

# Indian Economic Development – Role of Different Sectors

*General Economics*

General Economics: Economic  
Development-Role of Different  
Sectors

# Features of Undeveloped Economy

- **Pre-Dominance of Agriculture in the Economy**
- **Widespread Poverty**
- **High Rates of Population Growth**
- **Low Per Capita Income**
- **Technological Backwardness**
- **High Levels of Unemployment & Underemployment**

# Features of Undeveloped Economy

- **Highly Unequal Income Distribution**
- **Low Levels of Human Well-being**
- **Low Levels of Productivity**
- **Low Rates of Capital Formation**
- **Weak Infrastructure**
- **Low Participation in Foreign Trade**

# Analyzing India....

## Agriculture : Main Occupation

At  
*Independence*  
: 72%

At Present  
(2004-05):  
54%

# Analyzing India....

**Widespread Poverty: Every 3<sup>rd</sup>  
Poor Person in World is an Indian**

**1993-94 :  
36%**

**1999-  
2000 :  
26%**

**At Present  
(2004-05):  
22%**

# Analyzing India....

- **High Rates of Population Growth**

- Indian Population growing at a Fast Rate of 2%.

- Dependency Rate i.e. % of People in Non-Working Age Group is nearly 40% as compared to Developed Countries (33%)

- **Low Per Capita Income**

- In 2005: \$720 which is very low as compared to Developed Countries like USA, UK, Germany, etc.

# Analyzing India....

- **High Levels of Unemployment & Underemployment**
  - Tenth Plan aimed to create approx. 50 million Employment Opportunities.
  - 61<sup>st</sup> NSSO Round shows that about 47 million persons were provided Job during 2000-05.

	1999-00	2004-05
<b>Rural</b>		
Males	7.2	8.0
Females	7.0	8.7
<b>Urban</b>		
Males	7.3	7.5
Females	9.4	11.6

# Analyzing India....

- **Highly Unequal Income Distribution**
  - **Gini Index is used to measure the Inequality of Income & Wealth.**
  - **A Gini Index of Zero represents Perfect Inequality.**
  - **According to the World Development Report – 2006, the Gini Index for India in 1990-00 (Survey Year) is 0.33 which was 0.297 in 1994.**



# Analyzing India....

- **Low Levels of Human Well-being**
  - Human Well-being is measured by HDI (Human Development Index) constructed by the United Nations Development Programme (UNDP).
  - HDI is a composite of 3 basic indicators of Human Development viz., Longevity, Knowledge & Standard of Living.
  - According to UNDP Report 2006, India's HDI is 0.619 in 2005 and stands at 126th position among 177 Countries.

# Analyzing India....

## Low Rates of Capital Formation

**1990-91**  
**: 26%**

**2004-05**  
**: 31.5%**

**At**  
**Present**  
**(2005-06):**  
**33.8%**

# India – A Developing Economy

- Rise In National Income
- Rise In Per Capita Income
- Changes in Occupational Distribution of Population
- Changes in Sectoral Distribution of Domestic Product
- Growing Capital Base of the Economy
- Improvements in Social Overhead Capital
- Development in Banking & Financial Sector

# India – A Developing Economy

- **Rise In National Income**

- National Income i.e. Net National Product (NNP) at Factor Cost rose from Rs. 1,32,367 crore in 1950-51 to Rs. 22,95,243 crore (at constant prices) in 2005-06.

- On an Average, NNP increased at a rate of little less than 5% per annum.

# India – A Developing Economy

- **Rise In Per Capita Income**
  - Per Capita Income rose from Rs. 3,687 in 1950-51 (at constant prices) to Rs. 20,734 in 2005-06.
  - On an Average, the Per Capita Income increased at a rate of around 2.2% per annum.

