

Course– Indian Economy, Econ(H) 221

Lecture : Sectors of Economy and Types of Economies



Sectors of an Economy

➤ Different Sectors:

Broad Categories of the economic activities in an economy are termed as economic sectors.

➤ Important sectors or broad categorization of the economic activities:

- Primary Sector
- Secondary Sector
- Tertiary Sector

➤ Primary Sector

Primary sector includes all economic activities where there is the direct use of natural resources. Examples of primary sector activities are – agriculture, forestry, fisheries, fuels, metals and minerals etc. In some economies mining sector is categorized as secondary sector activity.

Sectors of an Economy

➤ Secondary Sector

- This sector is also called the manufacturing sector.
- This sector uses the produce of the primary sector as its raw material (and hence termed secondary)
- Since manufacturing is done by industries, this sector is also called industrial sector as well.

Examples, automobile sector, textile, food processing, etc.

➤ Tertiary Sector

- This sector includes all economic activities where services are produced.
- The sector is thus also known as the Services sector.
- Examples, education, banking, transport and communication, insurance, etc.

Types of Economies

➤ Types of Economies:

Economies are categorized on the basis of share of a particular sector in the total production of an economy (or a country).

It can also be categorized on the basis of population dependent on a given sector.

➤ Major types of economies are:

- Agrarian economy
- Industrial Economy
- Service Economy
- Mixed economy

Types of Economies

➤ Agrarian Economy (characteristics):

- The share of primary sector is 50% or more in the total output (GDP) of an economy.
- The population dependent on primary sector is high (50% or more).

➤ Indian Economy:

- Was agrarian at the time of independence (at present the contribution of primary sector is about 18%).
- Population dependency ratio on agriculture sector is high, almost 60%
- Is moving towards service economy now
- In monetary terms India is **not an** agrarian economy, but the population **dependency ratio makes it agrarian.**

Types of Economies

➤ Industrial Economy (characteristics):

- The share of secondary sector is 50% or more in the total value of the output of an economy.
- The population dependent on secondary sector is high.

➤ Indian Economy:

- Was agrarian at the time of independence but moving towards industrialization.
- Population dependency ratio on industrial sector is going up
- Is moving towards service economy now
- Western economies went for industrialization early to reap the benefits and are now developed economies (though the process of industrialization has saturated)

Types of Economies

➤ Service Economy (characteristics):

- The share of tertiary sector is 50% or more in the total value of the output of an economy.
 - The population dependent on secondary sector is high.
 - Industrialized economies were first to become service sector economies.
 - Tertiary sector provides livelihood to a large population in these economies.
 - Contribution of industrial sector in these economies is around 65% while that of industrial and agricultural sector around 27% and 8% respectively.
- Indian Economy is moving towards service economy now

Thank you

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