

Sectors Of the Indian Economy

Practice Questions

Q. 1. What is double counting?

Answer: Double counting is the problem which occurs while calculating Gross Domestic Product (national income). It mainly occurs while calculating the value of final goods and intermediate goods. Intermediate goods are those goods which are used for the production of final goods. Thus they are components of final products. But there is always the possibility of including an intermediate good or service more than once while calculating GDP, where only the value of final goods is to be included. This leads to the problem of double counting and results in the overestimation of national income.

Q. 2. Which sector generates services rather than goods?

Answer: The activities of the tertiary sector generate services rather than goods. Thus it is also called the service sector. The tertiary/service sector provides service as an end product. Media and communication, banking, real estate, hotels, education, health and recreation form a part of the tertiary sector.

Q. 3. Name two vulnerable groups in urban goods?

Answer: Vulnerable groups comprise of the people who have common chances to be exploited by the dominant sections. In the urban areas, workers in the unorganised sector and casual labourers are the most vulnerable sections. They include workers in the small-scale industry, casual workers in construction, trade and transport, street vendors, head load workers, garment makers and rag pickers. They are particularly vulnerable if they belong to Scheduled Caste, Scheduled Tribe or backward communities.

Q. 4. What are intermediate goods?

Answer: Intermediate goods are those goods which are used for the production of final goods. Thus they are components of final products. They would be continued to be used in the production process. It is further processed before being sold as the final good in the market.

E.g. Milk purchased by a tea stall involves further processing before it is sold as tea or coffee. Thus it is considered as an intermediate good.

Q. 5. What are final goods and services?

Answer: Final goods are those goods which are purchased for final consumption. They are not meant for resale and is not processed further. It is sold as the final good to meet the needs and requirements of the users.

E.g. Tea purchased by the consumer from the tea stall is a final good as it is purchased for the final consumption.

Q. 6. How would a farmer increase his income and employment if he provided with a loan, irrigation facilities and means of transportation?

Answer: The plight of farmers in rural India is very pathetic because of the absence of finance, irrigation facilities and means of transportation. If all these facilities are provided to them, the income and employment of the agricultural sector can be increased as all of these are growth stimulating agents.

If irrigation facilities are provided to the farmers, many of them would be able to harvest a second crop during the rabi season in addition to the harvest of the Kharif season. This will provide employment to people for an additional period of time. Subsequently, it will result in the generation of more employment opportunities within the agricultural sector itself. This will reduce the problem of underemployment prevalent in the sector. This will increase production.

If an investment is made in the development of infrastructure, transportation and storage facilities, especially in the rural areas that stand cut-off from the cities, the farmers will be able to sell their products in both the domestic and foreign market. This will provide productive employment opportunities to farmers and the people engaged in the service sector like transportation, storage and trade.

The important crisis of the rural agricultural sector is the dominance of moneylenders who charge a higher rate of interest. If the banks and other local institutions give farmers loans at a reasonable rate of interest, they will be able to meet all their financial requirements for the purchase of seeds, equipment, tractors and other tools. They will be able to modernise their production.

Q. 7. Which the example of sugar cane, explain the interdependence of all three sectors of the economy.

Answer: Economic activities comprise all those activities that contribute to the generation of income. All the economic activities can be grouped under the primary, secondary and tertiary sector.

Primary sector includes all the activities in the extraction of raw materials from the natural source. It includes mining, quarrying, farming, fishing and animal husbandry. The secondary sector involves the processing of the raw materials extracted in the primary sector into finished products. It includes manufacturing, food processing, and oil refining and energy industries. The tertiary/service sector provides service as an end product. Media and communication, banking, real estate, hotels, education, health and recreation form a part of the tertiary sector.

The effective functioning of all the sectors is crucial for the efficient functioning of the economy. All the sectors are interdependent with each other. Their contribution cannot be assessed individually. This interdependence can be analysed with the working of the sugarcane industry.

The cultivation of sugarcane comes under the primary sector. It is an agricultural activity. The transportation of the harvested sugarcane to the factories for the manufacture of juice, sugar and jaggery involves transportation, infrastructure and storage facilities that come under the purview of the tertiary sector. The sugarcane is processed in the factories. This comes under the manufacturing component of the secondary sector. Further, the processed components of sugarcane are transported to the wholesalers, retailers and other traders. This involves the support of the service sector. Further, the sales of sugarcane also come under the tertiary sector.

