CLASS 10 · UNDERSTANDING ECONOMIC DEVELOPMENT · CHAPTER 2

Sectors of the Indian Economy

Every section of the chapter in one sentence, with the key terms highlighted. Cover the highlighted words with a strip of paper and say them aloud to test yourself. The graphs, tables and photos are taken from the chapter PDF; the interactive version lets you enlarge each one.

One-liners Sector table Memory tricks Flashcards Quiz Revision plan

One line per section

1 Sectors of Economic Activities

Activities are grouped into **sectors**: the **primary sector** produces goods by **exploiting natural resources** (also called **agriculture and related sector**), the **secondary sector** changes natural products into other forms by **manufacturing** (the **industrial sector**), and the **tertiary sector** gives **services** such as **transport, storage, communication, banking, trade** that support the other two (the **service sector**).



Fig. 2.1: Picking cotton (primary sector)



Fig. 2.2: Brick making (secondary sector)



Fig. 2.3: Postman delivering letters (tertiary sector)



Fig. 2.4: Selling clothes in a shop (tertiary sector)



Fig. 2.5: Head-load worker (tertiary sector)

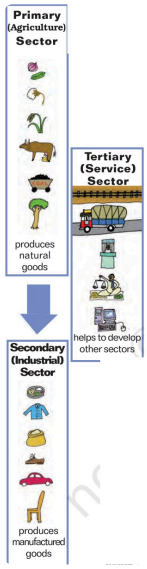


Fig. 2.6: Primary produces natural goods → secondary produces manufactured goods; tertiary helps develop other sectors

1.1 Primary, secondary, tertiary: what makes each one

Primary is called primary because it **forms the base** for all other products (cotton, milk, minerals); secondary needs **some process of manufacturing** in a factory, workshop or home (cotton → yarn → cloth, sugarcane → sugar or gur, earth → bricks); tertiary activities **do not produce a good** but are an **aid or support**, and also include essential services like **teachers, doctors, barbers, lawyers** and new **IT-based services** (internet cafés, ATM booths, call centres, software companies).

1.2 Sectors are interdependent

Though grouped into three, the sectors are **highly interdependent**: a sugar mill shuts if farmers refuse to sell sugarcane (**secondary depends on primary**), farmers depend on

industry for **tractors, pumpsets, fertilisers**, and a **transporters' strike** makes food scarce in cities while farmers cannot sell.

TABLE 2.1 EXAMPLES OF ECONOMIC ACTIVITIES

EXAMPLE	WHAT DOES THIS SHOW?
Imagine what would happen if farmers refuse to sell sugarcane to a particular sugar mill. The mill will have to shut down.	This is an example of the secondary or industrial sector being dependent on the primary.
Imagine what would happen to cotton cultivation if companies decide not to buy from the Indian market and import all cotton they need from other countries. Indian cotton cultivation will become less profitable and the farmers may even go bankrupt, if they cannot quickly switch to other crops. Cotton prices will fall.	
Farmers buy many goods such as tractors, pumpsets, electricity, pesticides and fertilisers. Imagine what would happen if the price of fertilisers or pumpsets go up. Cost of cultivation of the farmers will rise and their profits will be reduced.	
People working in industrial and service sectors need food. Imagine what would happen if there is a strike by transporters and lorries refuse to take vegetables, milk, etc. from rural areas. Food will become scarce in urban areas whereas farmers will be unable to sell their products.	

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Table 2.1: Examples of economic activities

2 Comparing the Three Sectors

To compare sectors we add the **values of goods and services**, not their numbers, and count only **final goods** (goods that reach consumers), not **intermediate goods** (wheat, flour) that are **used up** in making them, otherwise the same thing is **counted many times**: the biscuits' **Rs 80** already includes the flour's **Rs 25**.



Fig. 2.7: "…But I should be paid the full value of the wheat that I produce!"

