Sectors of the Indian Economy: Detailed notes

1. Three kinds of economic activity

Classify what the activity does, rather than where or by whom it is done.

SEE THE RELATIONSHIP

Follow the nature of the work

1

Primary

Obtain natural products: cultivate cotton, fish or mine ore.

2

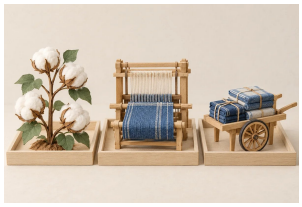
Secondary

Transform materials: weave cloth, make bricks or construct a building.

3

Tertiary

Provide services: transport, sell, store, teach or repair.



Natural production, transformation and delivery. Symbolic objects, not a ranking of work.

Names and boundaries

- **Primary:** Also called agriculture and related activities. It includes forestry, dairy, fishing and mining, not only farming.
- **Secondary:** Also called industrial activity. Manufacturing can happen in a factory, a workshop or a home.
- **Tertiary:** Also called services. Some support goods production; others directly meet needs, such as education.

An occupation can contain several activities

A farmer's crop cultivation is primary. A separately provided transport or retail service remains tertiary even when it handles crops. Classify the stated work, not the material alone.

2. One product connects many sectors

Separate sectors depend on one another through inputs, demand and services.

SEE THE RELATIONSHIP

A cloth parcel has more than one connection

1

Cotton cultivation

Primary supplies fibre to manufacturing.

→ 2

Spinning and weaving

Secondary transforms fibre into yarn and cloth.

→ 3

Storage, transport and sale

Tertiary connects producers with buyers.



Materials and service tools share one work surface, suggesting interdependence.

Links work in several directions

- A sugar mill needs sugarcane from primary production. Farmers also need manufactured tools, pumps and fertilisers.

- Transport, banking, communication and storage support both farming and manufacturing. Their service character does not change with the customer.
- Demand matters too: if a mill stops buying, farmers may struggle to sell. A shortage of agricultural inputs can constrain the mill.

3. Count the final value once

A final product's value already contains the intermediate inputs used to make it.

SEE THE RELATIONSHIP

The biscuit example: Rs 80, not Rs 125

1 → 2 → 3

Wheat: Rs 20

Sold to the mill as an input.

Flour: Rs 25

Sold to the biscuit producer as an input.

Biscuits: Rs 80

Four packets sold to consumers at Rs 20 each.



Ingredients become biscuits. Whether a good is intermediate depends on its use.

Two rules for counting

- **Use values:** Different goods cannot be added as physical counts. Quantity × price gives a value in a common monetary unit.
- **Avoid repeated value:** In this chain, final biscuits count as Rs 80. The farmer and mill still receive payment; excluding their sales from a second count does not erase their contribution.

The same good, different uses

Purchase	Use in this example	Classification
Flour bought by a bakery	Used up making bread for sale	Intermediate
Flour bought by a household	Used for household consumption	Final

Do not invent missing inputs

The biscuit producer also uses sugar and oil. Rs 80 minus Rs 25 is not its complete value added unless all other intermediate inputs are accounted for.

4. Value added and the size of an economy

Count new production without counting the same intermediate value repeatedly.

AUTHORED CONDITIONAL EXAMPLE

A complete simplified value-added chain

1 → 2 → 3

Timber grower

Output Rs 100 - intermediate inputs Rs 0 = Rs 100.

Stool maker

Output Rs 300 - timber Rs 100 = Rs 200.

Chain total

Rs 100 + Rs 200 = Rs 300 final output.



A finished stool and its material suggest transformation, not a measure of profit.

Read the calculation carefully

- Value added = value of output minus value of intermediate goods and services used. The timber example assumes no other intermediate inputs and production within one year in the same country.
- Value added is not automatically profit: workers' wages and other claims are paid from the new value. A machine used over years is not the same as a raw material used up in this chain.

GDP and GVA answer related questions

- **GDP:** Value of final goods and services produced within a country during a particular year. It measures economic production, not everyone's wellbeing or equal income.
- **GVA:** Measures value added by producers. The chapter's sector charts use real GVA at basic prices, at 2011-12 prices. GDP and GVA have different tax and subsidy treatment; a GVA chart must not simply be relabelled GDP.

A model with explicit assumptions

The simplified chain has no other intermediate inputs. Real accounts need complete input data and consistent boundaries; the example is not a full national-accounts calculation.

5. The changing mix of production

A sector can grow in absolute value while its share of a growing total falls.

