Class 10 Economics Chapter 2: Sectors of the Indian Economy - Notes, Important Questions and MCQs (2026-27)

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These Sectors of the Indian Economy Class 10 notes cover Class 10 Economics Chapter 2 completely as per the 2026-27 NCERT book: primary, secondary and tertiary sectors, their interdependence, GDP and final vs intermediate goods, historical change in sectors, the rising importance of the tertiary sector, underemployment and disguised unemployment, ways to create employment (including MGNREGA and its 2025 replacement), organised and unorganised sectors, protecting unorganised workers, and public and private sectors.

You also get three classification tables, the solved NCERT Table 2.3, key examples, NCERT-style questions with answers, 10 MCQs and a free PDF with no signup.

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Chapter Overview

People are engaged in many economic activities, some producing goods and some producing services. To understand them, we group or classify them into sectors using a criterion.

The chapter uses three classifications: primary, secondary and tertiary (by nature of activity); organised and unorganised (by conditions of employment); and public and private (by ownership). Each helps analyse production, employment and the role of the government in

Important Topics and Concepts

Primary, secondary and tertiary sectors

- Primary sector: activities that produce goods by directly using natural resources, such as agriculture, dairy, fishing, forestry and mining. It forms the base for all other products, so it is also called the agriculture and related sector.
- Secondary sector: natural products are changed into other forms through manufacturing in a factory, workshop or home, such as cloth from cotton, sugar or gur from sugarcane, and bricks from earth. It is also called the industrial sector.
- Tertiary sector: activities that help develop the primary and secondary sectors without producing goods themselves, such as transport, storage, communication, banking and trade. It also includes teachers, doctors, washermen, barbers, cobblers, lawyers, administrators and new IT-based services like internet cafes, ATM booths, call centres and software companies. It is also called the service sector.

Interdependence of sectors

- If farmers refuse to sell sugarcane to a sugar mill, the mill must shut down: the secondary sector depends on the primary.
- If companies import all cotton, Indian cotton farmers may suffer and prices fall.
- If prices of fertilisers or pumpsets rise, farmers' costs rise and profits fall: the primary depends on the secondary.
- If transporters strike, food becomes scarce in cities and farmers cannot sell: both depend on the tertiary.

Comparing the three sectors: GDP

- We use the value of goods and services, not their numbers, to measure production (e.g. 10,000 kg of wheat at Rs 20 per kg is worth Rs 2,00,000).
- Only final goods and services are counted. In the NCERT example, a farmer sells wheat to a flour mill at Rs 20 per kg, the mill sells flour at Rs 25 per kg, and a biscuit company sells four packets at Rs 20 each (Rs 80). The biscuits are final goods; wheat and flour are intermediate goods whose value is already included, so counting them would mean counting the same value many times.
- The value of final goods and services produced in each sector in a year gives its total production; the sum for all sectors is the Gross Domestic Product (GDP): the value of all final goods and services produced within a country during a particular year. GDP shows how big the economy is.
- In India, a central government ministry, with help from states and union territories, estimates GDP. The government now reports the contribution of the three sectors as Gross Value Added (GVA), which adjusts for taxes and subsidies, in line with global practice.

Historical change in sectors

- In early stages of development of now-developed countries, the primary sector was most important in production and employment.
- With new manufacturing methods, factories expanded and people moved from farms to factories; the secondary sector became most important.

- In the past 100 years, there has been a further shift from secondary to tertiary in developed countries; the service sector is now most important in production and employment.

Rising importance of the tertiary sector in India

- Between 1977–78 and 2017–18, production rose in all three sectors but most in the tertiary sector, which became the largest producing sector in India in 2017–18, replacing the primary sector.
- Reasons: basic services like hospitals, schools, post, police, courts, defence, transport, banks and insurance are needed and must be provided by the government; development of agriculture and industry increases demand for transport, trade and storage; rising incomes increase demand for eating out, tourism, shopping, private hospitals and schools and professional training; and new IT and communication-based services have grown rapidly.
- But not all services are growing equally: a few employ highly skilled workers, while a very large number of small shopkeepers, repair persons and transport workers barely earn a living because they have no alternative.

