
- All these sectors contribute towards generation and growth of national income, creation of employment opportunities, supply of goods and services and creating infrastructure.
- All the three sectors are interlinked by complementing and supplementing each other.



### TERMINAL EXERCISE

1. Name the sub sectors of primary sector?
2. Name the sub sectors of secondary sector?
3. Name the sub sectors of tertiary sector?
4. Explain the role and importance of primary sector?
5. Explain the role and importance of secondary sector?
6. Explain the role and importance of tertiary sector?
7. How are the three sectors of the economy interrelated?



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**Notes****ANSWERS TO INTEXT QUESTIONS****Intext Questions 20.1**

1. (a)
2. Agriculture

**Intext Questions 20.2**

1. 234 million tonnes
2. bread, fruit jam and pickles
3. more than 50 percent
4. 15 percent

**Intext Questions 20.3**

1. An industry which can be established by spending a minimum of Rs 25 lakhs on plants and machinery is called a small scale industry.
2. 28 percent
3. Telephone tower, Hirakud Dam

**Intext Questions 20.4**

1. 29.4 percent
2. 55.2 percent

**Intext Questions 20.5**

1. safety (reaches the person through bank amount)
2. service