SEE THE RELATIONSHIP

Total output and output share are different

Year A



40 / 100 = 40%

GVA in Rs crore, authored example

Year B



60 / 200 = 30%

GVA in Rs crore, authored example



Different production settings suggest change over time, not exact sector quantities.

Historical pattern and the Indian comparison

- The chapter describes a broad pattern in many developed countries: primary activity was initially prominent, manufacturing later expanded and services eventually became dominant. This is not a compulsory path for every country.
- For India, Graph 1 compares 1977-78 with 2017-18. All three sectors' GVA grows; tertiary grows most and becomes the largest producing sector. Its segments are not labelled with precise values.

Exercise table: sector GVA, Rs crore

Year	Primary	Secondary	Tertiary
2001-02	13,23,000	10,40,000	19,31,000
2021-22	24,79,400	40,73,000	73,25,000

Use the table's own labels

The 2001-02 total is Rs 42,94,000 crore. Primary share is 13,23,000 ÷ 42,94,000 × 100 ≈ 30.8%. These exercise values are GVA. Their price basis is not specified here, so they do not by themselves establish inflation-adjusted growth.

6. Output growth is not job growth

Production and employment need separate evidence, denominators and comparisons.

SEE THE RELATIONSHIP

Employment shares, as labelled in Graph 3

1977-78



Primary **71%** Secondary **11%** Tertiary **18%**

2017-18



Primary **44%** Secondary **25%** Tertiary **31%**



Products and work places represent two different measures; the objects are not data.

Read the percentages as shares of workers. These bars do not measure GVA or current employment.

Compare like with like

- Output share is a fraction of GVA. Employment share is a fraction of workers. They cannot be subtracted to obtain a number of unemployed people.
- In the historical account, industrial output grows by more than nine times while industrial employment grows about three times. Service output grows about fourteen times while employment grows about five times.
- Output per worker is an average. It depends on land, tools, capital, skills, demand and conditions; a lower figure is not evidence of laziness.

Share does not give the headcount

If a sector's employment share falls, its number of workers may still rise when the total workforce grows. To calculate headcounts, obtain both years' totals.

7. Many different service livelihoods

Services expand for several reasons, and service workers do not all share the same opportunities.

SEE THE RELATIONSHIP

Why demand for services can expand

1

Basic needs

Education, healthcare, administration and transport.

2

More goods production

Farming and industry need storage, finance and trade.

3

Rising incomes and new technology

Some households buy more services; information and communication create new services.



Teaching, repair and computing are services with potentially different work conditions.

Growth has more than one source

- Basic services are needed throughout an economy. More production also increases demand for transport, storage, banking and communication.
- As some incomes rise, spending on tourism, eating out, private education and other services may grow. Information and communication technology adds new opportunities.

Same services, different questions

Question	Evidence needed
Is the activity tertiary?	What service does the person provide?
Is the work secure?	Terms, regularity, safeguards and actual conditions
Is it well paid?	Earnings, hours, costs and period

Do not rank people's dignity by pay

Small shops, repair and transport provide useful services. Limited alternative opportunities can constrain earnings. A growing sector is not a promise of high pay for every person in it.

8. When work hides underemployment

People may be working while available work uses less than their capacity.

AUTHORED CONDITIONAL EXAMPLE

A conditional test for disguised unemployment

1

Observe

Five adults share work on a small plot.

→ 2

Test the conditions

The same harvest can be maintained by three, with land, tools and required work unchanged.

→ 3

Interpret

Two can take suitable additional work without reducing this plot's output in this scenario.



Tools beside limited land and another work space suggest a work gap, not unwillingness to work.

Hidden does not mean idle

- The chapter's Laxmi example concerns five family members sharing a two-hectare rain-fed plot. They lack other work; their available labour is not fully used.
- The unchanged-harvest conclusion depends on the example's conditions. It does not mean every agricultural worker can leave without transition costs, skills, finance or changes in output.
- Urban work can also be insufficient: a repair worker may wait for customers or a daily worker may find work only on some days.

Separate evidence from assumption

Low income alone does not prove disguised unemployment. Ask about time, opportunities, tasks and whether output would change if some labour moved. Do not blame the worker for a shortage of productive opportunities.

9. Create useful work, not just activity

Employment proposals work better when they address the constraints that prevent useful production.

SEE THE RELATIONSHIP

Connect an investment to a mechanism

1

Irrigation and credit

A feasible extra crop can add farm work.

2

Roads, storage and processing

Reach buyers, reduce losses and create linked services or manufacturing.

3

Schools and healthcare

Provide useful services while employing trained staff.



Water, processing and access can complement one another; success still needs planning.