# India – A Developing Economy

- **Changes in Occupational Distribution of Population**
  - **Occupational Structure refers to the Distribution of Work Force in different occupations of the Country.**
  - **Occupations are broadly classified as:**
    - **Primary Sector : Agriculture & Activities related to Agriculture such as animal husbandry, poultry farming, etc.**
    - **Secondary Sector: Manufacturing Activities including Construction, etc.**
    - **Tertiary Sector: Includes Trade, transport, communication, Banking, etc.**

# India – A Developing Economy

- **Changes in Occupational Distribution of Population**
  - As Economy grows, labour force shifts from Primary Sector to Secondary & Tertiary Sectors

<b>Occupation</b>	<b>1951</b>	<b>1971</b>	<b>1991</b>	<b>2001</b>
<b>Primary Sector</b>	<b>72.1</b>	<b>72.1</b>	<b>62.7</b>	<b>59.3</b>
<b>Secondary Sector</b>	<b>10.6</b>	<b>11.2</b>	<b>14.9</b>	<b>18.2</b>
<b>Tertiary Sector</b>	<b>17.3</b>	<b>16.7</b>	<b>22.4</b>	<b>22.5</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

# India – A Developing Economy

- **Changes in Sectoral Distribution of Domestic Product**

Occupation	1950-51	1970-71	1990-91	2000-01	2006-07
<b>Primary Sector</b>	<b>56.1</b>	<b>42.8</b>	<b>29.1</b>	<b>26.5</b>	<b>18.5</b>
<b>Secondary Sector</b>	<b>11.7</b>	<b>16.9</b>	<b>21.9</b>	<b>23.1</b>	<b>26.4</b>
<b>Tertiary Sector</b>	<b>32.7</b>	<b>40.9</b>	<b>49.0</b>	<b>50.4</b>	<b>55.1</b>



# India – A Developing Economy

- **Improvement in Social Overhead Capital**
  - **Social Overhead Capital Includes Transport facilities, Irrigation facilities, Energy, Education System, Health & Medical Facilities.**
  - **Railways' Route Length increased by 10 thousand kilometers. Indian Railways is World's 2<sup>nd</sup> Largest Rail Network under a Single Management aggregating 3.34 million kilometers.**
  - **Installed Electricity Generating Capacity increased from 2,300 MW in 1950-51, 1,17,800 MW in 2000-01 to 1,43,000 MW in 2004-05.**

# India – A Developing Economy

- **Improvement in Social Overhead Capital**
  - Irrigation Facilities increased from 22.6 million hectares in 1950-51 to 70.7 million hectares in 2002-2003.
  - Number of Educational Institutions has more than doubled & number of Teachers has increased by around 4 times.
  - Literacy Rate increased from 18.33% in 1951 to 65.38% in 2001.
  - Number of Doctors increased from 61.8 thousand in 1951 to 656.1 thousand in 2005.
  - Bed-Population Ratio is 9.5 per 10,000 population as compared to 3.2 per 10,000 population in 1950-51.

# Agriculture Sector – Role in Indian Economy

- **Agriculture Sector contributes nearly ¼ of GDP.**
- **It engages around 60% of the Population of the Country.**
- **Role can be discussed in following points:**
  - Providing Employment**
  - Share in National Income**
  - Supporting Industries**
  - Shares in Foreign Trade**
  - Supplier of Food & Fodder**
  - Savings of Capital**
  - Contributions to Government's Revenue**
  - Solving Problem of Urban Congestion & Brain Drain**

# Agriculture Sector- Role in Indian Economy

- **Providing Employment**
  - At the time of Independence, around 72% of Population engaged in Agriculture & Allied Activities.
  - In 2004-05, it came down to 54%.
  - In absolute terms, there has been an Increase in the number of People engaged in Agricultural Activities.

# Agriculture Sector- Role in Indian Economy

- **Share in National Income**
  - Agriculture Share in GDP has decreased from 55% in 1950-51 to 18% in 2006-07.
- **Supporting Industries**
  - Supports the development of Agro-based Industries such as Textiles, Sugar, Tea, Paper, Cottage Industries, by providing them Inputs.
  - Prosperity of Industries depends upon Agricultural Prosperity as the demand of Industrial Products depends upon Income of the Farmers which in turn depends upon Agricultural Production.