2.1 Gross Domestic Product (GDP) and GVA

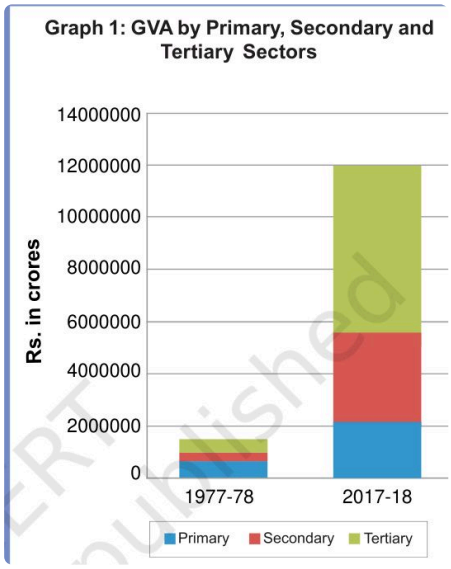
GDP is the **value of all final goods and services produced within a country during a particular year** and shows **how big the economy is**; it is measured by a **central government ministry** with the states and UTs, and India now reports each sector's contribution as **Gross Value Added (GVA)**, which is **adjusted for taxes and subsidies**, to match **global practices**.

2.2 Historical Change in Sectors

In developed countries the **primary sector was most important at first**; over **more than a hundred years**, new manufacturing methods made the **secondary sector** most important, and in the **past 100 years** there was a further shift to the **tertiary sector**, which now leads in **both production and employment**.

3 Primary, Secondary and Tertiary Sectors in India

Graph 1 compares **1977–78** and **2017–18** (comparable, authentic data): production rose in all three sectors over the **forty years**, but **most in the tertiary sector**, which in 2017–18 became the **largest producing sector, replacing the primary sector**.



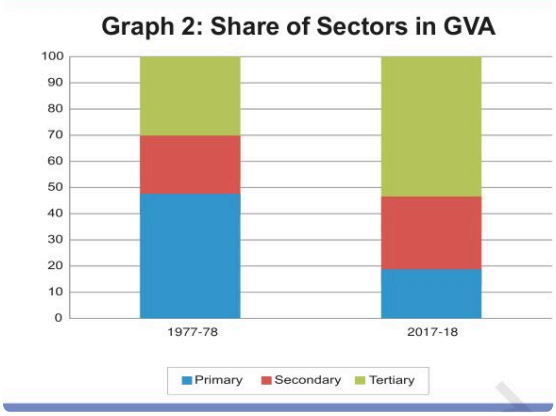
Graph 1: GVA by primary, secondary and tertiary sectors (Rs in crores), 1977–78 vs 2017–18

3.1 Rising Importance of the Tertiary Sector

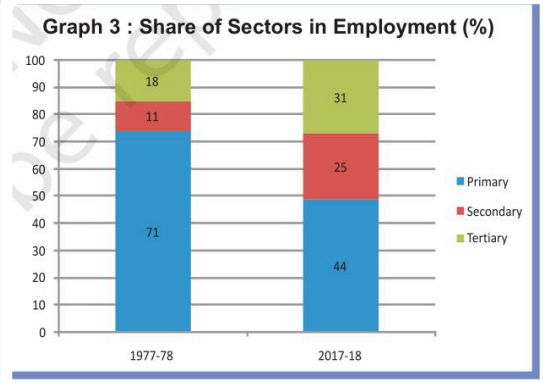
Four reasons: **basic services** (hospitals, schools, police, courts, banks, defence) that the **government must provide**; growth of agriculture and industry raises demand for **transport, trade, storage**; **rising incomes** bring demand for eating out, tourism, private schools and hospitals; and new **information and communication technology** services; but **not all of the service sector is growing equally**, since many small shopkeepers and repair persons **barely earn a living**.

3.2 Where are most of the people employed?

Production shifted to the tertiary sector but **employment did not shift**: the **primary sector is still the largest employer** because **not enough jobs were created** in the other two; industrial output rose **over 9 times** but jobs only **about 3 times**, services output **14 times** but jobs **about 5 times**, so **more than half the workers** are in the primary sector producing only about **one-sixth of GVA**.



