

MANIDHANAHEYAM FREE IAS ACADEMY - TNPSC - PRELIMINARY EXAM
UNIT - VI - INDIAN ECONOMY

Sectors of Indian Economy

- A sector is one of a few general segments in the economy within which a large group of companies can be categorized.
- An economy can be broken down into about a dozen sectors, which can describe nearly all of the business activity in that economy.
- Sectors of Economic Activities Broadly, the four main sectors in an Economy are:

Primary sector:

- This sector deals with the extraction and harvesting of natural resources.
- These can be renewable resources, such as fish, wool and wind power.
- It can be the use of non-renewable resources, such as oil extraction, and mining for coal.
- In developing economies, the primary sector tends to take a big share with many employed in agriculture and mining.
- However, improved technology and the growth of nation, results in decline of share in this sector.

Secondary sector:

This sector makes and distributes finished goods, and can include:

- Manufacturing – e.g. producing cars from aluminium.
- Construction – building homes, factories
- Utilities – providing goods like electricity, gas and telephones to households
- Basically, this sector comprises industries that relate to the production of finished goods from raw materials.
- Index of Industrial Production (IIP) is Released by central statistical organization (CSO) on Monthly basis.

Core Industries:

- Eight Core Industries are Electricity, steel, refinery products, crude oil, coal, cement, natural gas and fertilizers.

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- The Index of Eight Core Industries is a monthly production index, which is also considered as a lead indicator of the monthly industrial performance.
- The Index of Eight Core Industries is compiled based on the monthly production information received from the Source Agencies.

Tertiary Sector:

- This is the service sector, which is concerned with the intangible aspect of offering services to consumers and business.
- Retailers, entertainment, and financial companies make up this sector.

Quaternary/knowledge sector:

- This sector deals with knowledge or intellectual pursuits including research and development (R&D), business, consulting services, and education.
- It is the process which enables entrepreneurs to innovate better manufacturing processes and improve the quality of services offered in the economy.
- Without this growth of technology and information, economic development would be slow or non-existent.

Quinary sector:

- This sector is the part of the economy where the top-level decisions are made.
- This includes the government which passes legislation.
- It also comprises the top decision-makers in industry, commerce and also the education sector.

Historical Change in Sectors:

- Generally, it has been noted from the histories of many, now developed, countries that at initial stages of development, primary sector was the most important sector of economic activity.
- Over a long time (more than hundred years), and especially because new methods of manufacturing were introduced, factories came up and started expanding.

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- Those people who had earlier worked on farms now began to work in factories in large numbers.
- As a result, Secondary sector gradually became the most important in total production and employment.
- In the past 100 years, there has been a further shift from secondary to tertiary sector in developed countries.
- The service sector has become the most important in terms of total production.
- This is the general pattern observed in developed countries.

Organized Industry:

- Employment terms are set and consistent in this industry, and workers are guaranteed employment and social security.
- It can also be described as a sector where businesses must comply with a variety of laws and are registered with the government.
- Hospitals and schools are included in the organised sector.
- Workers in the organised sector benefit from job security.
- They are only need to work a specific amount of hours.
- If they put in additional time, the company must pay them overtime.

Unorganized Sector:

- A worker in the organised sector who is not covered by any of the Acts pertaining to welfare Schemes as mentioned in Schedule-II of the Unorganized Workers Social Security Act, 2008 is considered an unorganised worker.
- This includes home-based workers, self-employed individuals, and wage workers in the unorganised sector.
- Due to the seasonal and sporadic nature of work as well as the dispersed placement of businesses, wage-paid labour in this sector is primarily non-unionized.
- Low wages, erratic and unpredictable employment, and a lack of union or legal protection are all characteristics of the sector.

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- The unorganised sector mainly employs labour-intensive local technology.
- The workers in the unorganised sector are so dispersed that the legislation's execution is woefully inadequate and ineffectual.
- There are rarely any unions to serve as watchdogs in this industry.
- However, compared to the organised sector, the unorganised sector's contributions to the national income are relatively significant.
- It increases the national income by more than 60%, whereas, depending on the industry, the organised sector only contributes about 50% of that.

The Public Sector:

- In the sector, government owns most of the assets and it is the part of the economy concerned with providing various governmental services.
- The purpose of the public sector is not just to earn profits.
- Governments raise money through taxes and other ways to meet expenses on the services rendered by it.

Central Public Sector Enterprises (CPSEs) classification:

- Three categories - **Maharatna, Navratna, and Miniratna** – are used to classify CPSEs.
- There are currently 71 Miniratna CPSEs, 16 Navratna CPSEs, and 7 Maharatna CPSEs.
- With effect from May 19, 2010, **the Maharatna Scheme** was implemented for Central Public Sector Enterprises (CPSEs), giving major CPSEs the ability to grow their businesses and establish themselves as global leaders.
- Presently there are **seven 'Maharatna' CPSEs, viz.**
 - Bharat Heavy Electricals Limited,
 - Coal India Limited,
 - GAIL (India) Limited,
 - Indian Oil Corporation Limited,
 - NTPC Limited,
 - Oil & Natural Gas Corporation Limited and
 - Steel Authority of India Limited.