# Agriculture Sector- Role in Indian Economy

- Share in Foreign Trade

- **Agricultural Exports**

- ✓ After Independence, Export Basket mainly consisted of 3 Agro-Production viz., Cotton textiles, Jute & Tea which accounted for more than 50% of Export Earnings.
- ✓ Other Agricultural Goods like Cashews, Coffee, etc., accounted for 70%.
- ✓ Agro-Export constituted 10.2% of Total Export Earnings in 2005-06

- **Agricultural Imports**

- ✓ Agro-Import constituted 2.5% of Total Imports in 2005-06.
- ✓ Need to Imports only under circumstances of Severe shortage of Food Grains due to unfriendly Weather conditions.

# Agriculture Sector- Growth During Planning Period

- Increase in Production & Productivity

Commodity	1950-51	1991-92	2001-02	2005-06	2006-07
Food grains (m.t)	51.0	167.0	212.9	208.6	209.2
Pulses (m.t)	8.4	12.0	13.4	13.4	14.5
Sugarcane (m.t)	69.0	249.0	297.2	270.0	315.5
Oilseeds (m.t)	5.1	18.3	20.7	28.0	23.6
Cotton (m. bales)	2.1	9.8	10.0	18.5	21.0
Jute & Mesta (m. bales)	3.5	9.2	11.7	10.8	11.4

# Agriculture Sector- Growth During Planning Period

- **Increase in Production & Productivity**
  - **Green Revolution in 1966 stressed upon High Yielding Varieties Programmed (HYVP)**
  - **Due to HYVP Food grains Production increased from 81 million tonnes in 3<sup>rd</sup> Plan i.e. before HYVP to 213.5 million tonnes in 2003-04.**
  - **HYVP was restricted to 5 crops - Wheat, Rice, Bajra, Jawar & Maize. But only Wheat Production showed Results & increased from 11 million tonnes in 3<sup>rd</sup> Plan to 72.5 million tonnes in 2004-05.**
  - **As such, Green Revolution is Largely called Wheat Revolution.**



# Agriculture Sector- Growth During Planning Period

- **Diversified Agriculture**

- **The Share of Non-Crop Sectors (Fishery, Forestry & Animal Husbandry) in Total Agricultural Output is increasing.**
- **Area under Commercial Crop like Sugar, Cotton, etc is increasing.**
- **Within Food Grains, area under Superior Cereals like Rice & Wheat is increasing & area under Inferior Cereals is declining.**

# Agriculture Sector- Growth During Planning Period

- **Modern Agriculture: After Green Revolution, the Qualitative changes have taken place:**
  - **Use of HYV of Seeds, Fertilizers, etc is rising.**
  - **Farmers are resorting to Intensive Cultivation, Multiple Cropping, Scientific Water Management.**
  - **Farmers are using new & Scientific Techniques of Production.**
  - **Many Institutions now provide services of Marketing Agricultural Products by providing Agricultural Credit, Distribution & Storage, etc.**

# Agriculture Sector- Growth During Planning Period

- **Improved Agrarian System**
  - **3 types of Land Tenure Systems were prevailing at the Time of Independence:**
    - **The Zamindari System**
    - **The Ryotwari System**
    - **The Mahalwari System**
  - **Tenants paid Rent & Cultivated the Land.**
  - **Tenants were exploited by Land Owners by charging high Rent & taking away the Surplus.**
  - **As such, Tenants were left with no Surplus for Modernization causing virtual Stagnation in Sector.**

# Agriculture Sector- Growth During Planning Period

- **Improved Agrarian System**
  - **3 measures were taken to reform the Agriculture Sector:**
    - **Abolition of Intermediaries**
    - **Tenancy Reforms**
    - **Re-organization of Agriculture**
  - **With these reforms,**
    - **The Zamindari System was Abolished.**
    - **Rent was Fixed between 25-50% for different States.**
    - **Ownership Rights were conferred to Tenants.**
    - **Ceiling were also imposed on Agricultural holdings of Land.**

