

# SECTORS OF THE INDIAN ECONOMY

## SHORT ANSWER TYPE QUESTION [3 MARKS]

1. **Why has the entire tertiary sector not grown in importance? Explain.**

**Answer:** The entire tertiary sector has not grown in importance because of the following reasons:

- **Peculiarity of skills in the tertiary sector:** Highly-educated and skilled professionals only are able to get employment. Others engage themselves in low-paid jobs.
- **High incomes:** Higher incomes are available for the top-level administrative jobs only. Low-paid jobs do not attract employment.
- **No job security:** Large number of workers are casual with irregular and low incomes barely to sustain livelihoods.

2. **Why does disguised employment not help in productivity of a country? Explain with the help of an example.**

**Answer:** Disguised employment means that more number of people employed in an economic activity than required. If these extra people are removed, there will be no effect on the production. They seem to be employed but actually they are not. The workforce is not being used to its potential. They divide the work but do not increase production.

They do not help in increasing the productivity as their efforts are not economic. For example, in the rural areas, the entire family is engaged in the production of crops on the same piece of land. If there are ten people in the family, three people can manage the production. If the extra seven people are removed the productivity will be the same. They seem to be making no contribution. Hence, it is truly stated that disguised or hidden employment does not help in productivity of a country.

3. **Explain the meaning of disguised employment with the help of an example**

**Answer:** The following are the features of the unorganized sector.

- Working hours are more and harsh.
- No job security is there.
- No employment benefits are given.
- Employees work in poor working conditions.

4. **Explain the objectives of implementing the NREGA 2005**

**Answer:** National Rural Employment Guarantee Act 2005 (NREGA) is an Indian labour law and social security measure that aims to guarantee the right to work.

- It aims at enhancing livelihood security in rural areas by providing at least 100 days of wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work.
- The NREGA was initiated with the objective of “enhancing livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year, to every household whose adult members volunteer to do unskilled manual work.”
- Another aim of NREGA is to provide employment within 5 km of an applicant’s residence, and minimum wages are to be paid. If work is not provided within 15 days of applying, applicants are entitled to an unemployment allowance.

5. **Explain with suitable examples which part of the service sector is not growing in importance.**

**Answer:** The employment generation part of service sector is not growing in importance. The service sector in India employs different kinds of people. 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, cattle owners, transport drivers and electricians. These people barely

manage to earn their living and yet they perform these services because no alternative opportunity for work is available for them.

6. **Highlight the three factors responsible for the growth of service sector in the Indian economy.**

**Answer:** Ever since the service sector got liberalized in the year 1991, it has seen constant growth. The following are the reasons responsible for the growth of service sector in the Indian economy.

- Increase in the income of people: Since the income level of the people has been increasing ever since, with increasing affluence there is an increase in the demands of the services like maids, cooks, servants and gardeners.
- Increase in population: With an increase in the number of people in the country, the demand for service sector has increased. Demands for services like schools, health department and nursing homes have increased.
- Increase in numbers of working women: With the passage of time there has been a massive increase in the number of working women in India. This has led to an increase in demands in the service sector like household help, babysitters and cooks.

7. **Explain disguised unemployment with two examples, one from urban areas and one from rural areas.**

**Answer:**

Disguised unemployment is a kind of unemployment in which some people look like being employed but are actually not employed fully. This situation is also known as hidden unemployment. It refers to a situation wherein more people are engaged in a work than required. When the surplus workers from a rural area engaged in the activity or the work, are removed, the production remains unaffected.

In urban areas, there are many people who are employed. Their jobs do not suit their qualifications. Disguised unemployment can be seen in the service sector where painters, repair person, plumber, etc. are doing odd jobs. Many of them do not find work on a daily basis. Taking an example, there is a shop, which requires only two persons for handling it, but if there are three servants and one owner to look after the shop, then this shows that two servants are in the situation of disguised unemployment.

In rural areas, disguised employment can be seen in the agricultural sector. Most often, all the members of a family are engaged on the same piece of land. If a few members are withdrawn, there will be no effect on the production. So, the members who are withdrawn are in the situation of disguised unemployment.