Graph 2: Share of sectors in GVA (%), 1977-78 vs 2017-18



Graph 3: Share of sectors in employment (%): primary 71 → 44, secondary 11 → 25, tertiary 18 → 31

3.3 Underemployment (disguised unemployment)

There are **more people in agriculture than necessary**: Laxmi's family of **five** all work on her **two-hectare unirrigated plot** (jowar, arhar), but each works **less than their potential**; this hidden **underemployment** is called **disguised unemployment**, because moving some workers out **does not reduce production**; it also exists among urban **casual workers** (painters, plumbers, cart-pushers).



Fig. 2.8: Laxmi, the small farmer

4 How to Create More Employment?

Build a **well** or a **dam and canals** so farmers take a **second (rabi) crop** (1 hectare of wheat employs **2 people for 50 days**), invest in **rural roads, transport and storage**, give **cheap agricultural credit** from banks instead of moneylenders, and set up **industries and services in semi-rural areas** such as a **dal mill**, **cold storage**, **honey collection centres** and vegetable processing.



Fig. 2.9: Laxmi working in her field



Fig. 2.10: Gur making in Haryana

4.1 Jobs in education, health and tourism

About **60%** of Indians are aged **5–29** but only about **51%** of them attend school or college; the **Planning Commission (now NITI Aayog)** estimates **20 lakh jobs** in **education** alone, more jobs in **rural health**, and **35 lakh** extra jobs every year from **tourism**; regional crafts and **IT** also have potential.

4.2 MGNREGA 2005: Right to Work

As a quick short-term measure, the central government passed the **Mahatma Gandhi National Rural Employment Guarantee Act 2005**, applied in about **625 districts**, which guarantees **100 days of work a year** to everyone in **rural areas** who is able and in need, or else an **unemployment allowance**; work that **increases production from land** gets preference.



Fig. 2.11: Photo printed beside the MGNREGA text (no caption in the book)

5 Division of Sectors as Organised and Unorganised

This classification is based on **conditions of work**: **Kanta** (office, fixed 9.30–5.30 hours, monthly salary, **provident fund**, paid Sunday, **appointment letter**) is in the **organised sector**, while her neighbour **Kamal** (daily wage labourer in a grocery shop, 7.30 a.m.–8 p.m., **no leave, no letter**, can be asked to leave anytime) is in the **unorganised sector**.

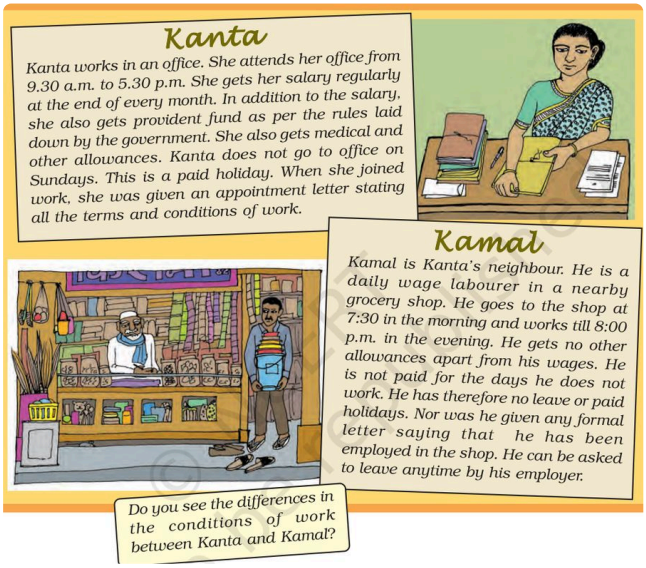


Fig. 2.12: Kanta and Kamal: two different conditions of work

5.1 Organised sector

Enterprises with **regular terms of employment** that are **registered by the government** and follow laws like the **Factories Act, Minimum Wages Act, Payment of Gratuity Act, Shops and Establishments Act**; workers get **job security, fixed hours, overtime pay, paid leave, provident fund, gratuity, medical benefits, safe workplace** and **pension**.

