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Economic activities	<p>Economic activities are related to production, distribution, and consumption in exchange for money.</p> <p>OR</p> <p>Buying and selling of commodities, and providing various services to satisfy day-to-day needs in exchange for money are known as economic activities.</p>
	<p>On the basis of the nature of the activity, Indian economy sectors are classified into three sectors.</p> <ul style="list-style-type: none"> • Primary Sector • Secondary Sector • Tertiary Sector
Primary Sector	<p>When we produce goods by exploiting natural resources, is called the primary sector.</p> <p>It includes</p> <ul style="list-style-type: none"> • Agriculture (Crops, vegetables, Fruits, and Horticulture – Flower plantation, medicinal plants, and more.) • Dairy • Fishing • Forestry • Animal Livestock • Mining • Iron ore and other similar minerals. <p>This sector is also called the agriculture and related sector.</p> <p>Factors of Primary Sectors</p> <p>This sector mainly depends on natural factors Like rainfall, types of soil, and suitable climate for agriculture.</p> <p>Also, depending on the biological processes of animals.</p> <p>How does the Primary sector depend on the secondary sector?</p> <p>The primary sector depends on the secondary sector for – fertilizers, Tractors, HYV (High Yield Variety seeds), and modern tools for agriculture.</p> <p>The secondary sector creates the demand for primary sector raw materials.</p>
Secondary Sectors	<p>It is the next step after the primary sector. In this sector, natural products (Primary products) are converted into finished goods.</p> <p>In this sectors, raw materials obtained from the primary sectors are manufactured, in factories or industry by using different tools and methods and converting the raw materials into finished goods.</p> <p>It is also called the industry sector.</p> <p>For example:</p>

	<ol style="list-style-type: none"> 1. Sugarcane is the raw material (obtained from the primary sector) used to make sugar in Sugar mill Factories (secondary sector). 2. Wheat is a raw material (obtained from the primary sector) used to make biscuits, cookies, and bread in factories. <p>This sector is completely dependent on the primary sector for Raw materials.</p>
Tertiary Sector	<p>The tertiary sector comes after the primary and secondary sectors which helps in the development of both sectors. This sector does not produce goods. They provide aid or support to the finished goods.</p> <p>Example Transport - The goods produced in the primary or secondary sector need transporting by truck or trains to distribute to various places or to store in godown or to send in wholesale and retail shops to sell.</p> <p>Communication - We also may need to talk to other vendors and parties for giving or taking orders, over the telephone, or send letters or cheques.</p> <p>Banking - The banking system which helps to develop the primary and secondary sectors comes under the Tertiary sector.</p> <p>The service sector also includes some essential services that may not directly help in the production of goods but helps in personal and skill developments. They sell services rather than goods.</p> <p>Teachers - skill development Doctor – Health Personal services - washermen, barbers, cobblers, lawyers, Technology - internet cafes, ATM booths, call centers, software companies.</p> <p>After reading the above example you got the point that this sector provides services instead of the production of goods. Thus, this sector is also known as the service sector.</p>
Classifications of the Occupations	<p>Primary Sector – Flower Cultivator, Fisherman, Gardner, Potter Secondary Sector – Basket weaver, workers in a match factory, Bee-keeper. Tertiary Sector – Tailor, Priest, Milk Vendor, Astronaut, Courier, Call Centre employee, Moneylender.</p>
GDP (Gross Domestic Product)	<p>Gross domestic product (GDP) is the standard measure of the production of goods and services from all three sectors in a country during a particular period.</p> <p><i>“It is the value of all final goods and services produced within a country during a particular year”.</i></p> <p>GDP shows how big the economy is.</p> <p>Calculation of GDP in India is undertaken by the Central Government Ministry. They collect the information from all states and Union Territories.</p> <p>GDP includes only the final goods and services.</p>

- a. A farmer who sells wheat to a flour mill for Rs 20 per kg.
- b. The mill grinds the wheat and sells the flour to a biscuit company for Rs 25 per kg.
- c. The biscuit company uses flour and things such as sugar and oil to make four packets of biscuits.
- d. It sells biscuits in the market to consumers for Rs 80 (Rs 20 per packet).
- e. Biscuits are the final goods, i.e., goods that reach the consumers.

Wheat flour is the intermediate goods and **biscuit** is the final goods.

