

## 2 SECTORS OF THE INDIAN ECONOMY

### CONCEPT

- All activities that give an income in return are called economic activities. Example, people going for work in factories, banks, schools, etc.
- Economic activities can be classified into different sectors on the basis of nature of work.
- Primary sector : Goods which are produced by exploiting natural resources come under the category of primary sector. This sector is also called agriculture and related sector, e.g. - cotton which is a natural product.
- Secondary sector : Transformation of one good into another comes under the category of secondary sector. Manufacturing is one of the important components of this sector.  
Example : Transformation of sugarcane into sugar.
- Tertiary sector : All production units producing services which help in the development of primary and secondary sectors come under the category of tertiary sector. This is also known as service sector.  
Example – Services given by doctors, teachers, lawyers etc.
- These three sectors are highly interdependent on one another. This can be explained with the help of an example : Farmers buy goods such as tractors, pumpsets, fertilisers (manufacturing sector) to produce agricultural goods (primary sector). This shows dependence of primary sector on secondary sector. Now farmers want to sell their output. For this, they need transport facilities. It shows dependence of primary sector on tertiary sector.
- There are thousands of goods and services produced in an economy. We cannot add different types of goods in practice. So the value of these goods and services should be used rather adding up the actual numbers.  
Comparison can be done among these three sectors on the basis of value of final goods and services produced.
- 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 these sectors gives us gross domestic product (GDP) of a country.
- Tertiary sector has emerged as the largest sector because it helps in the development of primary and secondary sectors.  
Several services such as hospitals, banks, insurance companies, transport, educational institutions are the basic services which are required by primary and secondary sectors for their normal functioning.

- Organised sector covers those enterprises or places of work where the terms of employment are regular. They are registered by the government and have to follow its rules and regulations. Therefore people have job security.
- Unorganised sector covers small and scattered units which are largely outside the control of the government. There are rules and regulations but they are generally not being implemented by the unorganised sector. Employment is not secure in the unorganised sector.
- In unorganised sector protection and support is required for the workers for their economic and social development. Besides getting irregular and low paid work, they also face social discrimination.
- Public sector is the sector which is owned, controlled and managed by the government. Activities in the government sector are guided by the motive of social welfare and not to earn profit.
- In private sector ownership of production units is in the hands of private individuals. Activities in the private sector are mainly guided by the motive to earn profit. Example : TISCO and RIL.
- Employment is an activity from which a person earns the means of living, i.e. income in cash or in kind.
- Unemployment refers to a situation where the persons who are able to work and are willing to work, fail to secure work.
- Underemployment is a situation in which a worker gets work for less time than the time he can work. In other words, he remains unemployed for some months in a year or some hours everyday.
- There was a big change in the share of three sectors in G.D.P. (from 1973 to 2000) but data show that such similar shift has not been taken place in terms of employment.
  - \* In secondary sector, output went up by 8 times but in terms of employment it rose up by only 2.5 times.
  - \* In tertiary sector output went up 11 times whereas employment rose up 3 times.
- Government can create more employment opportunities by providing better infrastructure such as roads, dams, canals etc. Further, this can be enhanced by providing services like banks, transport and communication.
  - \* Set up industries that process vegetables and agricultural produce like potatoes, rice, wheat, tomato, fruits which can be sold in outside markets. This will provide employment in industries located in semi-rural areas.
- Mahatma Gandhi National Rural Employment Guarantee Programme-2005 (NREGA-2005)  
This act is implemented as “Right to Work” in all the 604 districts of India. Under this act, all those who are able to work and are in need of work have been guaranteed 100 days of employment in a year by the government. However, only one person per family is entitled to this benefit.

## I. SUMMATIVE ASSESSMENT

### A. NCERT TEXTBOOK QUESTIONS

#### Questions Within The Lesson

**Q.1. Economy classified into organised and unorganised sectors is based on**

- (a) economic activities
- (b) employment conditions
- (c) ownership
- (d) type of goods and services produced

**Ans.** (b)

**Q.2. Which sector provides security of employment?**

- (a) unorganised sector
- (b) organised sector
- (c) private sector
- (d) tertiary sector

**Ans.** (b)

**Q.3. What does the history of developed countries indicate about the shifts that have taken place between sectors?**

**Ans.** (i) Initially, primary sector was the main economic activity.

(ii) Due to improved methods of farming, productivity of agriculture sector increased. Therefore, more persons were taking up other activities like trading, transport, army etc.

(iii) Secondary sector became most important sector for production and employment over a period of time. This was a shift from primary to secondary sector by the labour.

(iv) In developed countries a further shift from secondary sector to tertiary sector has been observed in the past 100 years. Major portion of working population is engaged in the service sector.

In conclusion, in developed economies, tertiary sector has gained an important position.

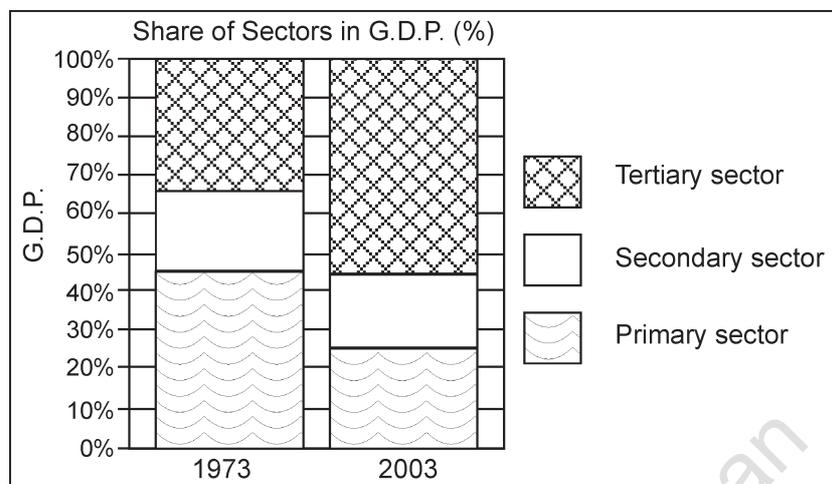
**Q.4. For each of the sectors that we come across in this chapter why should one focus on employment and GDP? Could there be other issues which should be examined? Discuss.**

**Ans.** There was a big change in the share of three sectors in GDP (from 1973 to 2000) but data show that a similar shift has not taken place in terms of employment.