5.2 Unorganised sector

Made of **small and scattered units largely outside government control**, where rules exist but **are not followed**; jobs are **low-paid, irregular and insecure**, with **no overtime, paid leave or sick leave**, and include the **self-employed** (street sellers, repair work) and farmers; in the late 1990s about **83%** of workers were unorganised.

TABLE 2.3 WORKERS IN DIFFERENT SECTORS (IN MILLIONS)

Sector	Organised	Unorganised	Total
Primary	1		232
Secondary	41	74	115
Tertiary	40	88	128
Total	**82**		
Total in Percentage			**100%**

Table 2.3: Workers in different sectors (in millions), late 1990s

5.3 How to Protect Workers in the Unorganised Sector?

Organised jobs are **expanding very slowly**, firms hide in the unorganised sector to **evade taxes and labour laws**, and **since the 1990s** many lost organised jobs; the vulnerable are rural **landless labourers, small and marginal farmers** (**nearly 80%** of rural households), **sharecroppers and artisans**, and urban **small-scale industry workers, casual workers, street vendors, head-load workers, rag pickers**; many are **SC, ST and backward communities** who also face **social discrimination**, so protection is needed for **both economic and social development**.

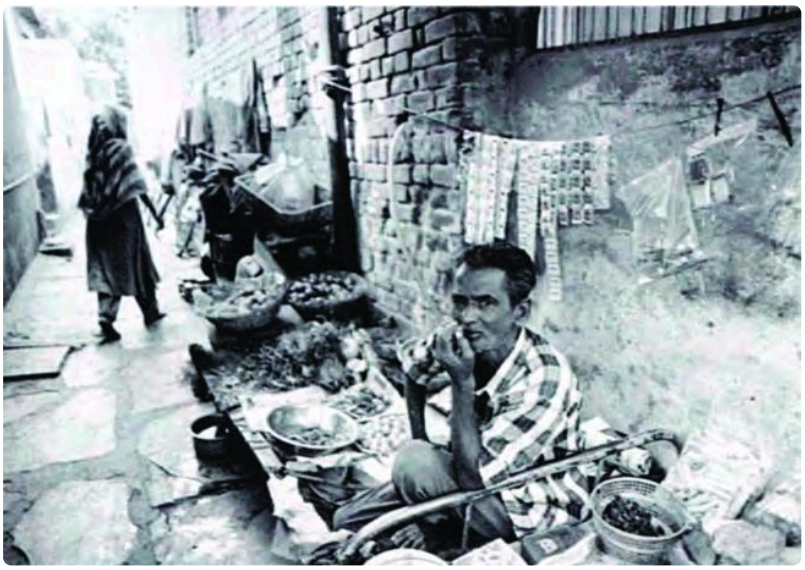


Fig. 2.13: When factories close down, once-regular workers sell goods, push a cart or do odd jobs

6 Sectors in Terms of Ownership: Public and Private

Based on **who owns assets and delivers services**: in the **public sector** the **government** owns most assets (**Railways, post office**) and its aim is **not just profit**, paid for by **taxes**; in the **private sector** individuals or companies own them (**TISCO, Reliance Industries**) and are guided by the **motive to earn profits**.

6.1 Why the government must spend

Government provides things needing **huge spending** that the private sector won't supply at a reasonable cost (**roads, bridges, railways, harbours, electricity, dams**), **supports** industries with **cheap electricity** and farmers and consumers by buying wheat and rice at a **'fair price'** and selling cheaper through **ration shops**, and must provide **health and education**, safe water, housing and nutrition, as **nearly half of India's children are malnourished** and **IMR** is high (**Odisha 36, MP 43**).