Where are most people employed? Underemployment

- While the share of sectors in GVA has changed, a similar shift has not happened in employment: the primary sector continues to be the largest employer.
- Industrial output rose more than nine times but employment only about three times; service production rose 14 times but employment about five times.
- More than half of workers are in the primary sector, mainly agriculture, producing only about one-sixth of GVA.
- There are more people in agriculture than needed, so workers are underemployed: moving some out would not reduce production.
- Example: Laxmi’s family of five works on two hectares of unirrigated land growing jowar and arhar. All work, but none is fully employed. This hidden underemployment is called disguised unemployment. If two members work for a landlord or in a factory, family income rises and farm output stays the same.
- Underemployment also exists in urban services among casual workers like painters, plumbers, repair persons and street vendors.

How to create more employment?

- Irrigation: a well or a dam and canals would allow a second (rabi) crop, employing more people in agriculture itself.
- Transport and storage: investment in rural roads, transport and storage lets farmers sell more and creates jobs in transport and trade.
- Cheap credit: bank loans at reasonable interest help farmers buy seeds, fertilisers, equipment and pumpsets instead of borrowing from moneylenders.
- Industries and services in semi-rural areas: dal mills, cold storage, honey collection centres and food-processing units.
- Education and health: about 60 per cent of the population is aged 5–29, but only about 51 per cent of them attend educational institutions. A Planning Commission (now NITI Aayog) study estimates nearly 20 lakh jobs in education alone, and many more doctors, nurses and health workers are needed.
- Tourism, regional crafts and IT: improving tourism could give additional employment to more than 35 lakh people every year.

MGNREGA and Viksit Bharat–2025

- For quick results, the Union Government implemented the Right to Work in about 625 districts through the Mahatma Gandhi National Rural Employment Guarantee Act 2005 (MGNREGA 2005).
- Under it, all those able to and in need of work in rural areas were guaranteed 100 days of employment a year; if the government failed, it would give unemployment allowance. Work that would increase production from land was preferred.
- As per the 2026-27 NCERT book, in 2025 this Act was replaced by the Viksit Bharat – Guarantee for Rozgar and Ajeevika Mission (Viksit Bharat–2025).

Organised and unorganised sectors

- Organised sector: enterprises with regular terms of employment and assured work; registered with the government and following laws such as the Factories Act, Minimum Wages Act, Payment of Gratuity Act and Shops and Establishments Act. Workers enjoy job security, fixed hours, overtime pay, paid leave, holidays, provident fund, gratuity, medical benefits, safe working conditions and pensions. Example: Kanta, an office worker with a salary, provident fund, allowances, paid Sundays and an appointment letter.
- Unorganised sector: small and scattered units largely outside government control; rules exist but are not followed; jobs are low-paid, irregular and insecure, with no overtime, paid leave or sick leave, and workers can be asked to leave anytime. It includes self-employed people like street sellers and repair workers, and farmers. Example: Kamal, a daily wage labourer in a grocery shop working 7:30 am to 8 pm without leave or a letter of appointment.

Protecting workers in the unorganised sector

- Organised sector jobs are most sought after but have expanded slowly; some organised enterprises operate in the unorganised sector to evade taxes and labour laws.
- Since the 1990s, many workers have lost organised sector jobs and been forced into low-paid unorganised work.
- Rural unorganised workers: landless labourers, small and marginal farmers, sharecroppers and artisans (weavers, blacksmiths, carpenters, goldsmiths). Nearly 80 per cent of rural households are small and marginal farmers who need timely seeds, inputs, credit, storage and marketing.
- Urban unorganised workers: small-scale industry workers, casual workers in construction, trade and transport, street vendors, head-load workers, garment makers and rag pickers. Small industry needs support for raw materials and marketing.
- Most workers from SCs, STs and backward communities are in the unorganised sector and also face social discrimination. Protection is needed for both economic and social development.