8. **“Consequences of environmental degradation do not respect national or state boundaries.”**

**Explain**

**Answer:**

Environmental degradation is a global issue, which has been discussed and debated over the past decades. It is the deterioration of the environment through depletion of resources such as air, water and soil. It affects and depletes the ecosystem, hampers the ozone layer and is responsible for extinction of wildlife. Environmental degradation is not restricted to national or state boundaries. It hampers the surroundings irrespective of any national or state boundaries and its harmful effects are well felt in the surrounding states and neighbouring countries and even globally.

For example, if India has a lot of air pollution through massive thermal power plants and other sources, it affects its neighbouring countries like Pakistan, Sri Lanka and Bangladesh. Acid rain and climate change are some transcontinental issues. Land degradation in India affects Bangladesh as it brings massive silt and floods.

Therefore, environmental degradation is a serious issue which has grabbed the attention of all countries irrespective of boundaries because protecting the environment is the need of the hour at the global level.

9. **How did NREGA 2005 bring upliftment of the rural people? Explain.**

**Answer:**

**The NREGA 2005 has helped in the upliftment of Rural people in the following manner.**

- **Guaranteed Employment:** Any adult member of a rural household applying for work under the Act is entitled to employment. Every rural household is entitled to 100 days of employment. **Guaranteed Wages:** Wages are to be paid on a weekly basis and not beyond a fortnight. Wages are to be paid on the basis of:
  - Centre-notified, state-specific NREGA wage list
  - Time rates and piece rates as per state-specific Schedule of Rates (SoRs).
  - In any case, the wage cannot be at a rate less than Rs. 60 per day.
- **Unemployment Allowance:** If work is not provided within 15 days of applying, the state is expected to pay an unemployment allowance which is one-fourth of the wage rate.

10. **Explain the interdependence of all three sectors giving examples from transportation system.**

**Answer:**

All the three sectors, primary, secondary and tertiary, are interdependent to each other in the following ways.

- Primary sector makes possible the extraction of natural resource like iron. This iron is then taken to the secondary sector for manufacturing through the transportation system like trucks. The extraction process is supported by the financing and information technological institutions.
- It is through the secondary sector that the natural resource iron is changed into other forms through the process of manufacturing. Manufacturing again needs the support of the service sector in the form of engineers, electricians, etc. Iron is changed into iron sheets and then into vehicles for transportation.
- Once manufactured, the vehicles are sold through various trading agencies. These vehicles are used for providing services in the tertiary sector and at the same time support the primary and the secondary sectors to carry out their processes.

11. **What constitutes the unorganized sector in urban areas? Why do workers in this area need protection?**

**Answer:**

In the urban areas, unorganised sector comprises mainly small-scale industry, casual workers in construction, trade and transport, street vendors, head-load workers, garment makers, ragpickers, etc. All these workers constitute unorganized sector in urban areas.

A majority of workers in the unorganized sector are from scheduled castes, scheduled tribes and backward communities. Workers in unorganised sector urban areas need protection because, besides getting the irregular and low-paid work, these workers also face social discrimination. They are looked down upon by the people in urban areas. Protection and support to the unorganised sector workers is thus necessary for both economic and social development.

12. **How does service sector help in the development of primary and secondary sectors? Explain with examples.**

**Answer:**

After primary and secondary sectors, there is a third sector called the service sector also known as tertiary sector. Activities that fall under the service sector help in the development of the primary and secondary sectors by not directly producing a good but helping these sectors by activities that are an aid or a support for the production process.

For example, goods that are produced in the primary or secondary sector would need to be transported by trucks or trains and then sold in wholesale and retail shops. At times, it may be necessary to store these goods in godowns. We may also need to talk to others over telephone or send letters (communication) or borrow money from banks (banking) to help production and

trade. Transport, storage, communication, banking and trade are some examples of service or tertiary sector.

Since these activities generate services rather than goods, they promote primary and secondary sectors by providing expertise, finance, transportation, advertisement, etc.