7 Let's Recall and Summing Up

Classification helps us **analyse a situation**: by **nature of activity** (primary/secondary/tertiary) we see that the **tertiary sector contributes most to GDP** while **employment remains in the primary**

sector; by **employment conditions** (organised/unorganised) we see **most people work in the unorganised sector and need protection**; by **ownership** (public/private) we see why public activity must focus on certain areas.

Three ways to classify, in one table

SECTOR	BASIS (CRITERION)	KEY FEATURE	EXAMPLES FROM THE CHAPTER
Primary	Nature of activity	Goods by exploiting natural resources; base for all others; "agriculture and related"	Cotton, dairy (milk), fishing, forestry, minerals and ores
Secondary	Nature of activity	Natural products changed by manufacturing; "industrial"	Yarn and cloth, sugar or gur, bricks and houses
Tertiary	Nature of activity	Services, not goods; supports the other two; "service"; largest in GVA since 2017–18	Transport, storage, banking, trade, teachers, doctors, call centres, ATMs
Organised	Employment conditions	Registered, follows laws; secure job, fixed hours, PF, gratuity, paid leave, pension	Kanta's office job; teacher in a school; factory worker in a big factory
Unorganised	Employment conditions	Small, scattered, outside govt control; low pay, irregular, no security	Kamal at the grocery shop; head-load worker; handloom weaver at home
Public	Ownership of assets	Government owns and delivers; aim is not just profit; funded by taxes	Railways, post office, electricity, ration shops
Private	Ownership of assets	Individuals or companies own; motive is profit; we pay for services	TISCO, Reliance Industries Limited (RIL)

Graphs 2 and 3 in numbers (1977–78 → 2017–18)

SECTOR	SHARE IN GVA (GRAPH 2, READ FROM BARS)	SHARE IN EMPLOYMENT (GRAPH 3)
Primary	about 47% → about 19% (text: "about one-sixth")	71% → 44%
Secondary	about 22% → about 27%	11% → 25%
Tertiary	about 31% → between 50% and 60%	18% → 31%

Graph 2 has no printed numbers, so the GVA shares are approximate readings; the textbook MCQ confirms tertiary was 50–60% in 2017–18. Graph 3's numbers are printed on the bars.

Memory tricks

3 WAYS TO CLASSIFY

N-E-O

"Never Eat Onions": **N**ature of activity (P/S/T), **E**mployment conditions (organised/unorganised), **O**wnership (public/private).

OTHER NAMES

A · I · S

Primary = **A**griculture and related, Secondary = **I**ndustrial, Tertiary = **S**ervice. Read in order: "**A**lways **I**n **S**ervice".

THE COTTON CHAIN

Plant → Cloth → Shop

Cotton grown = primary, cloth woven = secondary, truck and shop that sell it = tertiary. One shirt, three sectors.

TERTIARY EXAMPLES

T-S-C-B-T

"Tall Students Can Beat Teachers": **T**ransport, **S**torage, **C**ommunication, **B**anking, **T**rade.

GDP DEFINITION

F-W-Y

Value of all **F**inal goods and services, produced **W**ithin a country, during a particular **Y**ear. Biscuits count; wheat and flour don't.

WHEAT → BISCUIT

20 · 25 · 80

Wheat Rs 20/kg → flour Rs 25/kg → 4 biscuit packets Rs 80 (Rs 20 each). Only the **80** enters GDP.

OUTPUT VS JOBS

9 : 3 · 14 : 5

Industry output ×9, jobs ×3. Services output ×14, jobs ×5. Production ran ahead; jobs walked behind.

EMPLOYMENT SHARES

71 → 44

Primary jobs fell from 71% to 44%, but still the biggest employer. Secondary 11 → 25, tertiary 18 → 31.

WHY TERTIARY GROWS

B-D-I-T

"Big Demand In Towns": **B**asic services, **D**evelopment of agriculture and industry, **I**ncome rise, **T**echnology (ICT).