Public and private sectors

- Classification by ownership of assets and responsibility for delivering services.
- Public sector: the government owns most assets and provides services, e.g. Railways and post office. Its purpose is not just profit; it raises money through taxes.

- Private sector: private individuals or companies own assets and deliver services, guided by profit, e.g. TISCO and Reliance Industries Limited.
- Why the government spends: some facilities like roads, bridges, railways, harbours, electricity and dams need large investment that the private sector cannot afford or would charge highly for.
- Some activities need government support: supplying electricity at affordable rates to small industries, and buying wheat and rice from farmers at a fair price and selling them cheaply through ration shops.
- Primary responsibilities: health, education (especially elementary education), safe drinking water, housing and nutrition for the poor, and spending in the poorest regions. Nearly half of India's children are malnourished; IMR is 36 in Odisha and 43 in Madhya Pradesh.

Three Ways of Classifying Economic Activities

The NCERT summary table (Table 2.4) in short.

Classification	Criterion	Key conclusion / problem	Solution
Primary, secondary, tertiary	Nature of activity	Tertiary sector largest in production, but primary still largest employer; underemployment	Irrigation, credit, rural industries, education, health, tourism, MGNREGA / Viksit Bharat–2025
Organised, unorganised	Conditions of employment	Most workers in unorganised sector with low, insecure pay	Protection and support for unorganised workers
Public, private	Ownership of assets	Private sector seeks profit; some needs not met	Government provides infrastructure, support and welfare

Solved: Table 2.3 Organised vs Unorganised Workers (late 1990s, in millions)

Completed NCERT table.

Sector	Organised	Unorganised	Total
Primary	1	231	232
Secondary	41	74	115
Tertiary	40	88	128
Total	82	393	475
Percentage	About 17%	About 83%	100%

Answers from Table 2.3

Use these in the NCERT activity.

- About 99.6% of workers in agriculture (primary sector) are in the unorganised sector, so agriculture is largely an unorganised activity.
- About 83% of workers in India are in the unorganised sector; organised sector employment is available to only about 17% of workers.

Organised vs Unorganised Sector

Basis	Organised sector	Unorganised sector
Registration	Registered with the government	Largely outside government control
Rules	Follows Factories Act, Minimum Wages Act and others	Rules exist but are not followed
Job security	Secure, regular employment	Insecure; can be asked to leave anytime
Working hours	Fixed hours; overtime paid	Long hours; no overtime
Benefits	Paid leave, holidays, provident fund, gratuity, medical benefits, pension	No paid leave, sick leave or other benefits
Example	Kanta, an office employee	Kamal, a daily wage labourer

Important Definitions and Terms

Term	Meaning
Primary sector	Activities that produce goods by directly using natural resources
Secondary sector	Activities that change natural products into other forms through manufacturing
Tertiary sector	Activities that generate services and support other sectors
Final goods	Goods that reach the consumers
Intermediate goods	Goods used up in producing final goods and services
GDP	Value of all final goods and services produced within a country in a year
GVA	Contribution of sectors after adjusting for taxes and subsidies
Underemployment	Situation where people work less than their potential
Disguised unemployment	Hidden underemployment where more people work than needed
MGNREGA 2005	Act guaranteeing 100 days of rural employment a year, replaced in 2025 by Viksit Bharat–2025
Organised sector	Registered enterprises with regular terms of employment
Unorganised sector	Small, scattered units with irregular, insecure jobs
Public sector	Sector in which the government owns most assets and provides services
Private sector	Sector owned by private individuals or companies, guided by profit

Short Answer Questions

Q1. Explain the difference between primary, secondary and tertiary sectors with examples.

Primary sector produces goods using natural resources, e.g. farming and fishing. Secondary sector changes natural products into other forms by manufacturing, e.g. making sugar from sugarcane. Tertiary sector provides services that support production, e.g. transport, banking and teaching.