- In secondary sector output went up by 8 times but in terms of employment it rose up by only 2.5 times.
- In tertiary sector output went up 11 times whereas employment rose up 3 times.

So we see that people are shifting from primary sector to secondary and tertiary sectors. This is an indication of progressing on the path of development.

**Q.5. Study the diagram given below and answer the questions that follow :**



- Which was the largest producing sector in 1973? Give one reason.
- Which was the largest producing sector in 2003? What was its contribution to the GDP?
- What was the main reason for the highest increase in GDP in this sector in comparison to other sectors. [2008]

- Ans.**
- Primary sector was the largest producing sector in 1973 because the primary sector has a 45% share in GDP because the majority of the population was involved in agriculture due to a lack of economic development.
  - Tertiary sector was the largest producing sector in 2003 as its contribution to GDP was around 51%.
  - Main reason for the highest increase in GDP in the tertiary sector was that due to economic development, the income of people increases. It results in more demand for services like tourism, shipping, private schools and hospitals etc.

**Q.6.** The table below shows the estimated number of workers in India in the organised and unorganised sectors. Read the table carefully. Fill the missing data and answer the questions that follow.

**Workers in Different Sectors (in Millions)**

Sector	Organised	Unorganised	Total
Primary	2	<b>240</b>	242
Secondary	9	54	63
Tertiary	17	76	93
Total	28	<b>370</b>	<b>398</b>
<b>Total in Percentage</b>	<b>7%</b>	<b>93%</b>	<b>100%</b>

- Which is the most important sector that provides most jobs to the people?
- What is the number of persons engaged in the unorganised sector?
- Why is the unorganised sector more important? Give one reason.



**Ans.**

- (i) Unirrigated land
- (ii) Low prices for crops
- (iii) Debt burden
- (iv) No jobs in the off season
- (v) Compelled to sell their grain to the local traders soon after harvest
- (d) Construction of canals by the government
- (c) Procurement of foodgrains by government
- (e) Banks to provide credit with low interest
- (a) setting up agrobased mills
- (b) cooperative marketing societies

**Q.4. Find the odd one out and say why.**

- (i) Guide, dhobi, tailor, potter
- (ii) Teacher, doctor, vegetable vendor, beautician
- (iii) Postman, courier, deliverer, soldier, police constable
- (iv) MTNL, Indian Railways, Air India, SAHARA Airline, All India Radio

**Ans.**

- (i) Guide is the odd one because he is often educated while others are often uneducated.
- (ii) Vegetable vendor is the odd one, because he is often illiterate while others are literate.
- (iii) Soldier is the odd one, because he belongs to military department while others belong to civil departments.
- (iv) Indian Railways are the odd one because they are based on the land while others are linked with the atmosphere.

**Q.5. A research scholar looked at the working people in the city of Surat and found the following**

Place of work	Nature of employment	Percent of working people
In offices and factories registered with the government	Organised	15
Own shops, office, clinics in market places with formal license	Organised	15
People working on the street, construction workers, domestic workers	Unorganised	20
Working in small workshops usually not registered with the government	Unorganised	50

**Complete the table. What is the proportion of workers in the unorganised sector in this city (in percent) ?**

**Ans.** In the organised sector there is  $15 + 15 = 30\%$  people.

In the unorganised sector there are  $20 + 50 = 70\%$  people.

**Q.6. “Tertiary sector is not playing any significant role in the development of Indian economy.” Do you agree? Give reasons in support of your answer.**

**Ans.** No, tertiary sector is playing an important role in the development of Indian economy. It helps primary and secondary sectors to develop by providing services such as transportation,

communication, banking, infrastructure etc. This leads to more employment opportunities. Further, this enhances the income level. With the rise in income people start demanding more services like tourism, shopping, eating out, private hospitals etc. Certain new services based on information technology have been rising rapidly.

As we know, all the three sectors are dependent on one another. Development of one sector leads to the development of other sectors.

**Q.7. Explain the objectives of implementing the National Rural Employment Guarantee Act or NREGA (2005).**

**Ans.** The main objective of this act is to provide employment to one person per family for at least 100 days in a year. If government fails to provide employment, it will give unemployment allowance to the people.

In 2005, Government made a law implementing the Right to Work in 200 districts in India under this act. Now it has been extended to whole of the country.

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

**Ans.** Activities in the economy are classified under the following categories on the basis of employment conditions.

**Primary Activities :** Activities concerned with agriculture and allied sectors are known as primary activities. It produces goods by exploiting natural resources such as land, water, forests, mines etc. Forestry, fishing, mining, are the examples of primary activities.

**Secondary activities :** These activities are concerned with manufacturing sector, where it converts one type of commodity into another. For example – manufacturing of cotton cloth from cotton yarn, sugar from sugarcane and furniture from wood etc.

**Tertiary activities :** These activities are mainly concerned with the services like banking insurance, transport, trade, communication etc. Activities of tertiary sector are very useful and help in the development of primary and secondary sectors of the economy.

**Q.9. Distinguish between open unemployment and disguised unemployment.**

**Ans. Open unemployment and disguised employment :** In agriculture sector a large group of landless labourers seek wage employment on farms. But many people fail to get employment and hence remain unemployed. Since they openly search for employment and their unemployment is not hidden, this is called open unemployment.

**Disguised unemployment** is a situation in which more persons are employed on a job than are optimally required. If a part of labour force is withdrawn and the total production remains unchanged, this withdrawn labour is known as disguised unemployment.

**Q.10. The following table gives the GDP in Rupees (crores) in the three sectors.**

Year	Primary	Secondary	Tertiary
1950	80,000	19,000	39,000
2000	3,14,000	2,80,000	5,55,000

- (i) Calculate the share of each sector in GDP for 1950 and 2000.
- (ii) Show the data as bar diagrams similar to Graph 2.
- (iii) What conclusions can we draw from bar graph ?