The value of intermediate goods is not included while calculating the GDP of the country, as they are already included in the value of final goods. And if we add it further, then it will inflate the GDP, due to double counting.

Not included in GDP

- a. unpaid work: work performed within the family, volunteer work, etc.
- b. non-monetary compensated work
- c. goods not produced for sale in the marketplace
- d. bartered goods and services
- e. black market
- f. illegal activities
- g. transfer payments
- h. sales of used goods
- i. intermediate goods and services that are used to produce other final goods and services

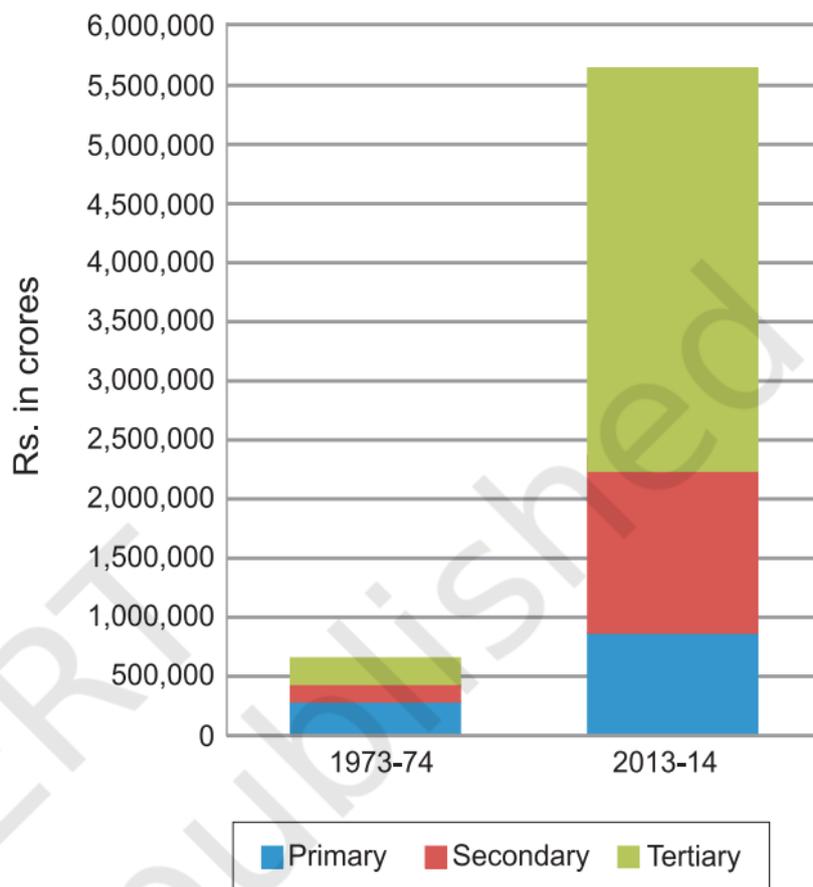
Ways to calculate GDP.

- a. **Production approach** – the sum of the “value-added” (total sales minus the value of intermediate inputs) at each stage of production.
- b. **Expenditure approach** – the sum of purchases made by final users.
- c. **Income approach** – the sum of the incomes generated by production subjects.

Reasons for Rising the Importance of the Tertiary Sector in Production

Over the forty years between 1973-74 and 2013-14, while production in all the three sectors has increased, it has increased the most in the tertiary sector. As a result, in the year 2013-14, the tertiary sector has emerged as the largest producing sector in India replacing the primary sector.

Graph 1 : GDP by Primary, Secondary and Tertiary Sectors



1. In any country, several services such as hospitals, educational institutions, post and telegraph services, police stations, courts, village administrative offices, municipal corporations, defense, transport, banks, insurance companies, etc. are required. These can be considered basic services. In a developing country, the government has to take responsibility for the provision of these services.
2. The development of agriculture and industry leads to the development of services such as transport, trade, storage, and the like, as we have already seen. The greater the development of the primary and secondary sectors more would be the demand for such services.
3. As income levels rise, certain sections of people start demanding many more services like eating out, tourism, shopping, private hospitals, private schools, professional training, etc. You can see this change quite sharply in cities, especially in big cities.
4. Over the past decade or so, certain new services such as those based on information and communication technology have become important and essential. The production of these services has been rising rapidly. In Chapter 4, we shall see examples of these new services and the reasons for their expansion.