CREATING JOBS IN VILLAGES

W-R-C-S

Water (well, dam, canals), **R**oads and storage, **C**redit from banks, **S**emi-rural industry (dal mill, cold storage, honey centre).

MGNREGA

2005 · 100 · 625

Passed in **2005**, **100** days of guaranteed work, about **625** districts. No work = unemployment allowance.

ORGANISED SECTOR LAWS

F-M-G-S

"Factories Make Good Shoes": **F**actories Act, **M**inimum Wages Act, Payment of **G**ratuity Act, **S**hops and Establishments Act.

KANTA VS KAMAL

Kanta = Kontract

Kanta has a **contract** (appointment letter), salary, PF, paid Sunday. **Kamal** is **casual**: daily wage, no leave, can be sacked anytime.

PUBLIC VS PRIVATE

Tax vs Profit

Public sector runs on **taxes** for welfare (Railways, post office). Private sector runs for **profit** (TISCO, RIL).

Key years and numbers: read them as a story

1977–78 Starting point of the graphs: primary sector is the largest producer and gives 71% of jobs.

1990s Many workers lose organised-sector jobs and move to the unorganised sector. Table 2.3 (late 1990s): 82 million organised workers out of 475 million.

2005 MGNREGA, the "Right to Work": 100 days of work a year for rural households, in about 625 districts.

2017–18 Tertiary sector becomes the largest producer (50–60% of GVA); GDP nearly Rs 1,20,00,000 crore; primary still employs 44%.

Other numbers: 60% of people aged 5–29, only 51% of them studying; 20 lakh jobs in education; 35 lakh jobs a year in tourism; nearly 80% of rural households are small and marginal farmers; IMR Odisha 36, MP 43.

Who and where: name-to-fact list

Laxmi	Small farmer, 2 ha unirrigated land, jowar and arhar; 5 family members all working = disguised unemployment
Sukhram	Landlord who hires 1–2 of Laxmi's family; farm output stays the same, family income rises
Kanta / Kamal	Organised office worker / unorganised daily wage labourer in a grocery shop
Haryana	Gur making (photo): processing sugarcane, a secondary activity in semi-rural areas
Surat (exercise)	15% + 15% organised; street 20% + small workshops 50% = 70% unorganised
Ahmedabad (exercise)	11 lakh of 15 lakh workers unorganised (about 73%), but they earned only Rs 28,000 million of Rs 60,000 million (1997–98)
Odisha, MP	Infant mortality rate 36 and 43, higher than some of the poorest regions of the world
TISCO, RIL	Private sector companies; Railways and post office are public sector

Odd ones out from the exercise: Jet Airways (only private one among MTNL, Indian Railways, Air India, AIR), cobbler (only one not a government employee among postman, soldier, police constable), vegetable vendor (no professional qualification, unlike teacher, doctor, lawyer).

Flashcards

Cover the green answer, say it out loud, then uncover to check.

Three ways the chapter classifies sectors?

→ Nature of activity (primary/secondary/tertiary), employment conditions (organised/unorganised), ownership (public/private)

Why is the primary sector called 'primary'?

→ It forms the base for all other products we make

Other names of the three sectors?

→ Primary = agriculture and related; secondary = industrial; tertiary = service

Five examples of tertiary activities?

→ Transport, storage, communication, banking, trade

Final goods vs intermediate goods?

→ Final goods reach consumers (biscuits); intermediate goods are used up in making them (wheat, flour)

Why count only final goods in GDP?

→ Their value already includes intermediate goods; counting both counts the same thing many times

Define GDP

→ Value of all final goods and services produced within a country during a particular year

What is GVA?

→ Gross Value Added: each sector's contribution after adjusting for taxes and subsidies

Largest producing sector in India in 2017–18?

→ Tertiary sector (it replaced the primary sector)

Largest employer in India even now?

→ Primary sector (44% of jobs in 2017–18)

Output vs jobs growth, industry and services?