**Ans. Share of sectors in GDP for 1950**

Total GDP of three sectors = 80,000 + 19,000 + 39,000 = Rs 1,38,000 crore

$$\text{Share of primary sector} = \frac{80,000}{1,38,000} \times 100 = 58\%$$

$$\text{Share of secondary sector} = \frac{19,000}{1,38,000} \times 100 = 14\%$$

$$\text{Share of tertiary sector} = \frac{39,000}{1,38,000} \times 100 = 28\%$$

**Share of sectors in GDP for 2000**

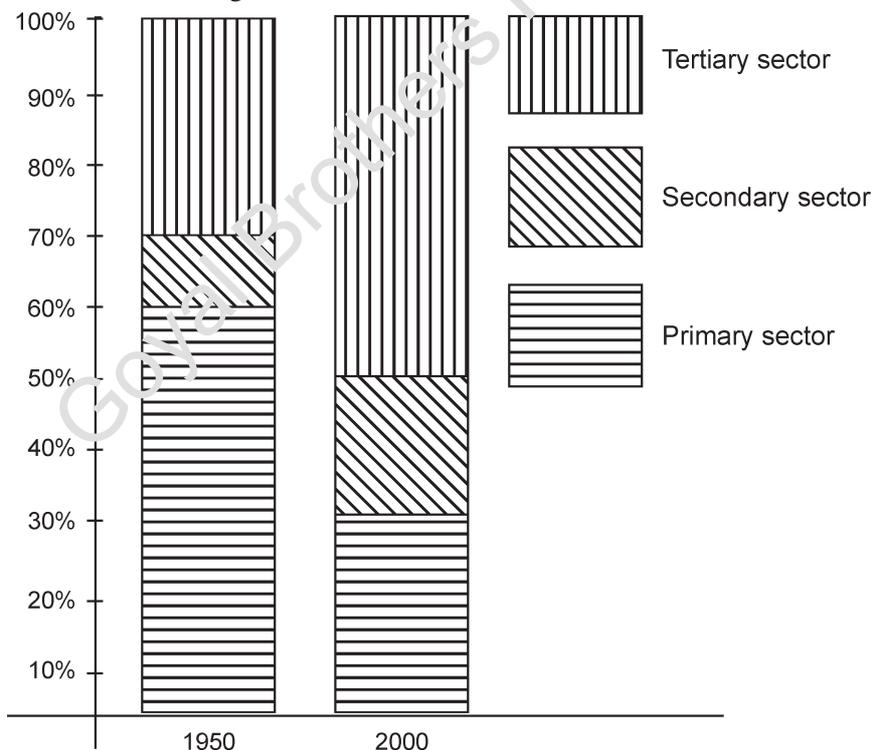
Total GDP of three sectors = Rs 11,49,000 crore

$$\text{Share of primary sector} = \frac{3,14,000}{11,49,000} \times 100 = 27.3\%$$

$$\text{Share of secondary sector} = \frac{2,80,000}{11,49,000} \times 100 = 24.4\%$$

$$\text{Share of tertiary sector} = \frac{5,55,000}{11,49,000} \times 100 = 48.3\%$$

(ii) Above data as bar diagram.



- (ii) Conclusion :
- (a) Share of primary sector in GDP has decreased.
  - (b) Share of secondary sector in GDP has increased.
  - (c) Share of tertiary sector in GDP has increased.

**Q.11. What do you understand by disguised unemployment? Explain with the help of an example.**

**Ans.** Disguised unemployment is a situation where the number of workers engaged in a job is much more than required. If some of them are withdrawn from the job, the total production will not fall. It means that marginal productivity of such workers is zero.

Let us understand it with the help of an example – Laxmi owning about 2 hectares of land is growing crops. All the five members of the family work on the plot throughout the year. Suppose they produce 20 quintals of foodgrains. Now suppose instead of 5 only 3 members work next year and the output is still 20 quintals. It means that three members were enough to work. The other two members are then said to be disguisedly unemployed.

### **OTHER IMPORTANT QUESTIONS (AS PER CCE PATTERN)**

#### **B. MULTIPLE CHOICE QUESTIONS (1 MARK)**

**Q.1. Who carries economic activities?**

- (a) individuals                      (b) firms                              (c) government                      (d) all the above

**Ans.** (d)

**Q.2. Which sector has the lowest share in the employment in 2000?**

- (a) primary sector                      (b) secondary sector                      (c) tertiary sector                      (d) none of the above

**Ans.** (b)

**Q.3. The economy is classified into public and private sectors on the basis of :**

- (a) employment conditions                      (b) the nature of economic activity  
(c) ownership of enterprises                      (d) number of workers employed in the enterprise

**Ans.** (c)

**Q.4. Which sector includes the unit producing services?**

- (a) primary sector                      (b) secondary sector                      (c) tertiary sector                      (d) all the above

**Ans.** (c)

**Q.5. Which sector converts goods into goods?**

- (a) primary sector                      (b) secondary sector                      (c) unorganised sector                      (d) organised sector

**Ans.** (b)

**Q.6. Percentage share of employment is highest in**

- (a) primary sector                      (b) secondary sector                      (c) tertiary sector                      (d) public sector

**Ans.** (a)

**Q.7. Primary sector is related to**

- (a) agriculture                      (b) dairy, forestry                      (c) fishing, mining                      (d) all the above

**Ans.** (d)

**Q.8. In which sector activities are not guided by profit motive?**

- (a) organised sector                                      (b) public sector  
(c) private sector                                      (d) unorganised sector

**Ans.** (b)

**Q.9. In which type of unemployment more people are employed than required?**

- (a) seasonal unemployment                                      (b) disguised unemployment  
(c) educated unemployment                                      (d) all the above

Ans. (b)

**Q.10. In terms of GDP the share of tertiary sector in 2003 is**

- (a) between 20 to 30% (b) between 30 to 40% (c) between 50 to 60% (d) 70%

Ans. (c)

