

# Social Studies

## (Economics)

### Chapter 2: Sectors of the Indian Economy



## Important Questions

### Multiple Choice questions-

- The sectors are classified into public and private sector on the basis of :
  - Employment conditions
  - The nature of economic activities
  - Number of workers employed
  - Ownership of enterprises<sup>3</sup>
- When we produce a good by exploiting natural resources, it is an activity of the:
  - Secondary sector
  - Tertiary sector
  - Primary sector
  - Organised sector
- The service sector includes activities such as:
  - agriculture, dairy, fishing and forestry
  - making sugar, gur and bricks
  - transport, communication and banking
  - None of these
- Choose the correct meaning of organised sector:
  - It covers those enterprises where the terms of employment are regular.
  - It is outside the control of the government.
  - Jobs are not regular.
  - It provides low salaries.
- Which of the following is included in tertiary sector?
  - ATM booths
  - Call centres
  - Internet cafe
  - All of them
- Government owns most of the assets and provides all the services:
  - Private Sector
  - Public Sector
  - Organised Sector
  - Tertiary Sector
- The value of all final goods and services produced within a country during a particular year is called as:
  - Gross Domestic Product
  - Net Domestic Product

- (c) National Product
- (d) Production of Tertiary Sector

8. A situation in which more persons are employed on a job than are optimally required is:

- (a) Structural unemployment
- (b) Disguised unemployment
- (c) Cyclical unemployment
- (d) Seasonal unemployment

9. Out of 200 million children in the school going age group, how many are attending schools?

- (a) One-fourth
- (b) Half
- (c) Two-thirds
- (d) One-fifth

10. Central government in India made a law, implementing the Right to Work in how many districts of India?

- (a) 150 districts
- (b) 200 districts
- (c) 250 districts
- (d) 625 districts

11. GDP stands for Gross Domestic Product. What does it show? Pick up the correct statement given below:

- (a) It shows how big is the economy of a country in a given year in terms of its total output.
- (b) It shows what the total product of a country in a given year without counting the country's total resources.
- (c) It shows the number of people involved in production in a particular year.
- (d) It shows the total value of trade transactions of a country in a particular year.

12. Employment figures of a country are based on data collected from 5-yearly survey on employment and unemployment. Which organisation conducts this survey?

- (a) NSSO—National Sample Survey Organisation
- (b) NREGA 2005—National Rural Employment Guarantee Act, 2005
- (c) ILO — International Labour Organisation
- (d) Census of India

13. Identify the natural product from the list of items given below:

- (a) Textile
- (b) Wheat flour
- (c) Cotton
- (d) Tomtao sauce



14. Which of the following examples does not fall under unorganized sector?

- (a) A farmer irrigating his field.
- (b) A daily wage labourer working for a contractor.
- (c) A doctor in a hospital treating a patient.
- (d) A handloom weaver working on a loom in her house.

15. Identify the correct answer from the alternatives provided.

Both Tisco and Reliance Industries are owned by :

- (a) The government
- (b) Private company
- (c) A cooperative society
- (d) Jointly by private companies and the govt.

### Very Short Questions-

Question 1. Classify the economy on the basis of ownership of enterprises. (2012)

Question 2. Classify the economy on the basis of the nature of the activity. (2015)

Question 3. What is disguised unemployment? (2012)

Question 4. Production of a commodity, mostly through the natural process is an activity of which sector? (2013)

Question 5. Name the sector in which the government owns most of the assets and provides all the services. (2013)

Question 6. Name the sector which continued to be the largest employer even in the year 2000. (2014)

Question 7. How many days of guaranteed employment are provided under National Rural Employment Guarantee Act, 2005? (2014)

Question 8. ATM is an example of which sector? (2014)

Question 9. Suggest any one way to create employment opportunity in the rural areas. (2015)

Question 10. Production of a commodity, mostly through the natural process is an activity of which sector? (2013)

### Short Questions-

Question 1. Explain how public sector contributes to the economic development of a nation. (2012)