**13. With the example of sugar cane, explain the interdependence of all the three sectors of economy.**

**Answer:**

**Primary Sector:** cultivation of sugar cane

**Secondary Sector:** processing of sugar cane to make sugar Tertiary sector:

- Transportation of sugar cane into factories for processing it into sugar
- Transportation of sugar packs to various markets
- Sale of sugar by wholesalers and retailers.

So, the process starts when the sugar is cultivated. Since cultivation is part of agriculture, it comes in the primary sector. After the cultivation, the sugar cane is processed to make sugar in the factories, which is an industrial process and thus comes in the secondary sector. After which, the sugar is transported to various markets, where it is sold by retailers and wholesalers which is part of tertiary sector.

In this way, all the three sectors are interdependent.

**14. How far is it correct to say that several services which cannot be provided by private sector can be provided by the public sector? Explain.**

**Answer:** A few examples of public sector activities are Indian Railways, water, electricity board and modes of transport.

There are several necessities of common man, but it is not possible for the private sector to provide all these things at reasonable cost. For example, water and electricity are the basic needs of everyone. If the work of providing these is given to private sector then the latter can exploit this opportunity by selling the same at high rates. Therefore the supply of basic amenities is given to the government so that it provides these facilities to the people at low and affordable rates, ensuring the smooth and uninterrupted supply to the public.

**15. Name the sector that is the largest employer in India. Why does this sector produce only a quarter of the National GDP?**

**Answer:** The agricultural sector (Primary) is the largest employer in India. Nearly 51% of the population is engaged in this section in one way or the other. However, its share in the national GDP is very less because of the following reasons.

- The average size of the land holdings is very low which results in low productivity per holder.
- Less use of modern technology and knowhow among the farmers to increase crop productivity.
- The systems of providing financing and marketing facilities have been insufficient since independence. The farmers are not able to get benefits from the loan facilities and access to large markets.
- Absence of alternate income generating activities in rural areas give rise to disguised unemployment where efficient labour force is not used to its optimum.

**LONG ANSWER TYPE QUESTION [5 MARKS]**

**16. What is unorganized sector? Describe the working procedure of this sector.**

**Answer:**

An unorganized sector is a sector that is not registered by the government. It is characterized by small and scattered units. Being outside the control of the government, no rules and regulations are followed regarding the employment and working conditions.

This sector includes a large number of people who are employed on their own doing small jobs

such selling things on the street or doing repair work. **Working procedure in unorganized sectors is as follows.**

- The unorganised sector is characterised by small and scattered units, which are largely outside the control of the government.
- There are rules and regulations but these are not followed.
- Jobs here are low-paid and often not regular.
- The condition of workers in unorganized sector is not good or stable.
- There is no provision for overtime, paid leave, holidays, leave due to sickness, etc.
- Employment is not secure. People can be asked to leave without any reason. When there is less work, such as during some seasons, some people may be asked to leave.
- A lot also depend on the whims of the employer.
- This sector includes a large number of people who are employed on their own, doing small jobs such as selling things on the street or doing repair work

**17. Give five reasons for the rising importance of the tertiary sector in production**

**Answer:**

Over the forty years, between 1970 and 71, and 2010 and 11, while production in all the three sectors has increased, it has increased the most in the tertiary sector. The following factors are making the tertiary sector important in India.

- **Basic services:** 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 and insurance companies, are required. These can be considered as basic services. In a developing country, the government has to take responsibility for the provision of these services.
- **Development of primary and secondary sector:** The development of agriculture and industry leads to the development of services such as transport, trade and storage. The greater the development of the primary and secondary sectors, the more would be the demand for such services.
- **Rise in income levels:** As income levels rise, certain sections of people start demanding many more services like eating out, tourism, shopping, private hospitals, private schools and professional training centres. We can see this change quite sharply in cities, especially in big cities.
- **Rise in information technology:** Over the past decade or so, certain new services, such as those based on information and communication technology have become important and essential. The production of these services has been rising rapidly.
- **Globalization:** Due to globalization, people have become aware of new services and activities, and communication because of which the tertiary sector has gained importance.

