CHAPTER - 5

INDIAN ECONOMY THROUGH VARIOUS SECTORS

1. What are the key characteristics of the primary sector in an economy?

- The main feature of this sector is the direct utilization of natural resources.
- Examples include agriculture, animal husbandry, fishing, mining, and forestry.
- Since priority is given to agriculture and allied activities, it is also known as the 'Agricultural Sector'.
- This sector provides products for direct consumption and raw materials required for manufacturing other goods.

2. Why is the secondary sector called the 'Industrial Sector'?

- This sector includes economic activities related to industry and construction.
- Activities here involve manufacturing new products by using products from the primary sector as raw materials.
- It is called the Industrial Sector because it gives primary importance to industries.
- Electricity and gas distribution are also part of this sector.

3. Why is the tertiary sector described as the 'Service Sector'?

- The tertiary sector ensures various service activities such as healthcare and education.
- This sector helps in making activities in the primary and secondary sectors more efficient.
- Importance is given to services like trade, commerce, communication, and banking.
- Hence, this sector is known as the 'Service Sector'.

4. What are the main functions of the National Statistical Office (NSO)?

- It collects and analyzes economic statistics, including India's National Income.
- It is the Central Government agency responsible for publishing the country's economic data.
- It provides the necessary information for formulating economic policies and planning government projects.
- The NSO provides the fundamental data required to monitor the nation's economic growth.

5. Explain the interdependence of various economic sectors with an example.

- To increase sugarcane production in the primary sector, machinery and fertilizers from the secondary sector are required.
- Transportation facilities and bank loans (financial assistance) from the tertiary sector are essential for this.
- Thus, the growth of one sector is made possible through the support of other sectors.
- Economic growth occurs when all three sectors work in coordination.

6. What is National Income? Which is the financial year in India?

- National Income is the total money value of all final goods and services produced in a country during a financial year.
- It represents the total income earned from various economic activities in a year.
- In India, the financial year is considered from April 1 to March 31.
- National Income is a key indicator that explains the economic status of a country.

7. Distinguish between final goods and intermediate goods.

- Goods that are used directly for consumption are called **final goods**.
- Goods used as raw materials to manufacture another product are called **intermediate goods**.
- While calculating National Income, only the money value of final goods is considered.
- The value of intermediate goods is already included in the price of final goods.

8. What is the importance of calculating National Income?

- It helps in understanding the economic growth of the country.
- It helps evaluate the contribution of various sectors in the economy.
- It assists the government in planning and implementing projects.
- It is essential for comparing the economic status of different countries and identifying the strengths and weaknesses of the economy.

9. Describe the 'Product Method' of calculating National Income.

- This method is based on the money value of goods and services produced in the primary, secondary, and tertiary sectors during a financial year.
- It helps identify the extent of the contribution from various sectors to the National Income.
- This method also helps in giving appropriate importance to each sector.

10. Explain the 'Income Method' of calculating National Income.

- Income is calculated based on the money value of the rewards received by the factors of production: land, labor, capital, and organization.
- It is the sum total of rent, wages, interest, and profit.
- The income method calculates the **Gross National Income (GNI)**.

11. How can National Income be found using the 'Expenditure Method'?

- Income is calculated based on the total expenditure incurred for various activities in the country during a financial year.
- It includes Consumption expenditure (C), Investment expenditure (I), Government expenditure (G), and Net Exports (X-M).
- The expenditure method calculates the **Gross National Expenditure (GNE)**.

12. Define the economic activities: Production, Distribution, and Consumption.

- **Production:** The process of creating goods and services using factors of production.
- **Distribution:** The process by which the generated income is shared among individuals or factors of production.
- **Consumption:** The activity of using resources to satisfy needs and wants.
- The economy progresses when these activities accelerate.

13. List the factors of production and their respective rewards.

- **Land** – Rent
- **Labor** – Wages
- **Capital** – Interest
- **Organization** – Profit

14. Why is 'Investment' considered an expenditure in economics?

- Investment is considered alongside consumption expenditure used to buy goods.
- It is called investment expenditure because money is utilized for future production.
- It constitutes a major part of the country's total expenditure.

15. What is Net Export? How is it calculated?

- It is the difference between the value of a country's exports and imports.
- **Formula:** Net Export = Export (X) - Import (M).
- It is an important component of National Income.