→ Industry output ×9, jobs ×3; services output ×14, jobs ×5

Four reasons the tertiary sector is growing?

→ Basic services, growth of agriculture/industry, rising incomes, new IT-based services

What is disguised unemployment?

→ People appear to work but work less than their potential; removing some does not reduce output

Laxmi's farm: how much land, which crops?

→ About 2 hectares, unirrigated; jowar and arhar; 5 family members work on it

Jobs from education and tourism (Planning Commission)?

→ About 20 lakh jobs in education; over 35 lakh extra jobs a year in tourism

MGNREGA 2005 guarantees...

→ 100 days of work a year in rural areas, or an unemployment allowance

Four laws organised-sector employers follow?

→ Factories Act, Minimum Wages Act, Payment of Gratuity Act, Shops and Establishments Act

Main features of the unorganised sector?

→ Small scattered units outside govt control; low pay, irregular, insecure, no paid leave or overtime

Basis of public vs private sector?

→ Who owns the assets and delivers services (ownership)

Why does the government sell electricity cheaply?

→ So small-scale industries don't shut down from high production costs; govt bears part of the cost

Quick quiz

First five are the textbook MCQs; the last ones use the exercise puzzle answers. Correct answers are marked in green.

1. Textbook: The sectors are classified into public and private sector on the basis of...

Employment conditions | Nature of economic activity | **Ownership of enterprises** | Number of workers employed

2. Textbook: Production of a commodity, mostly through the natural process, is an activity in the ___ sector.

Primary | Secondary | Tertiary | Information technology

3. Textbook: GDP is the total value of ___ produced during a particular year.

All goods and services | **All final goods and services**

All intermediate goods and services | All intermediate and final goods and services

4. Textbook: In terms of GVA, the share of the tertiary sector in 2017–18 is between ___ per cent.

20 to 30 | 30 to 40 | **50 to 60** | 60 to 70

5. Textbook: Underemployment occurs when people...

Do not want to work | Are working in a lazy manner

Are working less than what they are capable of doing | Are not paid for their work

6. Puzzle (Table 2.3): about what share of India's workers were in the unorganised sector in the late 1990s?

About 17% | About 50% | About 65% | **About 83%**

7. Puzzle (Surat): the missing figure is 50% for small workshops. What % work in the unorganised sector?

30% | 50% | **70%** | 85%

8. Odd one out: MTNL, Indian Railways, Air India, Jet Airways, All India Radio

MTNL | Air India | **Jet Airways** | All India Radio

9. Match: 'Debt burden' on farmers is best tackled by...

Construction of canals | **Banks giving credit at low interest**

Setting up agro-based mills | Procurement of food grains by government

10. Cotton is a ___ product and cloth is a ___ product.

- **Natural, manufactured**
- Manufactured, natural
- Natural, natural
- Service, manufactured

Revision plan

Day 1
Read the one-liners aloud twice. Then cover the highlighted words and say them.

Day 2
Write the seven-sector table and the Graph 3 numbers from memory on blank paper. Check and fix in red.

Day 4
Flashcards + quiz. Re-read only the sections you missed.

Day 7
Explain the chapter to someone in 5 minutes without looking, using Laxmi and Kanta/Kamal as your examples.

Day 14
Answer the long textbook questions (disguised vs open unemployment, MGNREGA, public sector) using the key terms.

GRAPH METHOD

On blank paper, draw Graph 3 as two stacked bars (71/11/18 and 44/25/31) and next to it sketch Graph 2 with tertiary on top. Pictures of the shift stick better than lists.

MEMORY PALACE

Walk through your home: the **garden** is the cotton field (primary), the **kitchen** turns wheat into biscuits (secondary + GDP), the **living room** phone and bank app are tertiary, the **study** has Kanta's office desk, the **front gate** has Kamal and the street vendors, and the **post box** outside is the public sector.

BLURTING

Close the book, set a 5-minute timer and write every key term you remember. The gaps show you what to revise.