Q. 8. Explain the features of the Indian economy.

Answer: Indian economy is one of the fastest growing economies in the world. There are many features that are inherent to the economy. The combination of all the features enables development economists to classify Indian economy as a developing one. Some salient features of the Indian economy are:

- **Agrarian economy:** Indian economy is an agriculturally pre-dominant economy. Nearly 50% of the population still depend on agriculture as their major source of living. But the contribution of the primary sector towards GDP is only a negligible 13%. Thus even though a large proportion of people depend on agriculture for their living, its sectorial contribution towards GDP is very less.
- **Population:** India is the world's second most populous country in the world. In the world, every seventh person is an Indian. The population of India is greater than the combined population of many countries in the world. Even though the growing population enlarges the human resource base, the problems in resource allocation are also increasing.
- **Low capital formation:** The rate of capital formation is very less in the country. It is decreasing with every passing year. The rate of savings and investment is also less. This contributes to the lower rate of economic development in the country.
- **Infrastructural and technological backwardness:** The technology and infrastructure in the country are highly out-dated. The economy concentrates more on labour intensive methods for production in all the sectors. The supporting infrastructure is also backward. Because of the low quality of education and training, the quality of human capital is also poor.
- **A vicious circle of poverty:** The economy is trapped in the vicious circle of poverty. The people are trapped in the vicious circle of poverty. A person who is born poor will die

poor and will transfer the burden of poverty to the next generation. The unequal distribution of income and wealth has also contributed to rising poverty.

- Unemployment and underemployment: The economy is characterised by the existence of both unemployment and underemployment. It is very difficult for the increasing population to find themselves productive employment opportunities according to their capabilities. The problem of underemployment is also prevalent. This occurs especially in the agricultural sector.

Q. 9. What is the Planning Commission? What have been its finding?

Answer: Planning Commission was established in 1950 to formulate and implement economic plans for the development and growth of the country. The organisation was responsible for the implementation of five-year plans and other economic plans for accelerating the economic development of the country through rudimentary planning.

The main functions of the organisation are:

- To assess and quantify the material, capital and human resource in the country.
- To formulate and implement plans for the balanced and efficient utilisation of resources.
- To analyse the factors that slow down economic growth.
- To evaluate the progress on the implementation of the plans.
- To give necessary recommendations and suggestions for the successful completion of the plans.

The main findings of the Planning Commission about the economy are:

- The study conducted by the Planning Commission predicted that nearly 20 lakh jobs can be created exclusively in the education sector. The same is the case with the health sector. This is the case, especially in rural areas.
- The income and employment can be increased in every state and region. Tourism, regional craft industry or other service sector development can contribute to this growth. This can be done through proper planning and funding from the government.
- The study piloted by the Planning Commission states that if the tourism sector is developed, additional employment of nearly more than 35 lakh can be created every year.

Q. 10. Describe the provision of National Rural Employment Guarantee Act 2005.

Answer: The central government implemented the National Rural Employment Guarantee Act in 2005 that guarantees the Right to Work for the people. It was introduced by Raghuvansh Prasad Singh, the Minister of Rural Development. It was initially implemented in 200 districts and then extended to 130 additional districts overtime from 1 April 2008. The main provisions of the scheme are:

- The act aims to provide at least 100 days of wage employment in a financial year for adult members who are willing to unskilled manual labour in rural areas.
- If the government fails to provide them with employment, it will give unemployment allowances to the people deprived of the benefit.
- The scheme aims to construct and maintain permanent infrastructure facilities like canals, wells, roads and rainwater harvesters.
- If the applicants are not provided employment within 15 days of application, they are entitled to get unemployment allowances.
- The basic implementing units are the Gram Panchayats who issue a job card to the employed and their wages and salaries are deposited in their bank accounts.

Q. 11. Workers in unorganised sectors are often exploited and not paid a fair wage. Their jobs are not secure. How is the organised sector better than unorganised sector? What are hindered in the unorganised sector?

Answer: Unorganised sector is the sector that comprises of small scale enterprises or units. Moreover, these sectors are not registered with the government. These units are scattered which are largely outside the control of the government. Though there are rules and regulations these are never followed here. For example, casual workers in construction, roadside business, shops etc. Workers in unorganised sectors are often exploited and not paid a fair wage. Their jobs are not secure.

On the other hand, the organised sector includes all those enterprises and organisations with regular terms of employment. People have assured work registered by the government. They have to follow many rules and regulations included in different laws and rules including the Factories Act, Minimum Wages Act, Payment of Gratuity Act and Shops and Establishments Act.

Organised sector is better than unorganised sector in terms of employment and working conditions. There are many problems while working in the unorganised sector. In the organised sector, security of employment is entitled to all the workers. They have fixed working hours and can have the benefits and allowances for working overtime. They also get paid leave, holiday allowances, medical allowances, provident fund, and gratuity. All basic facilities like drinking water and a safe working environment should be given to them under the legal rules and regulations. In contrast, workers in the unorganised sector are low-paid and are not regular employees. They have no facility

for overtime allowances, paid leave, sick leave and other allowances. Generally, workers in unorganised sectors are often exploited and not paid a fair wage. Thus, the organised sector is better than the unorganised sector.