# Agriculture Sector- Growth During Planning Period

- **Other Developments**

- **Material Inputs are provided to Farmers at Subsidized Rates.**
- **Farmers are getting Credit at Low Rates of Interest.**
- **Minimum Wage levels have been fixed for agricultural labourers.**
- **Special Programmes such as Integrated Rural Development Programme, Jawahar Rozgar Yojna etc. have been started in Rural Areas to provide Employment to rural people.**

# Agriculture Sector - Problems

- **Slow & Uneven Growth.**
- **Not so Modern Agriculture.**
- **Flaws in Land Reforms.**
- **Problems relating to Finance.**
- **Problems relating to Warehousing & Marketing.**

# Industrial Sector

- In any economy, Industries have an important role to play.
- Industrially well Developed Countries (like USA) have Higher Per Capita Income than those Countries where Industries are not well Developed (e.g. India, Pakistan).
- **Exception:** The Petroleum Exporting Countries (like UAE) which have a Higher Per Capita Income due to abundance of Petroleum Products and virtual Monopoly in Export of Petroleum Products.

# Industrial Sector – Role in Indian Economy

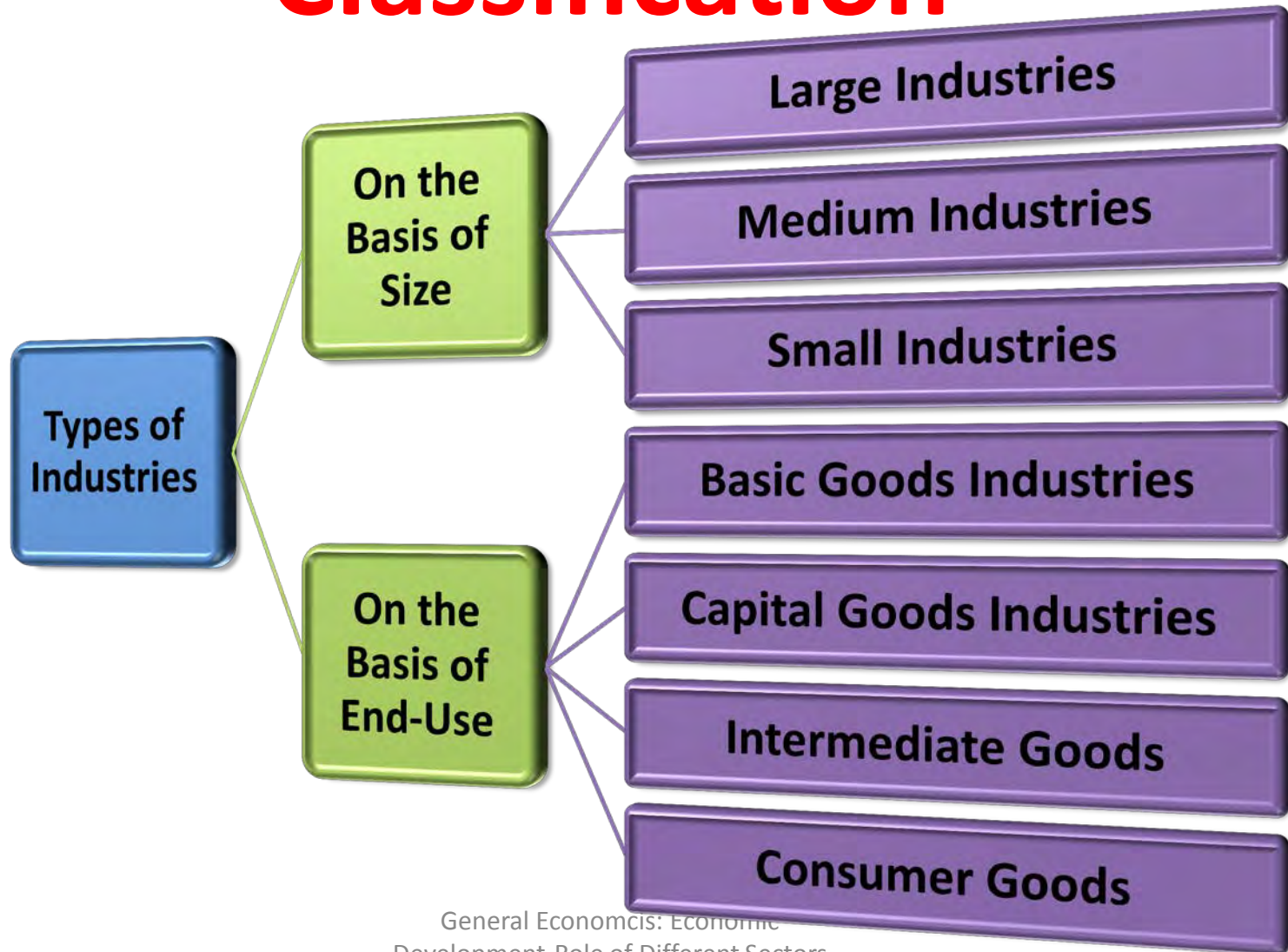
- **Modernizing Agriculture**
- **Providing Employment**
- **Share in GDP : Increased from 12% in 1950-51 to 26.4% in 2006-07**
- **Contribution to Exports: Manufactured Goods alone contribute 72% of Exports Earning in India.**