**Q.11. Workers in this sector do not produce goods :**

- (a) tertiary sector (b) secondary sector (c) primary sector (d) none of the above

Ans. (a)

**Q.12. Manufacturing units in unorganised sector are :**

- (a) not subject to government regulations (b) subject to government regulations  
(c) subject to central bank's regulations (d) none of the above

Ans. (a)

**Q.13. Production of a commodity through exploitation of natural resources is an activity in the**

- (a) primary sector (b) secondary sector  
(c) tertiary sector (d) Information Technology sector

Ans. (a)

**Q.14. Manufacturing sector is associated with**

- (a) primary sector (b) secondary sector (c) tertiary sector (d) private sector

Ans. (b)

**Q.15. The unorganised sector accounted for the following percentage of workforce in India in the year 1999-2000 :**

- (a) 63% (b) 73% (c) 83% (d) 93%

Ans. (d)

**Q.16. Underemployment occurs when people**

- (a) do not want to work  
(b) are working in a lazy manner  
(c) get employment below their capability level  
(d) paid less than minimum wage fixed by government

Ans. (c)

**Q.17. Information and communication technology is associated with**

- (a) primary sector (b) secondary sector (c) tertiary sector (d) none of the above

Ans. (c)

**Q.18. As per NREGA 2005 (National Rural Employment Guarantee Act 2005) the number of days of employment guaranteed by government is**

- (a) 100 days (b) 80 days (c) 150 days (d) 120 days

Ans. (a)

### PREVIOUS YEARS' QUESTIONS

**Q.1. The service sector includes activities such as**

[2010 (T-1)]

- (a) agriculture, dairy, fishing and forestry (b) making sugar, gur and bricks  
(c) transport, communication and banking (d) none of these

Ans. (c)

**Q.2. Choose the correct meaning of organised sector. [2010 (T-1)]**

- (a) It covers those enterprises where the terms of employment are not regular.
- (b) It is outside the control of the government.
- (c) Jobs are not regular.
- (d) It provides low salaries.

**Ans. (a)**

**Q.3. On which of the following basis, the sectors are classified into public and private sector? [2010 (T-1)]**

- (a) Employment conditions
- (b) The nature of economic activity
- (c) Ownership of enterprises
- (d) Number of workers employed in an enterprise

**Ans. (c)**

**Q.4. In which one of the following sectors, the production of a commodity is mostly through the natural processes? [2010 (T-1)]**

- (a) Primary
- (b) Secondary
- (c) Tertiary
- (d) Service sector

**Ans. (a)**

**Q.5. National Rural Employment Guarantee Act was implemented in which one of the following years ? [2010, 2011 (T-1)]**

- (a) 2004
- (b) 2008
- (c) 2005
- (d) 2009

**Ans. (c)**

**Q.6. Which of the following types of activities are covered in the secondary sector? [2010 (T-1)]**

- (a) It generates services rather than goods.
- (b) Natural products are changed through manufacturing.
- (c) Goods are produced by exploiting natural resources.
- (d) It includes agriculture, forestry and dairy.

**Ans. (b)**

**Q.7. Public enterprises are owned by: [2010, 2011 (T-1)]**

- (a) Individual owners
- (b) Government
- (c) Both government and individual
- (d) None of the above

**Ans. (b)**

**Q.8. Disguised Unemployment means a situation where people are: [2010, 2011 (T-1)]**

- (a) Unemployed
- (b) Employed but earning less salary
- (c) Employed but productivity is nil
- (d) Unemployed for a short period of time

**Ans. (c)**

**Q.9. Which one of the following economic activities is not in the tertiary sector? [2010 (T-1)]**

- (a) Banking
- (b) Bee keeping
- (c) Teaching
- (d) Working in a call centre

**Ans. (b)**

**Q.10. Which one of the following defines GDP ? [2010, 2011 (T-1)]**

- (a) All final goods and services produced in a country in a year

- (b) All final and intermediate goods produced in a country in a year
- (c) Money value of all final goods and services produced in a domestic territory in a year.
- (d) None of the above.

Ans. (c)

**Q.11. The motive of public sector enterprises is :** [2010, 2011 (T-1)]

- (a) Profit making
- (b) Entertainment
- (c) Social welfare and security
- (d) None of the above

Ans. (c)

**Q.12. Which of the following Acts would not apply to a company like TISCO ?** [2010, 2011 (T-1)]

- (a) Minimum Wages Act
- (b) National Rural Employment Guarantee Act
- (c) Factories Act
- (d) Payment of Gratuity Act

Ans. (b)

**Q.13. Workers in agricultural sector are** [2010 (T-1)]

- (a) underemployed
- (b) over employed
- (c) unemployed
- (d) None of these

Ans. (a)

**Q.14. Which of the following is not applicable for a worker who works in the organised sector?** [2010, 2011 (T-1)]

- (a) She gets a regular salary at the end of the month
- (b) She is not paid for leave
- (c) She gets medical allowance
- (d) She got an appointment letter stating the terms and conditions of work when she joins work.

Ans. (b)

**Q.15. Which one of the following activities does not belong to the primary sector?**

[2010, 2011 (T-1)]

- (a) Agriculture
- (b) Dairy
- (c) Mining
- (d) Weaving

Ans. (d)

**Q.16. Which of the following is also known as disguised employment?** [2010, 2011 (T-1)]

- (a) Over-employment
- (b) Factory employment
- (c) Under-employment
- (d) Unemployment

Ans. (c)

**Q.17. Which of the following activities does not fall in the tertiary sector?** [2010 (T-1)]

- (a) Banking
- (b) Communication
- (c) Manufacturing
- (d) Transport

Ans. (c)

**Q.18. Agriculture, dairy farming are activities belonging to which of the following sectors?**

[2010 (T-1)]

- (a) Primary
- (b) Secondary
- (c) Tertiary
- (d) Scientific technology

Ans. (a)

**Q.19. What is meant by GDP ?**

[2010 (T-1)]

- (a) Gross Dairy Product
- (b) Gross Domestic Product

- (c) Great Development Project (d) Great Domestic Product

Ans. (b)

