



BAL BHARATI PUBLIC SCHOOL, PITAMPURA, DELHI – 110034

SUBJECT- ECONOMICS

Dear students

Please read the given content carefully and answer the questions that follow. Write the answers in a separate notebook.

For reference you can read Page no. 22, 23 and 26 of the NCERT textbook available on www.ncert.nic.in.

CHAPTER-2: SECTORS OF THE INDIAN ECONOMY

INTRODUCTION

In this lesson, we will understand the concept of GDP- meaning, calculation and precautions.

In the last lesson we studied about the interdependence of the three sectors. i.e. Primary, Secondary and Tertiary and we concluded that all the three sectors are interdependent and cannot function without each other. Therefore, all the three are important sectors.

But, Economy considers that sector as the most important sector that gives the maximum GDP and generates the maximum employment.

So let us first understand the concept of GDP

GDP (Gross Domestic Product)



GDP is the value of all the final goods and services produced in an economy in a given year.

Goods can be of two types- INTERMEDIATE and FINAL



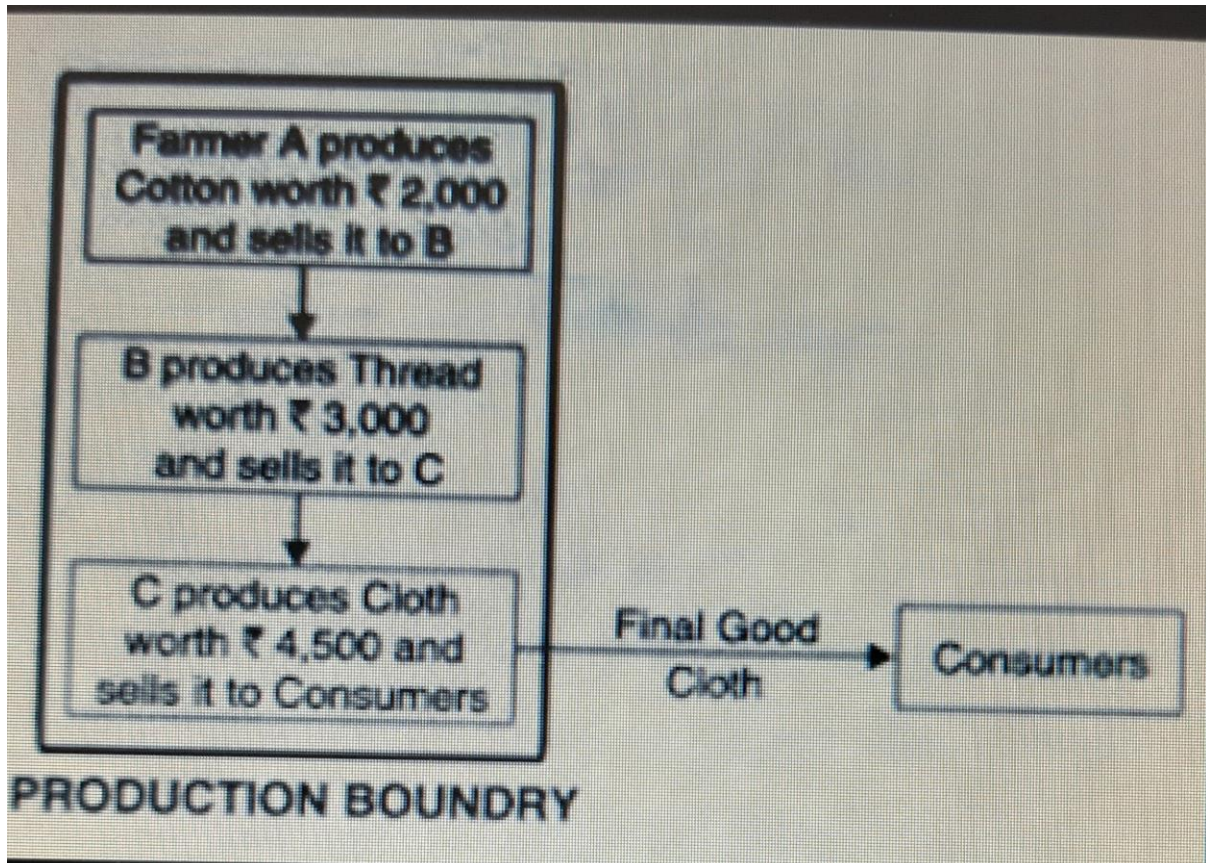
Final goods	Intermediate goods
Used for final consumption.	Not used for final consumption.
Ready for use by final users.	Not ready for use by final users.
Made using intermediate goods.	Used as raw material for production of final goods.
They are finished goods.	They are unfinished goods.
Value is calculated for GDP.	Not calculated, as the value of final goods included the value of intermediate goods.
e.g. biscuits are final goods.	e.g. flour, milk and sugar are intermediate goods used in making biscuits.

NOTE: Once we have understood the difference between final and intermediate goods, it's important to note that while calculating the GDP, only the value of Final Goods is to be considered. Intermediate goods are not included in the GDP as their value is already added in the value of the Final product.

If you add them again, it will lead to double counting of the intermediate goods and this will make the GDP misleading.

Hence, only the value of the final goods will be included in the GDP.

Let us understand this through an illustration.



The value of the final good i.e. the cloth will be considered for the calculation of the GDP.

In India, the task of calculating GDP is taken up by the Central Government Ministry.

INDIA'S CASE

Ideally it makes sense now that any sector with the maximum employment will produce the maximum goods and hence generate the maximum GDP.

But in India, maximum employment and maximum GDP do not come from the same sector.

What we observe in India is:

Maximum employment is in Primary Sector

Maximum GDP comes from the Tertiary Sector

PRIMARY SECTOR OF INDIA

In simple words, the Primary sector of India has two characteristics

1. Maximum employment
2. Minimum GDP

Conclusion- Workers in the Primary sector are not able to produce as much as they could. They are seen working below their potential/physical capacity as there is not enough work for everyone. Hence, the Primary sector of India suffers from DISGUISED UNEMPLOYMENT.

Disguised Unemployment

In disguised unemployment, all the people appear to be employed, but the work requires less number of persons and so the unemployment is disguised. This is typical for the small farmer, where the entire family is working on his plot, although all may not be required to do so.

ASSIGNMENT

- Q1. Differentiate between Final and Intermediate goods.
- Q2. Distinguish between open and disguised unemployment.
- Q3. What precaution should be taken while calculating GDP?
- Q4. Suggest any 5 ways to overcome the problem of disguised unemployment from rural India.