# Industrial Sector – Role in Indian Economy

- Raising Income of People
- Enhancing further the Economic Growth.
- Meeting High-Income Demands.
- Strengthening the Economy

# Industrial Sector - Classification



# Industrial Sector- Growth During Planning Period

- Industrial Production has grown at an Annual Average Rate of 6.2% per annum over the Planning Period.

## Annual Growth Rates of Industrial Production in Major Sectors of Industry

Large Industries	Base = 1980-81	Base = 1980-81	Base = 1993-94	Base = 1993-94	
	1950-51 to 1980-81	1980-81 to 1990-91	1993-94 to 2004-05	2005 to 2006	2006 to 2007
Mining & Quarrying	4.5	6.4	4.4	1.0	3.8
Manufacturing	5.1	6.8	9.2	9.1	11.5
Electricity, Gas & Water	9.5	8.8	5.2	5.2	7.3

# Industrial Sector – Important Points

- Tenth Plan aimed at achieving Industrial Growth of 10% p.a., but it remained at an average of around 8.7% p.a.
- The Industrial Sector faced the process of Retrogression & Deceleration during 1965-80, because:
  - Unsatisfactory Performance of Agriculture.
  - Slackening of Real Investment in Public Sector.
  - Slow Down in Import Substitution.
  - Narrow Market for Industrial Goods.

# Industrial Sector – Important Points

- Mahalanobis Model emphasized on building Basic & Capital Goods Industries.
- 3 Steel Plants were set up at Bhilai, Rourkela & Durgapur during Second Plan (1956-61).
- Many big Industries have emerged under Private Sector such as Reliance Group, Bajaj, Thapar, etc.
- Infrastructural facilities such as Power Generation, Railway Transport, Telecommunication, Roads, etc. have expanded to a large extent.

# Industrial Sector - Problems

- **Failure to Achieve Targets**
- **Under-utilization of Capacity**
- **Absence of World Class Infrastructure**
- **Increasing Capital-Output Ratio**
- **High Cost Industrial Economy**

# Industrial Sector - Problems

- **Inadequate Employment Generation**
- **Poor Performance of Public Sector**
- **Sectoral Imbalances**
- **Regional Imbalances**
- **Industrial Sickness**

# Services Sector

**Business & Professional Services**

**Communication services**

**Real Estate & Related Services**

**Distributive Services**

**Education Services**



# Services Sector

Energy Services

Environmental Services

Financial Services

Health & Social Services

Tourism Services

Transport Services

# Service Sector - Role in Economic Development

- **Increasing Share in the GDP**
  - Service Sector Share in GDP was 55.1% in 2006-07.
- **Providing Employment**
  - Employment increased from 17.3% of Working Population in 1951 to 22.5% in 2001.
- **Providing Support to Other Services**
  - Provides Services in the form of Financial Services, Transport Services, Storage, etc.