**Q.20. Which of the following activities is not the activity of Primary Sector? [2010 (T-1)]**

- (a) Milking (b) Fishing (c) Making of sugar (d) Farming

Ans. (c)

**Q.21. Which of the following statements is true in respect of Public Sector? [2010, 2011 (T-1)]**

- (a) Big companies own most of the assets  
(b) Government owns the assets  
(c) A group of people owns most of the assets  
(d) An individual owns most of the assets

Ans. (b)

**Q.22. Which of the following is not an activity of unorganised sector? [2010, 2011 (T-1)]**

- (a) teacher taking a class in Kendriya Vidyalaya  
(b) a nurse working in a Government hospital  
(c) a farmer irrigating his field  
(d) a clerk working in the post office

Ans. (c)

**Q.23. On which of the following economic basis the sectors are classified into organised and unorganised sectors? [2010, 2011 (T-1)]**

- (a) The nature of economic activity (b) Ownership of enterprises  
(c) Employment conditions (d) Number of workers employed in the enterprise

Ans. (c)

**Q.24. Which of the following economic activity does not come under the primary sector?**

[2010 (T-1)]

- (a) Fishing (b) Farming (c) Mining (d) Banking

Ans. (d)

**Q.25. Which of the following agencies estimates the Gross Domestic Product (GDP) in India?**

[2010, 2011 (T-1)]

- (a) All the state governments (b) An autonomous body  
(c) A ministry of the Union Government (d) None of the above

Ans. (c)

**Q.26. Which one of the following countries has the largest size of illiterate population in the world? [2011 (T-1)]**

- (a) India (b) Japan (c) France (d) Germany

Ans. (a)

**Q.27. The money value of all final goods and services produced within a country during a particular year is called [2011 (T-1)]**

- (a) Gross domestic product (b) Net domestic product  
(c) National product (d) Production of secondary sector

Ans. (a)

**Q.28. Which one of the following was the largest producing sector in 1973? [2011 (T-1)]**

- (a) Secondary (b) Tertiary (c) Primary (d) All the above

Ans. (c)

**Q.29. Identify the feature of the unorganised sector.** [2011 (T-1)]

- (a) Rules and regulations are followed (b) Workers enjoy security of employment  
 (c) Employment is not secure  
 (d) It follows some formal processes and procedures

**Ans.** (c)

**Q.30. In terms of G.D.P., the share of tertiary sector in 2003 was** [2011 (T-1)]

- (a) between 20 to 30% (b) between 30 to 40%  
 (c) between 50 to 60% (d) above 70%

**Ans.** (c)

### C. SHORT ANSWER TYPE QUESTIONS (3 MARKS)

**Q.1. Using examples from your area, compare and contrast the activities and functions of the private and public sectors.**

**Ans. Public Sector :** There are the organisations which directly or indirectly come under the control of government, like MTNL, railways, Indian Airlines etc.

**Private Sector :** In private sector organisations the ownership is in private hands and they run these organisations with the motive of earning profits. BSEB and Sahara Airlines are the examples of private sector.

**Q.2. Explain how public sector contributes to the economic development of a nation.**

**Ans.** There are some industries whose development is absolutely essential for the growth of economy. Such industries include power, transport, petroleum, irrigation, iron and steel, fertilisers, heavy industries etc. These industries require large investments which may be beyond the means of private entrepreneurs and are not sufficiently profitable for private sectors. Hence all such activities which are essential for the country's development are carried into by the public sector.

**Q.3. The workers in the unorganised sector need protection on the following issues : wages, safety and health. Explain with examples.**

**Ans.** In unorganised sectors workers are exploited by the private individuals because their aim is to earn more profit. They are not concerned with the safety and health of the employees. They also pay low wages to increase their profits. In such a type of organisation working conditions are not good. So the protection of their rights is necessary. They can take the help of labour laws and courts.

### PREVIOUS YEARS' QUESTIONS

**Q.1. Explain the difference in employment condition in organised and unorganised sectors?**

	Organised Sector	Unorganised Sector
<b>Ans.</b>	(i) Working conditions are regulated on the basis of government rules and regulations.	(i) There are rules but they are not strictly implemented for the benefit of workers.
	(ii) Workers have job security.	(ii) Worker have no job security.
	(iii) Workers get weekly holidays, medical facilities, retirement benefits, etc.	(iii) There are no such benefits at work.

**Q.2. Explain the objectives of implementing the NREGA 2005. [2010, 2011 (T-1)]**

- Ans.** (i) To provide work to those who are able and are in need of work, in rural areas.  
(ii) They are to be provided guaranteed 100 days of employment in a year.  
(iii) If government fails in its duty to provide employment, it will give unemployment allowance to the worker.  
(iv) The types of work that would in future help to increase agricultural production will be given preference under the Act.

**Q.3. Explain the primary, secondary and tertiary sectors by giving examples of each.**

[2010 (T-1)]

**Ans. Primary Sector :-** All those economic activities that are undertaken by directly using natural resources are included in primary sector. For example, mining, forestry, fishing, poultry etc.

**Secondary sector :-** It covers activities in which natural products are changed into other forms through ways of manufacturing that we generally associate with industrial activities. For example, after obtaining a crop, say cotton, we need machines to change it into yarn and cloth.

**Tertiary Sector :-** These are the activities that help in the development of the primary and secondary sectors. These activities, by themselves do not produce any good but they are an aid or a support for the production process. For example, any good produced in primary or secondary sector need to be transported to the market. That will be done by tertiary sector. It is also called service sector.

**Q.4. Describe the role played by National Rural Employment Guarantee Act in improving the employment situation in India. [2010 (T-1)]**

**Ans.** The National Rural Employment Guarantee Act, which is now called Mahatma Gandhi National Rural Employment Guarantee Act or 'MNREGA', has improved employment situation in rural India in the following ways —

- (i) As this Act provides minimum 100 days of work guarantee to a member of each rural family, it means no family will be without the opportunity of work although only for 100 days.
- (ii) By providing jobs some assets are being created in rural areas which are further creating jobs like tree plantation, pool construction, etc.
- (iii) MNREGA has checked mass rural migration to urban centres for jobs and other livelihood opportunities.