Match a proposal to the bottleneck

- Irrigation can make a second crop possible where water use is feasible. Timely affordable credit helps farmers obtain inputs. Roads and storage help them sell output.
- Agro-processing, regional crafts and tourism can create work near villages; repair, services and small industry can also create urban opportunities. Skills, markets, finance and safeguards matter.

- Education and healthcare employ people and support human development. A building needs trained staff, supplies and reliable access.

Employment guarantee in its historical context

- MGNREGA 2005 linked livelihood security to a legal employment guarantee. Its historical household basis covered at least 100 days in a financial year for rural households whose adult members demanded and volunteered for unskilled manual work.
- The historical framework provided for an unemployment allowance if work was not supplied within the specified period, subject to its conditions. It did not promise unlimited jobs or 100 separate days for every family member.
- The 2026-27 textbook says it was replaced by Viksit Bharat-G RAM G 2025. These are dated curriculum explanations, not a guide to current eligibility, wages or benefits.

10. Work conditions and worker protection

Employment conditions form a different classification from the kind of output produced.

SEE THE RELATIONSHIP

Ask about the actual employment relationship

1

Organised

Registered enterprises, regular terms and rules governing work.

2

Unorganised

Often small or scattered work, irregular terms and weakly enforced safeguards.

3

Protection

Fair pay, safety, predictable terms and social support require attention.



Tools and employment papers suggest safeguards; occupation alone does not establish conditions.

The textbook comparison

Aspect	Organised example	Unorganised example
Terms	Regular appointment and stated conditions	Often informal, uncertain daily work
Hours and benefits	Rules for hours, overtime and benefits	Safeguards often absent or not followed
Security	More regular and protected employment	Irregular work and risk of dismissal

Protection supports development

- Casual workers need protection around wages, safety and health. Small producers may need timely inputs, credit, storage and marketing support.
- The chapter links economic insecurity with social discrimination affecting marginalised communities. Support and fair treatment matter together; an identity does not predetermine a person's occupation.
- The benefits described are a textbook contrast, not a universal promise of a pension or identical entitlements for every registered worker.

Historical table, not today's workforce

Table 2.3 gives late-1990s workers in millions: organised 82, unorganised 393, total 475. Thus 393 ÷ 475 × 100 ≈ 82.7% were unorganised in that table.

11. Ownership and public purpose

Public and private describe ownership, while quality and public purpose need further evidence.

SEE THE RELATIONSHIP

Three axes can describe one workplace

1

Nature

A state-owned electricity plant produces electricity: secondary.

2

Conditions

Regular, rule-governed employment in the stated case: organised.

3

Ownership

Government owns the enterprise: public.



The same service can be delivered under different ownership. The model does not rank performance.

What the ownership axis tells us

- **Public:** Government owns most assets and is responsible for the stated provision. The textbook uses railways and post offices as examples.
- **Private:** Individuals or companies own the enterprise. Profit is a major incentive, but ownership alone does not establish quality or worker treatment.

Why public action matters

- Shared infrastructure may require large investment and serve people who cannot pay high charges. The chapter discusses roads, bridges, irrigation and electricity.
- Health, education, safe water, housing and nutrition support human development. Government can provide, finance, support or regulate services; the economic question includes access and accountability.
- Food procurement and ration distribution illustrate support for both producers and consumers. Such measures involve costs and policy choices, not costless provision.

Separate ownership from performance

A public enterprise can be badly managed and a private one well managed, or the reverse. Compare access, reliability, costs and safeguards rather than infer success from the label.

12. Defend an employment proposal

A defensible decision connects useful output, additional work, fair conditions and feasible public support.

SEE THE RELATIONSHIP

Build a reasoned economic judgement

1

Diagnose

What is limiting work: water, skills, demand, finance or access?

2

Compare

Who gains, what useful output results and what does it cost?

3

Check

Are jobs additional, conditions fair and operation sustainable?



A shared planning table compares options. No proposal is automatically best in every place.

A worked appraisal, authored example

Evidence	Proposal and reasoning	Check before scaling
Farmers lose produce on a damaged road	Repair access so produce reaches buyers; create construction work plus potential transport opportunities	Market demand, maintenance, safety and whether net income improves
Young adults lack repair training	Offer training linked to actual repair demand and tools	Accessible training, placement opportunities and earnings after costs

Keep the classification axes visible

- A publicly owned processing mill is secondary by activity and public by ownership. Work conditions still need evidence. A private transport business is tertiary; it may have organised or unorganised conditions.
- Count job-days or regular jobs with clear units. More sales do not by themselves prove more secure jobs. Compare outcomes for people who started with insufficient work.