# Service Sector - Role in Economic Development

- **Contribution to Exports**
  - Includes Travel, Transportation, Insurance, Communication, Construction, Financial Services, Software, Agency Services, Royalties, Copyright & License Fees & Management Services.
  - Services accounted for 35% of Total Exports in India. (2004-05).

# Service Sector - Problems

- **Inadequate Infrastructure Facilities – Power Shortage.**
- **High Growth but Low Share in Providing Employment.**
- **Inadequacy of Finance.**
- **Maintenance is not Properly done in Airports, Railways, etc**
- **Service Sector cannot grow in Isolation.**

# Q1

**Generally an Economy is considered Under Developed if**

- a) The Standard of Living of People is Low & Productivity is also considerably Low.**
- b) Agriculture is the main occupation of the People & Productivity in Agriculture is quiet low.**
- c) The Production Techniques are backward.**
- d) All of the Above.**

# Q2

**Which of the following statements is correct?**

- a) Agriculture occupies 10% Population of India.**
- b) Nearly 5% Population of India is below the Poverty line.**
- c) The Production Techniques are backward.**
- d) None of the Above.**

# Q3

**Which of the statements is correct?**

- a) The Tertiary Sector contributes the maximum to the GDP.**
- b) India is basically a Socialist Economy.**
- c) The Distribution of Income & Wealth are quite equitable.**
- d) None of the Above.**

# Q4

\_\_\_\_\_ is the apex bank for Agriculture Credit in India.

- a) RBI
- b) SIDBI
- c) NABARD
- d) ICICI



# Q5

The Share of Agriculture in India's National Income has \_\_\_\_\_ over the years.

- a) Remained Constant.
- b) Decreased.
- c) Increased.
- d) First Decreases & then Increased.

# Q6

**The Green Revolution is also known as**

**a) Wheat Revolution**

**b) Rice Revolution**

**c) Maize Revolution**

**d) Forest Revolution**

# Q7

The area under Irrigation has \_\_\_\_\_ over the years in India.

- a) Remained Constant
- b) Decreased
- c) Increased
- d) First Increased & then Decreased

# Q8

**Which of the following statements is correct?**

- a) Under Zamindari System, Farmers directly paid Land Revenue to the State.**
- b) At present, Income Tax Revenues from the Agriculture Sector are negligible.**
- c) Commercial Banks are providing Loans to the Agriculture Sector at Zero Interest Rate.**
- d) None of the above.**

# Q9

**Which of the following statements is incorrect?**

- a) Special schemes have been started to promote Export of Agro-Products.**
- b) India has been a big Importer of Food Grains especially since 1990s.**
- c) High Yielding Varieties Programme has resulted in improvement in Production and Productivity of Food Grains in India.**
- d) None of the above.**

# Q10

**Abolition of Intermediaries & Tenancy Reforms are both part of**

- a) Industrial Reforms in India.**
- b) External Sector Reforms in India.**
- c) Land Reforms in India.**
- d) Banking Reforms in India.**

# Q11

**Agriculture Sector faces the problem of**

- a) Slow & Uneven Growth.**
- b) Inadequate & Incomplete Land Reforms.**
- c) Inadequate Finance.**
- d) All of the above.**

# Q12

**In absolute terms, the number of people engaged in Agricultural activities over the Planning Period has**

- a) Remained Constant.**
- b) Increased.**
- c) Decreased.**
- d) First Increased & then Decreased.**



# Q13

**We can say Indian Agriculture has become modern since**

- a) There has been an Increase in the use of High Yielding Varieties of Seeds, fertilizers, etc.**
- b) There has been noticeable positive change in the attitude of Farmers towards new Techniques of Production.**
- c) Farmers are increasingly resorting to Intensive Cultivation, Multiple Cropping, Scientific Water Management.**
- d) All of the Above.**

# Q14

**Which of the following have been specially established to meet the requirements of Credit of the Farmers & Villagers?**

- a) ICICI Bank.**
- b) Regional Rural Banks.**
- c) State Bank of India.**
- d) EXIM Bank.**