16. Explain the main differences between Gross Domestic Product (GDP) and Gross National Product (GNP).

<u>Gross Domestic Product (GDP):</u>

- It is the total money value of final goods and services produced within the domestic territory of a country in a financial year.
- Priority is given to whether the production happens within the country. Income of citizens working abroad is not included.
- In addition to political boundaries, GDP includes ships, aircraft, foreign embassies, and high commissions as part of the economic territory.

Gross National Product (GNP):

- It is the total money value of final goods and services produced by the residents of a country, whether at home or abroad.
- To calculate this, income earned by Indians from abroad is added to GDP, and income earned by foreigners from India is subtracted.

Main Difference:

- GDP emphasizes the **geographical territory**, while GNP emphasizes the **citizens/residents** of the country.

17. What is depreciation? How is Net National Product (NNP) calculated?

- **Depreciation:** When machines or other equipment are used, their efficiency decreases due to wear and tear or age. The expenditure required to compensate for this loss in value is called depreciation.
- **Calculating NNP:** Net National Product (NNP) is obtained by subtracting depreciation from the Gross National Product (GNP).

18. How does per capita income help in understanding a country's economic condition? How is it calculated?

- Per capita income is the amount obtained by dividing the National Income of a country by its total population. It helps understand the average income of an individual.
- If the population grows faster than the National Income, per capita income will decrease, affecting the country's economic growth.

19. What are the practical obstacles and limitations in calculating National Income?

- Lack of accurate statistical data.
- Possibility of recording the value of goods or services at multiple stages of production.
- Products used for self-consumption are often excluded from National Income calculations.
- Many services without a fixed market price cannot be included.
- Domestic work performed by homemakers is not considered in National Income accounting.

20. What is Gross Value Added (GVA)? How is it calculated?

- GVA is the total value of goods and services produced in an economy.
- It is calculated by subtracting the value of intermediate consumption from the total value of output.

21. How is GDP calculated from GVA? What is the role of taxes and subsidies?

- GVA is used to calculate the contribution of each sector. However, to get the GDP of the country, product taxes must be added to GVA and product subsidies must be subtracted.
- **GDP = GVA + Product Taxes - Product Subsidies**

22. What are the reasons for the increasing importance of the tertiary sector in the Indian economy?

- The tertiary sector dominates the GVA share of India and Kerala. Major reasons include:
- Progress in health and education sectors.
- Rapid growth of banking and insurance sectors.
- Development of transport and communication facilities.
- Increasing potential in the tourism sector.
- Huge growth of knowledge-based industries (like IT).

23. What is the knowledge-based sector? Explain the factors helping its growth in the Indian context.

- The knowledge-based sector is the sector that effectively utilizes knowledge and technology to achieve economic growth.
- Using modern technology and information exchange, it has developed into a 'Knowledge Economy'.

  <u>Factors helping its growth</u>:
- About 60% of India's population is under 35. This youth population offers great potential for the knowledge sector.
- Proficiency in foreign languages (especially English) helps India provide software services globally.
- The leap in the Information Technology (IT) sector has greatly increased knowledge-based services.
- The government gives special priority to promoting the knowledge sector (e.g., Technopark and Infopark in Kerala).

- Improved scientific and technological growth and private sector participation accelerate its expansion.

24. Explain the differences between the organized and unorganized sectors. What are the problems faced by workers in the unorganized sector?

Organized Sector:

- Operates under government laws and regulations.
- Provides job security and stability.
- Workers receive paid leave, pension, and medical benefits.
- Fixed working hours and extra pay for overtime are guaranteed.

Unorganized Sector:

- A sector where government regulations are absent or laws are not followed.
- There is no job stability or security.
- Workers receive low wages.
- Paid leave or other social security benefits are generally not provided.

Problems faced by unorganized workers:

- **Low Wages:** They do not receive wages proportional to their hard work; often below the fixed minimum wage.
- **Job Insecurity:** Employers can dismiss workers at any time without reason.
- **Long Working Hours:** Due to the lack of fixed hours, they often work long periods without extra pay.
- **Lack of Benefits:** They do not receive benefits like insurance, medical aid, maternity benefits, or pensions.

25. What are the objectives of the Code on Social Security 2020?

- This law was created by consolidating nine existing central laws to ensure better social security for workers.

  Main Objectives:
- To provide social security benefits to workers in both organized and unorganized sectors.
- To ensure EPF, ESI, insurance, maternity benefits, pension, and free medical treatment.
- To provide legal protection and benefits to **gig workers** and **platform workers**.