Q2. Why are only final goods and services counted in GDP?

Q3. What does the history of developed countries indicate about shifts between sectors?

Initially the primary sector was most important. With new manufacturing methods, the secondary sector became most important. In the last 100 years, the tertiary sector has become the most important in production and employment.

Q4. Why is the tertiary sector becoming so important in India?

Basic services are needed and provided by the government; development of agriculture and industry increases demand for transport, trade and storage; rising incomes increase demand for services like tourism and private education; and new IT-based services have grown rapidly.

Q5. What is disguised unemployment? Give an example.

It is hidden underemployment where more people work than needed, so each works less than their potential. Example: all five members of Laxmi's family work on a two-hectare plot; if two leave, production does not fall.

Q6. Why is MGNREGA 2005 referred to as the Right to Work?

Because it guaranteed 100 days of employment a year to all those able and in need of work in rural areas, and gave an unemployment allowance if the government failed to provide work. It was replaced in 2025 by Viksit Bharat–2025.

Q7. How would you distinguish between organised and unorganised sectors?

The organised sector is registered, follows labour laws and gives secure jobs with benefits. The unorganised sector consists of small, scattered units outside government control with low-paid, irregular and insecure jobs and no benefits.

Q8. Why does the government need to spend on public sector activities?

Some facilities like roads, railways and dams need large investment the private sector cannot provide at reasonable cost; some activities like cheap electricity and ration shops need support; and health, education, water and housing are the government's responsibility.

Long Answer Questions

Q1. Compare and contrast the changes in India with the pattern observed in developed countries. What changes were desired but did not happen in India?

In developed countries, production and employment shifted from primary to secondary and then to tertiary.

In India, the tertiary sector became the largest producing sector by 2017–18, similar to developed countries.

But employment did not shift: the primary sector remains the largest employer, with more than half of workers producing about one-sixth of GVA.

Industrial output rose over nine times and services 14 times, but employment rose only about three and five times.

The desired shift of workers from agriculture to industry and services did not happen because

Q2. How can more employment be created in rural and urban areas?

Provide irrigation through wells, dams and canals so farmers can grow more crops.

Invest in rural roads, transport and storage, creating jobs in transport and trade.

Give cheap credit through banks to buy inputs.

Set up industries and services in semi-rural areas such as dal mills, cold storage, honey collection and food processing.

Expand education and health services (about 20 lakh jobs in education) and develop tourism (35 lakh jobs a year), regional crafts and IT.

Implement employment guarantee schemes like MGNREGA, now Viksit Bharat–2025.

Q3. Who are the workers in the unorganised sector and why do they need protection?

Rural: landless labourers, small and marginal farmers (nearly 80% of rural households), sharecroppers and artisans.

Urban: small-scale industry workers, casual construction, trade and transport workers, street vendors, head-load workers, garment makers and rag pickers.

Their jobs are low-paid, irregular and insecure with no benefits, and employers often exploit them.

Since the 1990s, many organised workers have lost jobs and joined the unorganised sector.

Many are from SC, ST and backward communities and face social discrimination.

They need support through inputs, credit, storage, marketing, raw materials and legal protection for economic and social development.

MCQs with Answers

1. Which of these is a primary sector activity?(a) Weaving cloth (b) Fishing (c) Banking (d) TeachingAnswer: (b) Fishing

2. The tertiary sector is also called the(a) Agriculture sector (b) Industrial sector (c) Service sector (d) Public sectorAnswer: (c) Service sector

3. GDP is the value of all _____ goods and services produced within a country in a year.(a) Intermediate (b) Final (c) Imported (d) ExportedAnswer: (b) Final

4. Underemployment occurs when people(a) Do not want to work (b) Are working in a lazy manner (c) Are working less than what they are capable of (d) Are not paid for their workAnswer: (c) Are working less than what they are capable of