**Q.5. 'Economic activities, though grouped into three different categories, are highly interdependent.' - Discuss. [2010, 2011 (T-1)]**

**Ans.** All Economic activities are interdependent as no activity can sustain itself alone — Economics activities in all sectors are interdependent. Primary sector provides raw materials for secondary sector. For example, tobacco is needed for cigarette industry, sugarcane is needed for sugar industry. To provide transportation, banking facilities, management to the primary and secondary sectors, tertiary sector is needed.

**Q.6. Write any three ways to increase employment opportunities for people in India.**

[2010, 2011 (T-1)]

**Ans.** Employment opportunities for people can be increased in the following ways :-

- (a) In villages more irrigational facilities should be provided so that farmers can grow more crops and they would be engaged throughout the year.

- (b) Agro-based industries should be set up in villages so that farmers could get good prices for their products. For example, sugar mills.
- (c) People should be given easy loan facilities which would help them to start their own enterprises.

**Q.7. Describe any three problems faced by workers in the unorganised sector. [2010 (T-1)]**

**Ans.** The workers of unorganised sector face following problems :-

- (a) They are not paid according to government rules. They are underpaid.
- (b) They are not given other facilities like holidays, medical facility, gratuity, etc.
- (c) They can be asked to leave without any reason. There is no job security. Workers are hired as and when needed and then asked to leave job without any compensation.

**Q.8. Explain the term GDP. Why are only 'final goods and services' counted in GDP?**

[2010, 2011 (T-1)]

**Ans.** GDP means Gross Domestic Product of a country. It is the value of all final goods and services produced within a country during a particular year.

Only the final goods and services are counted in the GDP. For example, if wheat is sold at Rs. 8 per kg. to flour mill, which sells flour to Biscuit company which then uses flour to make biscuits. Then the value of biscuits would be counted, not the value of flour. The value of biscuits contains the value of intermediary goods their production.

**Q.9. Explain what is meant by disguised unemployment? Give examples from rural and urban areas where disguised unemployment exists. [2010 (T-1)]**

**Ans.** Disguised employment is a hidden unemployment. It means a person seems to be doing a job but actually he is not required there. If he is taken out of the job, no difference in the productivity would be felt.

In rural areas all family members work on the agricultural field but all the work can be done only by one person alone. Rest are just engaged.

In urban areas, casual workers do petty jobs. They are not employed adequately.

**Q.10. Service sector in India employs different kinds of people. Explain with example.**

[2010, 2011 (T-1)]

**Ans.** Service sector employ different kinds of people.

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. services like management, banking, finance, marketing, insurance, transport and communication are included in the tertiary sector. So, obviously different kinds of people are engaged in the service sector or tertiary sector.

**Q.11. Why is agriculture an activity of unorganised sector in India? [2011 (T-1)]**

**Ans.** Agriculture is a sector which is not regulated by the government because land belongs to an individual. Hence farmer or whoever owns the land hires workers as and when required. So government cannot intervene in hiring or regulating work conditions. Agriculture is fully dependent on natural factors, and these factors are not within control of any human being or

government. Moreover, most of the fields are small and scattered being cultivated by small and marginal farmers. It is just not possible to put agriculture in organised sector.

**Q.12. Differentiate between the public sector and private sector by giving examples.**

[2011 (T-1)]

**Ans.** 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 is in the hands of private individuals or companies. Railways and Post Office is an example of the public sector whereas companies like Tata Iron and Steel Company Limited (TISCO) and Reliance Industries Limited (RIL) are in private sector.

**Q.13. Suggest any three ways to create more employment avenues in Urban sector.**

[2011 (T-1)]

**Ans.** (i) Industrialisation – Developing private sector industries by giving more incentives  
(ii) Creating Special Economic Zones in urban areas.  
(iii) Laying more emphasis on export of goods.  
(iv) Developing new sectors like tourism-promoting regional craft industry.  
(v) Expanding IT sector.

**Q.14. How can the workers in the unorganised sector be protected? Explain.** [2011 (T-1)]

**Ans.** In the rural areas, the unorganised sector mostly comprises of landless labourers, small and marginal farmers, artisans, etc. These people need to be supported through adequate facility for timely delivery of seeds, agricultural inputs, credit, storage facilities and marketing outlets. In the urban areas, unorganised sector comprises mainly workers in small-scale industry, casual workers in trade, transport and construction, etc. Small scale industries need government support for procuring raw material and marketing of output. The casual workers need to be protected by law. A separate body of rules and regulations need to be made to manage activities in the unorganised sector.

#### **D. LONG ANSWER TYPE QUESTIONS (4 MARKS)**

**Q.1. Give a few examples of public sector activities and explain why the government has taken them up.**

**Ans.** Construction of roads, bridges, railways, harbours, generating electricity, providing irrigation through dams, health, education etc. are a few examples of public sector activities

Government has taken up these activities because these activities require a huge amount of investment which is beyond the capacity of the private sector and several things needed by the society as a whole which the private sector will not provide at a reasonable cost. Even if they do provide these things, they would charge a high rate for their use.

Let us further understand this with the help of an example. Selling electricity at a price which covers the full cost of generation may push up the cost of production in industries. Many units, specially small scale units, might have to shut down. Government here steps in by producing and supplying electricity at rates which these industries can afford. So the government has to bear a part of the cost.

**Q.2. Distinguish between primary sector and secondary sector by stating four points of distinction.**

Ans.

Primary Sector	Secondary Sector
(i) Primary sector includes all agricultural and allied activities, e.g., forestry, fishing mining, quarrying etc.	This sector is also known as manufacturing sector.
(ii) It produces goods by exploiting natural resources such as land, water, forests, mines etc.	Manufacturing sector converts one type of commodity into another. For example – manufacturing of cotton cloth from cotton yarn, sugar from sugarcane etc.
(iii) Farmers buy many goods such as tractors, fertilisers, equipment etc. from secondary sector. Thus, it shows the dependence of primary sector on secondary sector.	Similarly, manufacturing sector needs raw materials such as cotton yarn to produce cotton, sugarcane to produce sugar, wood for furniture etc. This shows the dependence of secondary sector on primary sector.
(iv) Agriculture, a part of the primary sector, is the largest sector in terms of the workforce it employs and plays the most important role.	Manufacturing is one of the important components of the secondary sector.