Question 2. Why is NREGA also called the Right to work? Explain the objectives of National Rural Employment Guarantee Act 2005. (2015, 2014, 2013)

Question 3. With the example of sugarcane, explain the interdependence of all the three sectors of the economy. (2012)

Question 4. "The problem of underemployment is not confined only to

agriculture". Support the statement with examples. (2013)

Question 5. What are final goods and intermediate goods? How do they help in calculating (GDP) Gross Domestic Product? (2013)

Question 6. Explain any three ways to solve the problem of underemployment. (2013)

Question 7. Why didn't shift out of primary sector happen in case of employment although there has been a change in the share of the three sectors in GDP? (2013)

Question 8. Classify the economic sectors on the basis of nature of activities. Mention the main feature of each. (2014)

Question 9. What is meant by Gross Domestic Product (GDP)? How is GDP measured in India? (2015)

### Long Questions-

Question 1. Describe the importance of Primary sector in the Indian economy.

Question 2. How can we create more employment in secondary and tertiary sectors in rural India? (2012)

Question 3. Explain the importance of the service sector. (2013)

Or

Explain reasons for the rising importance of the tertiary sector in India. (2012)

Question 4. How can employment be increased in both rural and urban areas? Explain. (2013)

Question 5. "There are several things needed by the society as a whole". In the light of this statement explain as to who can provide them at a reasonable cost, the private or the public sector and why? (2013)

Or

Explain any three demerits of private sector.

Question 6. Describe any five conditions or aspects that you would consider before accepting a job? (2014)

Question 7. 'There has been a big change in the three sectors of economic activities, but a similar shift has not taken place in the share of employment.' Explain the above statement on the basis of facts. (2014)

Question 8. Define tertiary sector. Describe about the different kinds of people employed in this sector in India. (2014)

Question 9. State any five features each of public sector and private sector. (2015)

### Assertion Reason Questions:

1. **DIRECTION:** Mark the option which is most suitable:

- a. If both assertion (A) and reason (R) are true and reason (R) is the correct explanation of assertion (A).
- b. If both assertion (A) and reason (R) are true, but reason (R) is not the correct explanation of assertion (A).
- c. Assertion (A) is true, but reason (R) is false.
- d. Both assertion (A) and reason (R) are false.

**Assertion (A):** In the public sector, the government owns most of the assets and provides all the services.

**Reason (R):** The purpose of the public sector is not first to earn profits but to promote public welfare.

2. **DIRECTION:** Mark the option which is most suitable:

- a. If both assertion (A) and reason (R) are true and reason (R) is the correct explanation of assertion (A).
- b. If both assertion (A) and reason (R) are true, but reason (R) is not the correct explanation of assertion (A).
- c. Assertion (A) is true, but reason (R) is false.
- d. Both assertion (A) and reason (R) are false.

**Assertion (A):** Disguised unemployment is hidden in contrast to someone who does not have a job and is clearly visible as unemployed. Everyone is working, no one is fully employed.

**Reason (R):** In actual fact, labour effort gets divided.

### Case Study Questions:

1. Read the extract given below and answer the questions that follow:

Total income is not such a useful measure. Since, countries have different populations, comparing total income will not tell us what an average person is likely to earn. Are people in one country better off than others in a different country? Hence, we compare the average income which is the total income of the country divided by its total population. The average income is also called per capita income. In World Development Reports, brought out by the World Bank, this criterion is used in classifying countries. Countries with per capita income of US\$ 12,056 per annum and above in 2017, are called rich countries and those with per capita income of US\$ 955 or less are called low-income countries. India comes in the category of low middle income countries because its per capita income in 2017 was just US\$ 1820 per annum. The rich countries, excluding countries of Middle East and certain other small countries, are generally called developed countries.

- i. Countries with per capita income of US\$ 12,056 per annum and above are called \_\_\_\_\_ .