5. Which sector became the largest producing sector in India in 2017–18?(a) Primary (b) Secondary (c) Tertiary (d) PublicAnswer: (c) Tertiary

6. MGNREGA 2005 guaranteed how many days of employment a year?(a) 50 (b) 100 (c) 150 (d) 365Answer: (b) 100

7. Workers who enjoy job security, paid leave and provident fund work in the(a) Unorganised sector (b) Organised sector (c) Primary sector (d) Informal sectorAnswer: (b) Organised sector

8. Which of these is an unorganised sector activity?(a) A teacher in a school (b) A doctor in a

9. Railways and post office are examples of the(a) Private sector (b) Public sector (c) Unorganised sector (d) Joint sectorAnswer: (b) Public sector

10. Nearly what share of rural households in India are small and marginal farmers?(a) 40 per cent (b) 60 per cent (c) 80 per cent (d) 95 per centAnswer: (c) 80 per cent

Quick Revision Points

- Sectors by nature of activity: primary (natural), secondary (manufacturing), tertiary (services).
- Sectors are interdependent.
- GDP: value of final goods and services in a year; only final goods counted; GVA now reported.
- Developed countries: primary → secondary → tertiary.
- India: tertiary largest producer (2017–18), but primary largest employer.
- More than half of workers in primary sector produce about one-sixth of GVA.
- Disguised unemployment: Laxmi's family example.
- Employment creation: irrigation, roads, credit, rural industries, education (20 lakh jobs), tourism (35 lakh jobs).
- MGNREGA 2005: 100 days work in 625 districts; replaced in 2025 by Viksit Bharat–2025.
- Organised (Kanta) vs unorganised (Kamal).
- Unorganised ~83% of workers (Table 2.3).
- 80% rural households are small and marginal farmers.
- Public (Railways, post office) vs private (TISCO, RIL).
- Government spends on infrastructure, support, health and education.

Chapter Summary

Economic activities are classified into primary, secondary and tertiary sectors by the nature of activity. These sectors are interdependent. GDP measures the value of final goods and services. In developed countries, the main sector shifted from primary to secondary to tertiary. In India, the tertiary sector has become the largest producer, but the primary sector still employs more than half the workers, causing underemployment and disguised unemployment.

Employment can be increased through irrigation, transport, credit, rural industries, education, health, tourism and employment guarantee schemes such as MGNREGA, replaced in 2025 by Viksit Bharat–2025. Most workers are in the unorganised sector with insecure, low-paid jobs and need protection. The public sector, owned by the government, provides infrastructure, support and welfare that the profit-driven private sector may not provide.

Exam Tips and PYQ Pattern

- Use the latest NCERT update: MGNREGA 2005 was replaced in 2025 by Viksit Bharat–2025.
- Organised vs unorganised and public vs private are the most asked comparison questions.
- Learn the final vs intermediate goods example (wheat, flour, biscuits) for GDP questions.

- Practise classifying occupations into sectors and organised/unorganised.
- Use the completed Table 2.3 for data-based questions.

Frequently Asked Questions

What are the three sectors of the Indian economy?

Primary (agriculture and related), secondary (industrial) and tertiary (service) sectors.

What is disguised unemployment?

A situation where more people are working than needed, so their labour is divided and none is fully employed.

What is the difference between organised and unorganised sectors?

The organised sector is registered and gives secure jobs with benefits; the unorganised sector has small, scattered units with irregular, low-paid and insecure jobs.

Is this chapter in the 2026-27 syllabus?

Yes. It is Chapter 2 of Understanding Economic Development for 2026-27.

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Conclusion

Sectors of the Indian Economy shows how economic activities are classified and why India must create more good-quality jobs and protect unorganised workers. Revise the three classification tables, the GDP example and the employment measures to answer every question with confidence.

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Author Bio: Written and reviewed by the Nextoper Editorial Team, a group of CBSE social science educators who build chapter notes directly from the NCERT textbook and past board paper patterns.

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