**18. Explain with suitable examples how public sector contributes to the economic development of the nation.**

**Answer:**

- **Creation of infrastructure:** Public sector promotes the economic development since it brings about creation and expansion of infrastructure and the infrastructure plays an important role in economic development.
- **Generates financial resources:** Public Sector provides for various employment opportunities since major part of public sector depends on manpower and higher employment opportunities implies higher generation of financial resources for economic development.
- **Contributes to HDI:** Public sector majorly contributes to the Human Development Index since health and education industries come under the purview of public sector.
- **Availability of goods:** Public sector helps in availability of goods at moderate rates, which helps in maintaining financial security and thus helps in economic development.
- **Provides encouragement:** It provides encouragement to small, medium and cottage production units. It also strives for the creation of welfare state.

**19. Describe the provisions of the National Rural employment Guarantee Act 2005**

**Answer:**

National Rural Employment Guarantee Act 2005 aims to guarantee the right to work. It also aims at improving livelihood in rural areas.

**The following are the provisions of the NREGA.**

- **Eligibility:** Any Indian citizen who is above the age of 18 years and resides in the rural area is entitled to apply for work.
- **Distance:** Work is to be provided by the government in a radius of 5 km of the applicant if possible and in any case within the block. If the work provided is beyond 5 km of distance, extra travel allowance is to be paid.
- **Wages:** Workers under NREGA are entitled to the statutory minimum wage applicable to agricultural labourers in the state, until and unless the central government notifies a different wage. In whichever case, the minimum wage cannot go below ₹ 60 per day.
- **Timely payment:** Workers are to be paid weekly or in any case not later than a fortnight. Payment of wages should be made directly to the person concerned on pre-announced dates.
- **Entitlement:** Any applicant is entitled to work within 15 days, for as many as he/she applied, subject to a limitation of 100 days per year per household.

**20. Compare the employment conditions prevailing in the organised and unorganised sector?**

**Answer:**

<b>Organised sector</b>	<b>Unorganised sector</b>
(a) Workers have job security.	Workers do not have job security.
(b) Workers get regular monthly salary.	Workers get daily wages.
(c) Rules and regulations are followed here.	Rules and regulations are not followed here.
(d) Workers get benefits like provident fund, paid leave and medical benefits.	Workers do not get any such benefits.
(e) Working hours are fixed here.	Working hours are not fixed here. Sometimes, workers work for 10-12 hours straight.
(f) It is called the organised sector because it has some formal processes and procedures.	There are not formal processes and producers here.
(g) Working conditions are favourable.	Working conditions are not favourable.
	<i>(any five)</i>

**21. What is GDP? Explain the process to calculate GDP.**

**Answer:**

The GDP, which is the Gross Domestic Product, is the value of all final goods and services produced within a country during a particular year. 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 the sum of production in the three sectors gives what is called the Gross Domestic Product (GDP) of a country. The GDP shows how big the economy is.

In India, the mammoth task of calculating GDP is undertaken by the Central Government. This ministry, with the help of various government departments of all the Indian states and union territories, collects information relating to total volume of goods and services and their prices and then estimates the GDP. The GDP is usually calculated on annual basis. It includes private and

public consumption, government outlays, investments and that occur within a defined territory.

$$\text{GDP} = \text{C} + \text{G} + \text{I} + \text{NX}$$

- here,
- C = private consumption or consumer spending
  - G = the sum of government's spending
  - I = the sum of all country's business spending on capital
  - NX = the nation's total net exports calculated as total exports minus imports (NX = Export – Imports)

22. Distinguish between public and private sectors.

Answer:

Public Sector	Private Sector
(a) In the public sector, the government owns most of the assets and provides all the services.	In the private sector, ownership of assets and delivery of services are in the hands of private individuals or companies.
(b) Activities in the private sector are guided by the motive to earn profits. To get such services, we have to pay money to these individuals and companies.	The purpose of the public sector is not just to earn profits. Governments raise money through taxes and other ways to meet expenses on the services rendered by it.
(c) Their main way of making revenue is through public revenue like tax, duty and penalty.	Their main way of making revenue is through issuing shares and debentures or by taking loans.
(d) The benefits of working in public sector is that it gives job security, allowances and retirement benefits.	The benefits of working in private sector is that it gives exciting salary packages and perks.
(e) Railways and post office are the examples of the public sector.	Tata Iron and Steel Company Limited (TISCO) or Reliance Industries Limited (RIL) are examples of the private sector.