### PREVIOUS YEARS' QUESTIONS

**Q.1. What steps should be taken to create more employment? Explain. [2010 (T-1)]**

Ans. Following steps can be taken to create more employment :—

- (i) **Increase in irrigation facilities :-** Without irrigation only a single crop is grown in most agricultural fields. It means less working opportunities, but if irrigation is provided two or three crops can be grown on the same field. So more people will be employed.
- (ii) **Improved Roads and Transportation :-** If village roads are better built, good transportation facilities are provided then, surplus produce could be sold in city market. This would fetch more income.
- (iii) **Provide them easy loan :-** If people are provided easy bank loans then they could start small business which will make them self dependent.

**Q.2. Study the data given in the table and answer the following questions.**

**Workers in different sectors (in millions)**

**[2010 (T-1)]**

Sector	Organised Sector	Unorganised Sector	Total
Primary	4	236	240
Secondary	12	55	67
Tertiary	24	75	99
Total	40	366	406

- (i) Which sector provides maximum number of jobs?
- (ii) How many workers are working in the unorganised sector?
- (iii) Which organised sector is the most important and why?

**Ans.** (i) Primary Sector

(ii) 366 million workers

(iii) Tertiary Sector is the most important organised sector because it provides maximum number of jobs.

**Q.3. Explain how public sector contributes to the economic development of India.**

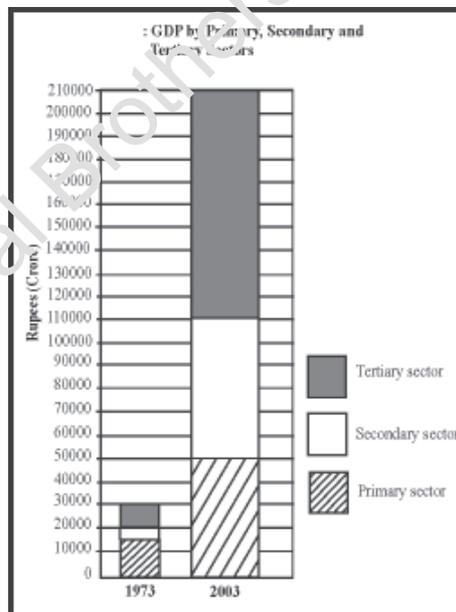
[2010, 2011 (T-1)]

**Ans.** Public sector is an important sector for the development of economy.

- (i) There are several things needed by the society as a whole but which the private sector will not provide at a reasonable cost. As huge sum of amount is needed which private sector can not afford, so public sector is needed there. For example, building bridges, railway etc.
- (ii) There are several basic activities which government has to support, for example, selling electricity at lower cost, providing drinking water at affordable rate etc.
- (iii) There are some activities which government has to perform like providing health and education facilities. So public sector is needed.

**Q.4. Study the graph given below and answer the following questions:**

[2010 (T-1)]



35.1 Which was the largest producing sector in 1973?

35.2 Which was the largest producing sector in 2003?

35.3 Which sector has grown the most over thirty years?

35.4 What was the GDP of India in 2003?

- Ans.** (i) Primary Sector  
(ii) Tertiary Sector  
(iii) Tertiary Sector  
(iv) Rs. 2,100,00 crore

**Q.5. Explain four features of an organised sector. [2010 (T-1)]**

**Ans.** Four features of organised sectors :-

- (i) Workers have job security.
- (ii) Government rules are followed properly in terms of employment.
- (iii) Post retirement facilities are provided.
- (iv) Workers get paid holidays, medical facilities, bouns, gratuity, etc.

**Q.6. In which sector are most of the people employed and why? [2010 (T-1)]**

**Ans.** Most of the workers are employed in Primary Sector, because :-

- (i) Not enough jobs have been created in the secondary and tertiary sectors.
- (ii) More than half of the workers in the country are working in the primary sector although Primary sector contributes only one third of G.D.P.

**Q.7. What do you mean by tertiary sector? Explain the role of this sector in the Indian economy. [2010, 2011 (T-1)]**

**Ans.** The economic activities that support primary and secondary sectors are included in tertiary sector. This includes transport facilities, banking facilities, medical facilities, education facilities etc. This sector is very important for an economy.

It is going to be more important for India because due to rapid industrialisation several activities are needed like, transport, banking, marketing, insurance etc. Skilled educated class is required for all sector which has to be provided by education sector. When income level increase people demand more services like catering, tourism etc.

Several new services like information technology have come up which are providing great employment opportunities.

**Q.8. Why is the tertiary sector growing so rapidly in India? Explain it with four reasons. [2010 (T-1)]**

**Ans.** Tertiary sector is growing rapidly because:

- (i) India's economy is growing fast. Several services like hospital, educational institutions, post, telegraph, police, courts, municipality, transport, banks, insurance etc are needed.
- (ii) Development of agriculture and industry lead to the development of services such as transport, trade, storage etc, so these would be in greater demand.
- (iii) As income level increases certain sections of people start demanding many more services like eating out, tourism, shopping, private hospital etc.
- (iv) Certain new services have emerged like information and communication technology which have become important.

**Q.9. What is an organised sector? Describe its working conditions. [2011 (T-1)]**

**Ans. Organised Sector :** This sector covers those enterprises or places of work where the terms of employment are regular. They are registered by the government and have to follow the rules and regulations. There people have job security.

**Working Conditions :**

- (i) **Fixed working hours an organised sector :** In organised sector working hours are fixed. If employee is working after the fixed time, he would be paid extra money for it.
- (ii) **Wage structure divided under various heads :** The wage structure is divided under various heads like provident fund, gratuity and various allowances. Employees get pension after retirement in organised sector.