- a. Low-income countries.
  - b. Rich countries.
  - c. Small countries.
  - d. None of these.
- ii. We compare the average income by \_\_\_\_\_.
    - a. Total income of the country divided by the total population.
    - b. Total population multiplied by total income.
    - c. Both A and B.
    - d. None of these.
  - iii. The rich countries exclude the countries of \_\_\_\_\_.
    - a. Middle East.
    - b. Certain other small countries.
    - c. Sri Lanka.
    - d. All of these.
  - iv. The average income is:
    - a. Income per person.
    - b. Income per family.
    - c. Income per month.
    - d. Income per earning person.
2. Read the extract given below and answer the questions that follow:
- This 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. 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 depends 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 on the street or doing repair work. Similarly, farmers work on their own and hire labourers as and when they require:
- i. Which sector are we talking about?
    - a. Private sector.
    - b. Public sector.
    - c. Organised sector.
    - d. Unorganised sector.

- ii. Which of the following is applicable for a worker, who works in the above-mentioned sector?
- She gets medical allowance.
  - She got an appointment letter stating the terms and conditions of work when she joins work.
  - She gets a regular salary at the end of the month.
  - She is not paid for leave.
- iii. Choose the correct meaning of the organised sector:
- It covers those enterprises where the terms of employment are regular.
  - It is outside the control of the government.
  - Jobs are not regular.
  - It provides low salaries.
- iv. Read the statements given below and choose the incorrect options:
- There is no provision for overtime, paid leave, holidays, etc. in the organised sector.
  - Workers in organised sector enjoy security of employment.
  - Organised sector covers those places of work where the terms of employment are regular.
  - Workers in the organised sector expected to work only a fixed number of hours.
- Only (1) is incorrect.
  - (1) and (2) both are incorrect.
  - (2), (3) and (4) are incorrect.
  - Only (4) is incorrect.

### MCQ Answers-

- Answer: d
- Answer: c
- Answer: c
- Answer: a
- Answer: d
- Answer: b
- Answer: a
- Answer: b

9. Answer: c
10. Answer: d
11. Answer: a
12. Answer: b
13. Answer: c
14. Answer: c
15. Answer: c

### Very Short Answers-

1. Answer: Public Sector and Private Sector.
2. Answer: The economy is classified on the basis of economic activities into three sectors namely Primary sector, Secondary sector and Tertiary sector.
3. Answer: Disguised unemployment is a situation in which more people are employed on a job than the required number.
4. Answer: Primary Sector
5. Answer: Public Sector
6. Answer: The primary sector continued to be the largest employer even in the year 2000.
7. Answer: 100 days of employment are guaranteed under NREGA, 2005.
8. Answer: Tertiary sector
9. Answer: Setting up a dal mill, opening a cold storage, starting or promoting honey collection are some of the ways of creating employment opportunities in rural areas.
10. Answer: Primary Sector

### Short Answers-

**Answer 1:** In the public sector, ownership of assets and delivery of services is under the government. The government spends huge amounts of money in providing various services to the public at reasonable costs.

The government thus contributes towards the economic development of the nation:

By development of infrastructure, i.e.,

1. Construction of roads, national highways, flyovers, metro-rails, railway lines, irrigation through dams, etc.
2. The government provides an impetus to industrial growth by supplying electricity at affordable rates.
3. By running schools and providing good quality of education, the government is trying to remove illiteracy and taking the nation forward.

**Answer 2:** Every state or region in India has potential for increasing the income and employment in that area.

Recognising this, the Central Government in India has passed an act called the National Rural Employment Guarantee Act 2005,

Main objectives of the NREGA 2005 are:

- to implement the Right to Work in 200 districts of India.
- to guarantee 100 days of employment in a year by the Government. In case the Government fails, it offers unemployment allowance.
- to give preference to the type of work that will help increase the production from land.