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Answer:

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**25. In what ways can employment be increased in urban areas?**

**Answer:**

Urban unemployment is characterised by the existence of both open unemployment, which in turn is an offshoot of rural unemployment itself, and the educated unemployment. Main causes of urban unemployment are insufficient economic development, defective system of education and slow growth of industrialisation.

**Urban unemployment can be increased in the following ways.**

- Reform of the educational system to make it vocational at the school stage.
- Concrete action will have to be taken to promote decentralisation and dispersal of industrial activity.
- Promotion of small-scale industries and encouragement to self-employment by banks.
- Develop techniques of production that can be taken up with low capital intensity.
- Provision of infrastructure like railways, roads, hospitals and schools which will not only create employment opportunities but also contribute to development.

**26. How can more employment opportunities be created in the rural areas?**

**Answer.** The following steps can be taken to create more employment in the rural areas.

- (a) Loans should be provided to small farmers by the government or bank to have more irrigation facilities like wells and tube wells in order to enable them to grow second crop.
- (b) New dams and canals should be constructed. This will lead to more employment in the agricultural sector.
- (c) Transportation and storage facilities must be improved to provide productive employment to not only the farmers but also to others in services like transport and trade.
- (d) Banks should provide agricultural credit to the farmers for farming to improve.
- (e) Industries such as dal mill, cold storage, honey collection centers and processing of vegetables should be set up in rural or semi-rural areas. Such industries will get raw materials from the rural areas and will create more employment opportunities for the rural people.
- (f) More schools should be opened in rural areas. This will provide jobs to about 20 lakh people in the education sector.
- (g) Health services should be improved by opening dispensaries and hospitals. This will create jobs for doctors, nurses and other staff.
- (h) Tourism, regional craft industry and Information Technology should be encouraged by the government to create more employment opportunities. (any five)

**27. What is the role of government in public sector?**

**Answer.** The following points sum up the role of government in public sector.

- (a) Welfare of the people: The modern state is a welfare state that looks after the interests of its citizens. People pay different types of taxes and expect their representatives or the government to follow policies for their welfare. Services like railways, posts and telegraphs are run by the government for the welfare of the people.
- (b) Large expenditure: Some activities like construction of roads need large sums of expenditure that cannot be borne by the private sector. So, the government takes up such activities in the interest of the people in a democracy.
- (c) Support of the government: There are some activities that need support of the government in the form of subsidy such as provision of foodgrains for the poor through ration shops. The government buys wheat, paddy etc. at a higher price but sells at a lower price at ration shops.
- (d) Duty of the government: It is duty of the government to raise the living standard of the people. It should make arrangements for quality education and health services in order to take care of the poorest and most ignored regions of the country through increase in expenditure in such areas. Thus, the government takes up various activities and spends a lot of expenditure on them.

**28. What is Planning Commission? What have been its findings?**

**Answer.** Planning Commission is a body set up by the Central Government that conducts economic survey and chalks out programmes and policies to tackle economy-related issues. The following have been the findings of the Planning Commission.

- (a) 20 lakh jobs need to be created in the education sector alone.
- (b) There is a dire need to improve health standards by appointing doctors, nurses and health workers, especially in the rural areas.
- (c) Development of income generating potentials like tourism, regional craft, etc. in the rural areas through proper planning. It has been said that if tourism as a sector is improved, every year we can give additional employment to more than 35 lakh people.
- (d) Development of IT sector, which could generate employment to lakhs of people in the urban areas.