# Q15

**Which of the following statement is Incorrect?**

- a) About 80% of Agriculture area has Irrigation facilities.**
- b) About 60% area is Rain fed in India.**
- c) Productivity per worker in Agriculture is much lower than that in Industry.**
- d) Cropping pattern is quite skewed in India.**

# Q16

**Which of the following statement is correct?**

- a) Countries which are Industrially well-developed generally have Higher Per Capita Income than Countries which are not.**
- b) India is a Capital Surplus Economy.**
- c) Agriculture Sector need not depend upon Industrial Sector for its Growth.**
- d) None of the Above.**

# Q17

**Mahalanobis model stressed upon the establishment of**

**a) Consumer Goods Industries.**

**b) Export Oriented Industries.**

**c) Agro-based Industries.**

**d) Capital & Basic Goods Industries.**

# Q18

**Three Steel Plants in Bhilai, Rourkela & Durgapur were set up in the**

- a) First Plan.**
- b) Second Plan.**
- c) Third Plan.**
- d) Fourth Plan.**

# Q19

**The Industrial Sector faced the process of Retrogression & Deceleration during**

- a) 1950-1965.**
- b) 1990-2005.**
- c) 1980-1995.**
- d) 1965-1980.**

# Q20

**Which of the following has resulted in failure to achieve targets of Industrial Production?**

- a) Poor Planning.**
- b) Power, Finance & Labour Problems.**
- c) Technical Complications.**
- d) All of the Above.**



# Q21

**The Service Sector of India now accounts for**

- a) More than 80% of GDP.**
- b) More than 70% of GDP.**
- c) More than 50% of GDP.**
- d) More than 90% of GDP.**

# Q22

Nearly \_\_\_\_\_ percent of Working Population is engaged in the Service Sector.

a) 23 per cent

b) 45 per cent

c) 80 per cent

d) 50 per cent

# Q23

**Which of the following statements is correct?**

- a) The Service Sector contributes more than half of the GDP of India.**
- b) The scope of attracting Tourists is limited as there is hardly any place of Tourist attraction in India.**
- c) Generally as an Economy grows, first Service Sector grows & then Agriculture & Industrial Sectors grow.**
- d) None of the Above.**

# Q24

**BPO stands for**

- a) Bharat Petro Organization**
- b) Business Process Outsourcing**
- c) Big Portfolio Outsourcing**
- d) Business Partners Organisation**

# Q25

## A Sick Industrial Unit is one

- a) Where most of the Employees are sick.
- b) Which is unable to perform its Normal Functions & Activities of Production of Goods & Services at a reasonable Profit on a sustained basis.
- c) Which is unable to make Profits more than 10% of its Capital Employed.
- d) Which Borrows Money from Bank for its Fixed Assets.

# Q26

**Oil & Natural Gas Corporation, Indian Oil Corporation, Steel Authority of India, & Bharat Heavy Electricals are all examples of**

- a) Small Scale Units.**
- b) Private Sector Units.**
- c) Public Sector Units.**
- d) Sick Units**

# Q27

The Tenth Plan aimed at achieving a Growth Rate of \_\_\_\_\_ in the Industrial Sector.

- a) 5 per cent.
- b) 8 per cent.
- c) 10 per cent.
- d) 6 per cent.

# Q28

India has the \_\_\_\_\_ largest Scientific & Technical Manpower in the world.

- a) Fifth
- b) Tenth
- c) Eighth
- d) Second



# Q29

**The Industrial Sector depends upon the Agriculture Sector because**

- a) The Agriculture Sector provides Food & other Products for the Consumption purposes of Industrial Sector.**
- b) The Agriculture Sector provides Raw-Materials for the development of a Agro-based Industries of the Economy.**
- c) The Agriculture Sector provides Market for the Industrial Products.**
- d) All of the Above.**

# Q30

**The Indian Industry faced the process of Retrogression & Deceleration because of**

- a) Unsatisfactory Performance of Agriculture.**
- b) Slackening of Real Investment in Public Sector.**
- c) Narrow Market for Industrial Goods, especially in Rural Areas.**
- d) All of the Above.**

**THE END**

*Topic: Indian Economic  
Development - Role of Different  
Sectors*