**Answer 3:** The primary sector involves production at the most basic level, i.e., through exploitation of natural resources. Cultivation of sugarcane is an agricultural activity which comes under the primary sector. Raw materials from the primary sector are converted into processed goods through manufacturing in the secondary sector. Using sugarcane as raw material, jaggery and sugar is made in the factories. The tertiary or service sector provides support to the process of production. It includes transportation, storage, marketing and sale of products. For instance, transportation of sugarcane from the fields to the sugar mills. Further on, the transportation of jaggery and sugar from factories and sugar mills to the markets.

The farmer (Primary sector) also needs fertilisers and seeds which are processed in some factory (Secondary sector) and which will be delivered to his doorstep by some means of transportation (Tertiary sector). In this way, for every little process there is interdependence of the three sectors of the economy on each other.

**Answer 4:** The problem of underemployment is not confined only to agriculture. It can also happen in other sectors.

- For example, there are thousands of casual workers in the service sector in urban areas who search for daily employment. They are employed as painters, plumbers, repair persons and other odd jobs. Many of them don't find work everyday.
- Similarly, we see other people of the service sector on the street pushing a cart or selling something where they may spend the whole day but earn very little. They are doing such work only due to the lack of better employment opportunities.
- The unorganised sector includes small and scattered units outside the government control. 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.

**Answer 5:** Final goods are goods that are ultimately consumed by the consumer

rather than used in the production of another good.

Intermediate goods are goods used as inputs in the production of final goods and services. For example, a car sold to a consumer is a final good; components such as a tyre sold to the car manufacturer is an intermediate good. The value of final goods already includes the value of all intermediate goods that are used in making the final good.

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

**Answer 6:** There are people who are capable of better work and earning more than what they are getting. The reason for this is that better jobs for which they are qualified are not available. Such people are termed as underemployed, e.g., a graduate teacher driving a taxi. Underemployment is most prevalent in the primary or agricultural sector.

Three ways to solve the problem of underemployment:

1. Provision of loans may help in creating jobs for disguised unemployed and underemployed workers.

The loan money can be used for the promotion of economic activity of the family adding to the family's earning or for setting up a cottage industry.

2. Another way is to promote and locate industries and services in semi-rural areas where a large number of people may be employed.

Example, Setting up a dal mill, opening a cold storage, starting or promoting honey collection.

3. If local banks give credit to farmers at a reasonable rate of interest, they will be able to buy agricultural inputs and increase productivity.
4. Centres for vegetables and fruit processing, health centres, educational institutions, tourism and IT centres will certainly help in creating jobs.

**Answer 7:** A remarkable fact about India is that while there has been a change in the share of the three sectors in GDP, a similar shift has not taken place in employment.

1. A similar shift out of primary sector did not happen in case of employment because not enough jobs were created in the secondary and tertiary sectors.
2. Even though industrial output or the production of goods went up by eight times during the period, employment in the industry went up by only 2.5 times.
3. While production in the service sector rose by 11 times, employment in the service sector rose less than three times.

As a result, more than half of the workers in the country are working in the primary sector, mainly in agriculture, producing only a quarter of the GDP.

**Answer 8:** On the basis of nature of activities, economic sectors are classified into:

1. Primary sector
2. Secondary sector
3. Tertiary sector

Primary sector forms the base for all other products that we subsequently make. Since most of the natural products we get, are from agriculture, dairy, fishing, forestry, this sector is also called sector for agriculture and related activities (stone quarrying, animal husbandry, etc.).

Secondary sector covers activities in which natural products are changed into other forms through ways of manufacturing. It can take place in a factory, workshop or at home.

Examples:

- (a) Spinning yarn from cotton fibre from plants.
- (b) Making sugar from sugarcane.

It is also called the Industrial sector.

Tertiary sector. Activities in this sector do not produce any goods. This sector produces services that act as aid and support to the Primary and Secondary sectors. Services like administration, police, army, transport, hospitals, educational institutions, post and telegraph, courts, municipal corporation, insurance companies, storage, trade communication and banking are some of the examples of activities of the Tertiary sector. This sector is also known as Service sector.