**Q.10. Why is the tertiary sector becoming more important than other sectors in India? Give four reasons. [2011 (T-1)]**

**Ans.** Tertiary sector has become important in India due to

- (i) Basic services like hospitals, education, post and telegraph, courts etc. are the responsibility of the government.
- (ii) Demand for services such as transport, trade, storage has increased with the development of primary and secondary sectors.
- (iii) Demand for tourism, shopping, private schools, private hospitals etc. increased with the increase in the level of income.
- (iv) Rapid growth of service sector also benefitted from external demand such as software industry and call centre services.

**Q.11. What is the significance of secondary sector in Indian economy? How does it help in the economic development of the country? [2011 (T-1)]**

**Ans.** After independence secondary sector or manufacturing sector became the most important in total production and employment. In the past 30 years, service sector has taken a lead in terms of total production and employment. However, tertiary sector is largely dependent on secondary sector. Goods produced need to be sold, marketed and distributed. Banking activities and insurance sector get a boost by an expanding secondary sector. All sector are inter-related and expansion or shrinking of one sector has effects on other sectors too. As of now primary sector is the leading employer followed by tertiary and secondary sectors in that order. In terms of share in GDR tertiary sector is the leading sector followed by primary and secondary sectors.

**Q.12. Explain how a shift has taken place between sectors in developed countries? [2011 (T-1)]**

**Ans.** About more than 100 years ago new methods of manufacturing and technological revolution took place. People who worked in farms began working in factories in large numbers in new urban centres. Secondary sector gradually became the most important in terms of production and employment. Hence, over a time, a shift had taken place from primary to secondary sector. In the past 100 years there has been a further shift from secondary to tertiary sector in developed countries. The service sector has become the most important in terms of total production. Most of the working people are currently employed in the service sector. This is the general pattern observed in developed countries.

## II. FORMATIVE ASSESSMENT

### A. PROJECT WORK

Arrange a visit to a bank in your area and discuss following points with bank manager.

- Various type of loans the bank is offering to its customers.
- Procedure they are following to avail this type of facility.
- Which documents they require before processing of loans?
- Do they ask for guarantor or collateral to avail this facility?
- What is the rate of interest on various type of loans and how this loan would be recovered?
- What extra charges they add in processing of your application for loan?
- How many customers in each type of loan are availing this facility?

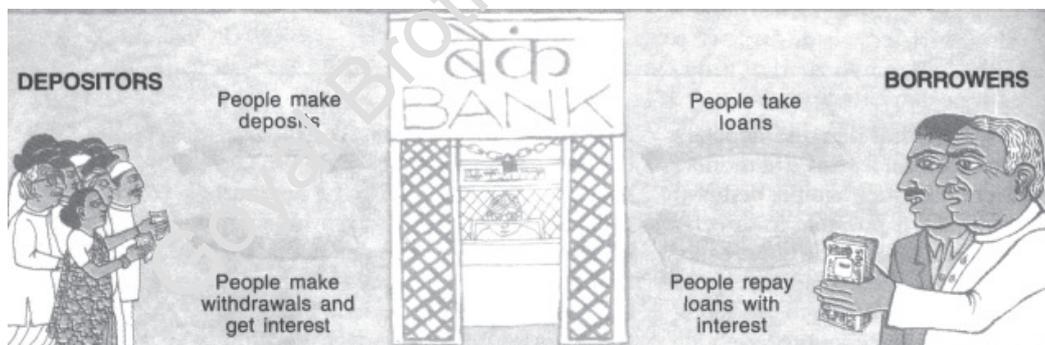
**Objective of this project :** To understand the terms of credit offered by a bank and how it is superior to informal credit sources.

**Skills developed :** To understand normal functioning of a bank, loan sanctioning procedure and recovery etc.

**Guidelines for the project :**

- Send a group of 4-5 students to any nationalised bank
- Data for various type of loans like home loan, vehicle loan, personal loan, education loan should be recorded separately.
- Ask the group to collect individual application forms for various types of loans also.

Based on this information, terms and conditions, recovery of loan should be concluded.



### B. PREPARING POSTURE/CHARTS

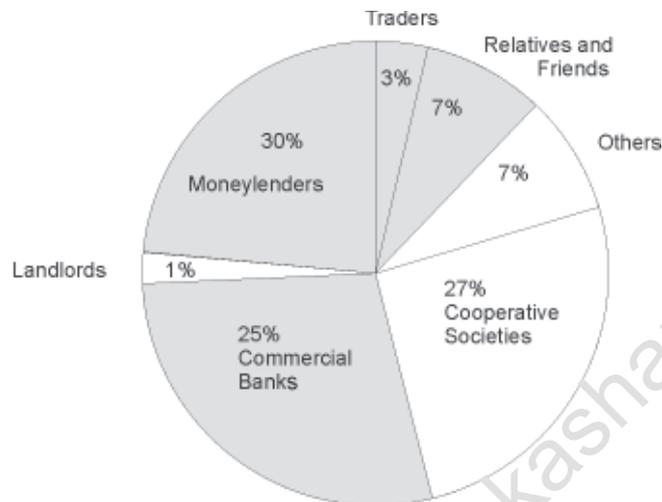
**Topic covered :** Loan activities of a bank

**Guidelines :** Refer to the Figure on page no. 42 in NCERT book of Economics.

- How depositors make and withdraw deposits in a bank. Show this activity on left-hand side.
- How borrowers take loan and repay the loans with interest should be shown on right-hand side.
- In middle, show normal bank working.

### C. ACTIVITY

The following pie-chart shows the Sources of Credit for Rural Households in India in 2003



Study this pie-chart carefully and answer following questions.

- Is more credit coming from formal sector or informal sector?
- In which two sources contribution of credit is equal?
- Which two sources make almost half of the total credit sources?
- What percentage of credit is coming from informal credit sources?

### D. SEMINAR

**Topic Covered :** Modern forms of money.

- Guidlines :**
- Arrange a 10 minutes seminar on modern forms of money like cheque, demand draft, plastic money (credit cards), debit cards etc.
  - Discuss various advantages and disadvantages of currency, deposits with banks etc.

Draw conclusion about which form of money is most suitable under what conditions.