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- CPSEs that meet the requirements below are qualified to apply for Maharatna status with Navratna standing.
- According to SEBI standards, listed on the Indian stock exchange with a minimum required public shareholding.
- Over the past three years, there has been an average annual turnover of over Rs. 25,000 crore.
- More than Rs. 15,000 crores in net worth annually on average over the previous three years.
- Over the past three years, there has been an average annual net profit after tax of more than Rs. 5,000 crores.
- Should operate internationally and have a substantial worldwide footprint.
- The requirements for granting **Navratna** status.
- **The Miniratna Category – I** and Schedule ‘A’ CPSEs with ‘excellent’ or ‘very good’ ratings under the Memorandum of Understanding system in three of the previous five years and a composite score of 60 or above in the six chosen performance parameters, namely net profit to net worth, manpower cost, and so on.
- To the whole cost of goods/services produced, the profit before depreciation, interest, and taxes on capital used, the profit before interest, taxes, and turnover, the earning per share, and the performance across sectors.
- **Miniratna’ Scheme:** In order to make some other profit-making enterprises more effective and competitive, the government also decided to provide them additional autonomy and the delegation of financial authority in October 1997, subject to specific eligibility requirements and rules.
- These businesses, known as “Miniratnas,” fall under two Categories II. The prerequisites and requirements are as follows:
- **Category I** CPSEs must have had a pre-tax profit of at least Rs. 30 crore in at least one of the last three years and a positive net worth. They must also have done so continually.

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- **Category-II** CPSEs should have a positive net worth and have generated profits for the last three years in a row.
- If these CPSEs have not defaulted, they will be eligible for the increased delegated powers.
- In the payment of interest on any loans owed to the government, or in the return of loans.

Private Industry:

- Private persons or businesses control the ownership of the assets and the provision of the services in the private sector.
- It is frequently referred to as the citizen sector, which is conducted by private persons or groups, typically as a means of enterprise for profit, and which the State does not control but rather regulates.
- The goal of making money drives actions in the private sector.
- These people and businesses must be paid in order for us to receive these services.

Public-private partnerships (PPP):

- PPP refers to a partnership between the public and private sectors for the delivery of public goods and/or services.
- For a predetermined amount of time, the private sector company is making investments in this sort of collaboration.
- PPP does not constitute privatisation because it entails the government's complete retention of responsibility for delivering the services.
- The division of risk between the public institution and the private sector is clearly defined.
- A private entity is selected using an open, competitive bidding process and is compensated according to performance.
- In developing nations where governments faced numerous obstacles to borrowing money for significant projects, the PPP approach may be an alternative.

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- It may also provide the necessary knowledge for large-scale project planning or execution.
- Sunrise industry is a term used for a sector that is just in its infancy but shows promise of a rapid boom.
- The industry is typically characterized by high growth rates, high degree of innovation and generally has plenty of public awareness about the sector and investors get attracted to its long-term growth prospects.
- On the other hand, Sunrise industry rapid emergence may threaten a competing industry sector that is already in decline.
- Because of its dim long-term prospects, such an industry is referred to as a sunset industry.
- Existing Indian sectors that can be termed as Sunrise sectors and likely to hold us in good stead in the future in terms of employment generation and business growth are:
 - Information Technology
 - Telecom Sector
 - Healthcare
 - Infrastructure Sector
 - Retail Sector
 - Food Processing Industries
 - Fisheries

India's GDP Contribution by Sector:

- India's major industry is the services sector.
- At current exchange rates, the services sector's gross value added (GVA) is predicted to reach 92.26 lakh crore INR in 2018–19.
- The services sector contributes 54.40 percent of India's 169.61 lakh crore GVA overall.
- The industry sector makes for 29.73% of GVA with a total of Rs. 50.43 lakh crore.
- While 15.87% of the economy is made up of the agricultural sector.

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- It is important to note that the agricultural industry employs the largest percentage of people (53%), followed by the service and secondary sectors (29% and 18%, respectively).
- **Black Collar Worker:** It is used to refer to workers in the mining or the oil industry or sometimes also used to refer to people who are involved in black marketing activities.
- **Blue Collar Worker:** This term is referred to a member of the working class, who performs manual labour and earns an hourly wage.
- **Gold Collar Worker:** Refers to highly-skilled knowledgeable people such as doctors, lawyers, scientists and also young, low wage workers who also get parental support.
- **Gray Collar Worker:** Refers to those who work beyond the age of retirement. For example, health's care professionals, IT professionals.
- **Green Collar Worker:** People employed in alternate energy sources like, World Wide Fund for nature, Greenpeace and Solar panels.
- **Open Collar Worker:** Refers to a worker who works from home, via Internet.
- **Pink Collar Worker:** refers to those workers who are employed in low-paid jobs like librarian, receptionist.
- **Scarlet Collar Worker:** refers to people who work in the pornography industry.
- **White Collar Worker:** Is a salaried professional, refers to office workers and management in general sense.