**Answer 9:** Gross Domestic Product (GDP) of a country is the value of all the final goods and services produced in each sector within a country during a particular year. This indicates how big the country's economy is. GDP is measured by the Central Government Ministry. This Ministry, with the help of all the Indian States and Union Territories, collects information relating to total volume of goods and services and their prices and then makes an estimate of the GDP.

### Long Answers-

**Answer 1:** Importance of Primary sector:

1. Primary Sector provides the basic needs of economy for food and mineral ores.
2. It produces some of the raw materials (like jute, cotton, coal extracted from mines) for the industrial sector.
3. The Primary sector continued to be the largest employer in the economy

even in the year 2000, the reason being that Secondary and Tertiary sectors still do not create enough jobs.

4. The agricultural population in the Primary sector provides a very large market of consumers for the Secondary sector (for buying finished products like clothes, goods of daily need, fertilizers, etc.).

**Answer 2:** Investing in basic agricultural infrastructure like construction of dams and canals for irrigation can lead to a lot of employment generation within the agricultural sector itself reducing the problem of under employment.

If the government invests some money in the storage and transportation of crops, or makes better rural roads so that mini-trucks reach everywhere, several farmers can continue to grow and sell these crops throughout the year. This activity can provide productive employment to not just farmers but also others such as those in services like transport or trade.

Providing credit at a reasonable rate of interest to help farmers buy seeds, fertilisers, agricultural equipments, pumpsets etc. can generate employment in rural banking.

The government/banks can provide loans at cheap rates to the small farmers to improve their irrigational facilities like constructing a well so that they can irrigate their land well and get two to three crops a year instead of one. Thus more people can be employed in the same field.

Another way is to promote and locate industries and services in semi-rural areas where a large number of people may be employed. For example, setting up a dal mill, opening a cold storage, starting or promoting honey collection, etc.

**Answer 3:** Tertiary sector or service sector plays a very significant role and its importance is rising day by day:

1. Greater the development of primary sector and secondary sector more would be the demand for Services.
2. Tertiary sector has become the largest producer in India because various kinds of Services such as hospitals, educational institutions, post and telegraph services, police stations, courts, village administrative offices, transport, banks, insurance companies, etc. are required.
3. Even development of agriculture and industry leads to the development of services such as transport, trade and storage, etc.
4. With the rise in income, demand for more services is rising.

For example, eating out in restaurants, tourism, malls and shopping complexes, schools, professional training, etc.

5. New services like Information Technology and outsourcing have become very important for modern day trade and industry.

Unfortunately, the rapid growth of the service sector in India has not yet shown the expected corresponding increase in employment.

**Answer 4:** Ways to provide more employment opportunities in rural areas:

1. Promote and locate industries and services in semi-rural areas where a large number of people may be employed. Example, setting up a dal mill, opening a cold storage, starting or promoting honey collection.
2. Promoting small-scale industries, small-scale manufacturing units, agro-processing industries and providing loans for the same. The government/banks can provide loans at cheap rates to the small farmers to improve their irrigational facilities so that they can get two or three crops a year instead of one. Thus more people can be employed in the same field.
3. If more dams are built and canal water is provided to all the small farmers, then a lot of employment can be generated in the agricultural sector.
4. If more money is spent on transportation and storage, then not only small farmers will be benefitted but many more people can be employed in transport and storage sector.
5. Investing more in tourism and employing more youth in this sector.

**Answer 5:** Society as a whole needs several things which the private sector will not be able to provide at a reasonable cost.

Reasons for this are:

1. Activities in the private sector are guided by the motive to earn profits and not welfare of the people,
2. There are several services needed by the society which the private sector cannot provide at a reasonable price. Activities like construction of roads, bridges, railways, irrigation through dams etc., require huge amount of money which is beyond the capacity of the Private sector. Private sector charges high rates for the use of these services.
3. It is difficult for the Private sector to collect money from thousands of people who use these services.
4. The Private sector sometimes ignores regional balanced development, equality of income and development of basic industries.
5. Private sector charges include profit margins whereas the government will charge a reasonable price for services. It is the primary duty of the government to ensure the provision of public facilities with a service motto.

