

PAPER I - INDIAN ECONOMY & INDIAN FINANCIAL SYSTEM

Module A: INDIAN ECONOMIC ARCHITECTURE

Chapter 3: SECTORS OF THE INDIAN ECONOMY

Quick Revision

3.1: The Five Sectors of the Economy The economy is classified into sectors based on the nature of economic activities:

1. **Primary Sector:** Involves the direct extraction and use of natural resources. It forms the base of the economy.
 - **Examples:** Agriculture, mining, fishing, forestry.
2. **Secondary Sector:** Involves processing raw materials from the primary sector into finished goods. It is also known as the industrial sector.
 - **Examples:** Manufacturing, construction, power generation.
3. **Tertiary Sector:** Involves the production of services rather than physical goods. It is also known as the service sector.
 - **Examples:** Banking, healthcare, education, transportation.
4. **Quaternary Sector:** A sub-sector of the tertiary sector, also known as the 'knowledge' sector. It deals with information-based services.
 - **Examples:** Research & Development (R&D), IT services, consulting.
5. **Quinary Sector:** This sector includes the highest level of decision-making in an economy.
 - **Examples:** Senior company executives, high-ranking government officials, research scientists.



3.2: Different Revolutions in the Primary Sector To boost production and meet the demands of a growing population, the Government of India has initiated several "revolutions" in the primary sector. Key among them are:

- **Green Revolution:** Increased production of **food grains**.
- **White Revolution (Operation Flood):** Increased production of **milk** and dairy products.
- **Blue Revolution:** Increased production of **fish**.
- **Yellow Revolution:** Increased production of **oilseeds**.
- **Golden Revolution:** Increased production of **fruits, honey, and horticulture**.

3.4: GDP Contribution and Employment

- **Shift in GDP Contribution:** The Indian economy has undergone a significant structural transformation. It has shifted from being an agriculture-dominated economy to a **service-dominated economy**.
 - **Agriculture (Primary Sector):** Its contribution to GDP has fallen from over 51% in 1950-51 to around **19%** today.
 - **Industry (Secondary Sector):** Contributes around **27%** to the GDP.
 - **Services (Tertiary Sector):** Is the largest contributor, accounting for over **54%** of the GDP.
- **Employment Pattern:** There is a major disparity between GDP contribution and employment.
 - The **Primary Sector (agriculture)** still employs the largest share of the workforce (around 49%), despite its declining share in GDP.
 - The **Services Sector**, despite being the largest contributor to GDP, employs a relatively smaller portion of the workforce (around 27-31%).



3.9: Sunrise Sector of the Indian Economy

- **Definition:** A sunrise sector is a new or emerging industry with high potential for future growth, innovation, and job creation.
 - **Key Sunrise Sectors in India:** These include Green Energy, Fintech, Information Technology, Electronics, Pharmaceuticals, Healthcare, and the Infrastructure sector.
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3.10: Organised and Unorganised Sectors The Indian economy is also classified based on employment conditions:

- **Organised Sector:**
 - **Definition:** A sector where employment terms are fixed and regular, and enterprises are registered with the government.
 - **Characteristics:** Governed by various laws (e.g., Factories Act, PF Act), provides **job security, fixed working hours, a regular monthly salary**, and social security benefits like provident fund, paid leave, and medical facilities.
- **Unorganised Sector:**
 - **Definition:** A sector where employment terms are not fixed, and enterprises are largely unregistered with the government.
 - **Characteristics:** Characterized by small and scattered units, **no job security, irregular work and wages** (often daily), and a **lack of social security benefits**. A vast majority of India's workforce is employed in this sector.
 - **Examples:** Farming, domestic work, construction labor, street vending.

