Other Sectors of Indian Economy

Classification on the Basis of Ownership of Enterprises

After Independence, two Industrial Policy Resolutions were issued in 1948 and 1956, respectively. Shyama Prasad Mukherji and Pundit Jawaharlal Nehru were the two architects of the Industrial Policy Resolution of 1948. These policy resolutions divided the economy into public and private sectors. It was based on the assumption that large-scale investment in the public sector, a high level of public investments and public sector investment would encourage the growth and profitability of many private enterprises. In India, the government chose a mixed economy to reap the benefits of both capitalistic and socialistic patterns of economic development.

Private Sector

The private sector is one in which the ownership of assets and production of goods and services is in the hands of private individuals or companies such as Tata Iron and Steel Company Ltd., Reliance Industries Ltd etc.

Growth of the Private Sector in India

The private sector contributes nearly 78% of the gross domestic product (GDP). It includes agriculture, cottage and small-scale industries, trade, hotel, restaurant and other large industries.

Role of the Private Sector in India

- Private sector and agriculture: Agriculture and allied activities of the private sector such as dairying, animal husbandry and poultry contribute 15.7% of National Income and provide employment to 52% of the total working population. It also produces some exportable surplus.
- Private sector and industrial development: During the pre-independence period, the private sector had set up and expanded cotton and jute textiles, paper, and iron and steel industries. However, after Independence, they produced a large number of industrial goods. They have invested in industries producing a variety of intermediate products and machines. This leads to establishment of many chemical industries such as paints, varnishes and plastics. The small-scale and cottage industry is owned and managed by the private sector.
- Private sector and trading: The private sector regulates wholesale and retail trade in India. However, the government has tried to control private trade through the prices and transfer of goods between the regions.
- Private sector and National Income and employment: About 80% of the National Income is contributed by the private sector and the remaining 20% is contributed by the public sector. Also, 80% of the total working population is employed in the private sector.
- Contribution to saving and capital formation: According to Central Statistical Organisation 2008–09, the shares of the private sector in gross domestic saving and gross domestic capital formation were about 31% and 24.9% of GDP.
- Private sector and service sector: The share of the private sector in telephone connections has increased from 5% in 1999 to 82.3% in 2009. It has expanded the services of banking and insurance.

Public Sector

The sector of production which is under complete control of the government is termed the public sector. A public sector undertaking (PSU) is owned and controlled by the government. The main aim of the sector is to maximise social welfare. It stresses more on the production of capital goods. Nearly 26% of the national income comes from the public sector and about 20% of the total working population is engaged in this sector. This sector enjoys monopoly form of market.

Objectives of the Public Sector

- To create strong infrastructure
- To reduce inequalities of income and wealth among people
- To generate financial resources
- To create employment opportunities
- To promote balanced regional growth
- To promote exports and reduce imports

On the Basis of the Nature of Work

Public sector enterprises can be classified as

- Departmental enterprises: Enterprises which are owned and controlled by government departments are called departmental enterprises. Examples: Railways, post and telegraph, defence manufacturing
- Statutory undertaking: Certain undertakings are set up under separate acts of the Parliament. Managers of these organisations are appointed by the government, but they do not interfere in the management. Examples: Life Insurance Corporation of India, State Trading Corporation
- Public sector companies: A public sector company is a company which is registered as a joint stock company and most of its shares are held by the government.

Performance of the Public Sector

- Share in employment: There are two major categories of public sector development: Government administration and defence and other services such as education and health. Both the central and state governments own public enterprises. The total number of workers employed in the public sector has increased from 107 lakhs in 1971 to 19,314 lakhs in 2000–01. Nearly 70% of the workers were employed in the public sector.
- Share of the public sector in national income: Gross domestic capital has increased from 10.7% in 1950–51 to 24.1% in 1984–85, while the share of the public sector has improved from 3.5% in 1950–51 to 11.8% in 1980–85. Share of the public sector in gross domestic savings also shows a similar trend. Its share rose from 1.7% to 4% from 1950–51 to 1980–85. The share of the public sector in the gross domestic savings has remained the same, about 17% to 21% during the planning period. The share of the public sector in the national income has increased from 7.5% in 1950–51 to 20% in 2009.
- Share in foreign exchange earnings: In the share of foreign trade, the public sector played an important role to earn foreign exchange and save expenditure. Many imported items are substituted with domestically manufactured modern equipment, capital and machinery. Examples: Bharat Heavy Electrical Limited and Indian Oil Corporation save our valuable foreign exchange.

Differences between the Private and Public Sectors

Private sector	Public sector
The private sector refers to all those occupations and economic activities which are owned and controlled by individuals.	The public sector refers to all those occupations and economic activities which are owned and controlled by the government.
The main aim of the private sector is to earn profits.	The main aim is not only to earn profits but also to provide key services to the people at low costs. Hence, the public sector may incur loss.
Demand and supply of market forces determines production activity.	The government takes the major decisions in the production process.

Interrelation between Public and Private Sectors
Private and public sectors are inseparable parts of the Indian economy. The private sector depends on the public sector for heavy machinery, banking, and transport and communication services. Similarly, the public sector depends on the private sector for variety of goods and services which are consumed by the former to meet collective wants.

Classification on the Basis of Habitation

On the basis of habitation, an economy can be classified into rural and urban sectors. According to Census 2001, 72.2% of India's population live in rural areas and only 27.8% in urban areas. However, the urban population has increased from 11% in 1901 to 27.8% in 2001.

Features of the Rural Sector in India

- Low density of population: The density of population in the rural sector is lower than in the urban sector. In the rural sector, a higher percentage of the population contributes lesser to the percentage of share in the national income than the urban sector.
- Dependence on agriculture: In the rural sector, nearly 75% of the population are engaged in the primary sectors such as agriculture and fisheries.
- Land use for agricultural activities: A large portion of land is used for agriculture and related activities in rural areas.
- Existence of unemployment:
  - Seasonal unemployment is a situation where several persons cannot find a job in a particular season. In rural areas, growing of more than one crop is not possible. Hence, agriculture becomes a seasonable job wherein a large of number of cultivators remain idle for 4–6 months in a year.
  - Disguised unemployment is generally found in agriculture. Mostly all the members of a family work on a small farm. Example: If seven members of a family are working in a field measuring two hectares, then even if we remove three people from the field, the productivity of the field will not be affected. It is also known as under employment.

Features of the Urban Sector in India

- Greater dependence on industrial and service activities: Most of the urban population is engaged in secondary and service activities such as industrial and construction workers, teachers, engineers, doctors, traders and servants.

- Higher density of population: The population density in urban areas is higher than that in rural areas.
- Greater part of urban land areas under industrial and service activities: Most of the urban areas are used for building factory sheds, schools, colleges, banks, hospitals, residential houses and markets.
- Higher incidence of pollution: Industrial and vehicular emissions cause air and water pollution. This poses a serious health hazard in urban areas.