**Answer 6:** Before accepting a job many factors need to be considered apart from income—

1. These include factors such as facilities for families, working atmosphere, or opportunity to learn.
2. In another case, a job may give less pay but may offer regular

employment that enhances sense of security. Another job however, may offer high pay but no job security and also leave no time for family.

3. The terms of employment are as per government rules and regulations.
4. The enterprise also gives several other benefits like paid leave, provident fund, gratuity, etc.
5. The employer also makes provisions for medical benefits and safe working environment. A safe and secure environment may allow more women to take up a variety of jobs.

**Answer 7:** Though there has been a change in the share of the three sectors in GDP, similar shift has not taken place in the structure of employment. The Primary sector continues to be the largest employer even in the year 2000. The reason for this is that not enough jobs are created in the Secondary and Tertiary sectors. More than half of the workers in the country are working in the Primary sector, mainly in agriculture, producing only a quarter of GDP. In contrast to this, Secondary and Tertiary sectors produce three- fourths of the produce though they employ less than half of the people.

Reasons:

1. During the last thirty years in the Indian economy, not enough jobs have been created in the Secondary and Tertiary sectors, although their output has increased many folds. As a result more than half of the workers in the country are working in the primary sector, mainly agriculture, causing gross underemployment due to overcrowding in the sector.
2. There are more people engaged in agricultural activities than is necessary. The situation is such that even if we remove a lot of people from agriculture, the production of this sector will not be affected.

**Answer 8:** Tertiary sector. Activities in this sector do not produce any goods. This sector produces services that act as aid and support to the primary and secondary sector. Services like administration, police, army, transport, hospitals, educational institutions, post & telegraph, courts, municipal corporation, banking & insurance, storage, trade and communications are examples of activities in the tertiary sector. This sector is also known as the Service Sector.

1. The first kind of people are the highly skilled and educated people providing specialised services. E.g., doctors, lawyers, accountants, etc. There are a limited number of services that employ highly skilled and educated workers and offer big salaries.
2. There are also a very large number of workers engaged in services, such as small shopkeepers, repair persons, transport persons. These people barely manage to earn a living and yet they perform these services because no alternative opportunities for work are available to them.

Hence, only a part of this sector is growing in importance.

**Answer 9:****Public Sector:**

1. The government owns most of the assets.
2. All the services are provided by the government.
3. The main motive of the public sector is the welfare of the people (masses). Activities are guided by the interest of the nation as a whole.
4. Employees feel secured and there is discipline and regular work.
5. Governments raise money through taxes and other means.
6. For example, railways, post offices, construction of roads, bridges, harbours, dams, etc.

**Private Sector:**

1. In the private sector, ownership of assets is in the hands of private individuals or companies.
2. Services are provided or are in the hands of individuals.
3. Activities in the private sector are guided by the motive to earn profits and not welfare of the people.
4. Jobs of the employees are less secured and the whims of the owners are above all.
5. Private sector charges high rates for the use of services provided by them.
6. For example, Companies like Tata Iron and Steel Co. (TISCO), Reliance Industries, etc.

**Assertion Reason Answer:**

1. (b) If both assertion (A) and reason (R) are true and reason (R) is the correct explanation of assertion (A).
2. (b) If both assertion (A) and reason (R) are true, but reason (R) is not the correct explanation of assertion (A).

**Case Study Answer:**

1. i (b) Rich countries.  
ii. (a) Total income of the country divided by the total population.  
iii. (d) All of these.  
iv. (a) Income per person.
2. i (d) Unorganised sector.  
ii. (d) She is not paid for leave.  
iii. (a) It covers those enterprises where the terms of employment are regular.  
iv. (a) Only (1) is incorrect.



*Swotters*