CHAPTER 14

Economic Activities Around Us

The root of prosperity is economic activity, the lack of it brings material distress. The absence of fruitful economic activity endangers both current prosperity and future growth.

— Kauṭilya's *Arthaśhāstra*

The Big Questions

1. *How are economic activities classified?*
2. *What differentiates these activities to be grouped into sectors?*
3. *How are the three sectors interconnected?*

0681CH14

Introduction

In Chapter 13, we learnt about two types of activities – economic and non-economic. Activities that create **monetary value** are called economic activities. We also learnt about the importance of non-economic activities. To understand these activities better we will learn how economic activities are classified and what differentiates them in this chapter.

Monetary value: Value of something that can be measured in terms of money.



© NCERT not to be republished

Over the decades, the number of economic activities has increased tremendously. For example, earlier most people were involved in activities such as agriculture, livestock rearing, production of tools, pottery and weaving cloth. As societies progressed, the number of economic activities through which people earn their livelihoods increased vastly.

Today, there are diverse economic activities such as manufacturing computers, mobile phones and drones; working in banks, schools and hotels; driving various types of vehicles for transportation; making furniture; tailoring clothes using machines; creating software; repairing refrigerators and washing machines; etc. Classifying all these activities helps us to understand how they function and the links they have with each other.

The Classification of Economic Activities into Economic Sectors

Economic Sectors: Broad groups that include various activities that help with the economic prosperity of a nation.

Some economic activities share similar characteristics and based on this, they can be grouped together or classified into broader groups called **economic sectors.** The three main types of economic sectors are primary, secondary and tertiary economic sectors.

The illustration on the facing page maps out the broad activities under these categories.

A. Primary activities

Those economic activities in which people are directly dependent on nature to produce goods are known as **primary activities** or **primary sector economic activities.**

Primary sector:
The group of activities that involves extraction of raw materials directly from nature such as farming, fishing, forestry, etc.

© NCERT not to be republished

Classification of economic activities into economic sectors

Primary sector



Agriculture



Mining



Fishing



Raising livestock



Forestry

Secondary sector



Construction



Manufacturing



Water supply



Solar power



Electricity production

Tertiary sector



Healthcare



Trade and logistics



Communication



Banking



Transportation

© NCERT not to be republished

For example, work involving cultivation of grains and vegetables from agricultural farms, collecting wood from the forests, extracting coal from mines, fish from fisheries, eggs from poultry farms, etc., are all primary sector economic activities.

The most common primary activities are agriculture, mining, fishing, raising livestock, forestry, etc. Below are some of the types of activities within the primary sectors.



Greenhouse farming



Mining



Fish farming (fishery)



Forestry



Raising livestock

© NCERT not to be republished

THINK ABOUT IT

Can you think of any primary activities that you may have seen in the past? What are the natural resources used in these activities? Name two of them and discuss your experiences with your classmates.

1.

2.

B. Secondary activities

Economic activities in which people are dependent on outputs of the primary sector and transform them to produce goods are known as **secondary activities** or **secondary sector economic activities.** The secondary sector includes the construction of buildings, roads, etc., and providing utilities like water, electricity, gas and other such necessities. It also includes the manufacturing of products in factories and production units to process raw material from the primary sector into some other form that can be further sold or consumed. Some examples of secondary sector activities include the processing of grains obtained from agricultural fields to make flour in mills, extraction of oil from groundnut and processing of tea leaves to derive tea. Similarly, wood from the forest is converted into furniture and paper, cotton is used to make clothes, and steel from iron ore is used to make automobiles like cars, trucks, etc.

Secondary sector: The group of activities that involves processing of raw materials derived from primary sector into products for sale or consumption.



Automobile factory



Textile factory

© NCERT not to be republished



Pharmaceutical factory



Furniture production unit



DON'T MISS OUT

Types of Automobiles	No. of units produced in India in 2022
Passenger vehicles like cars	45 lakhs
Commercial vehicles like trucks	10.3 lakhs
Three wheelers	8.6 lakhs
Two wheelers	2 crores

(Source: Society of Indian Automobile Manufacturers, https://www.siam.in/statistics.aspx?mpgid=8&pgidtrail=13)

LET'S EXPLORE



Now that we have seen some examples of secondary sector activities, can you name two more economic activities in the secondary sector?

1.

2.

© NCERT not to be republished

C. Tertiary activities

All those economic activities that provide support to people involved in primary and secondary activities are called **tertiary activities or tertiary sector economic activities**. These include services that we may not be able to see but which still play a very important role. For example, the driver of a truck transports grains and vegetables from the farm to a factory or the market.

The fruit or vegetable vendors sell the farm produce to household consumers. Similarly, doctors, nurses, teachers, lawyers and pilots provide their services to those who need them. There are technicians who repair and service electronic items including mobile phones and televisions, mechanics who repair vehicles like cars and tractors, and electricians who ensure regular supply of electricity. Their services make our lives easier. Similarly, communication services through mobile and internet, software development, and services at hotels, restaurants, banks, schools, hospitals, airports, shops, **warehouses**, etc. are all examples of tertiary sector economic activities. This sector is also called the **service sector.**

Tertiary Sector: The group of activities that involves the provision of services which complement both primary and secondary sectors, such as transportation, banking, and management of business.

Warehouses: Large buildings used for storing products before they are sold, used or rented out to shops.



Software development



Services at restaurant

© NCERT not to be republished



Services at airports



Retail stores

Interdependence Among Sectors

The three types of economic activities or economic sectors play an important role in the process of conversion of natural raw materials into finished products for final consumption. Let us go on an imaginary excursion to a village in Anand district of Gujarat to study an interesting example where we will understand how the three sectors are interconnected and support each other.

Dairy cooperative: from farm to plate

These days, farmers in Gujarat greet the day with the clinking of milk pails and the happy moos of their best friends, their cows or buffaloes! Cows have a special place in the lives of the farmers and their families. The farmers milk the cows and sell their milk to the **dairy** nearby. At the end of the month, they get paid for the milk based on its quantity and quality. However, this was not the case about 50 years ago.

Dairy: A place where milk is collected and stored.

This is the amazing story of a milk cooperative named Anand Milk Union Limited (AMUL). In the early 1940s, farmers in Anand district would sell milk to the neighbouring villages.

© NCERT not to be republished

They would have to cycle or walk to nearby villages to sell the milk under scorching heat. As you know, milk spoils or curdles very fast in hot weather. The farmers had to sell the milk quickly before it could spoil. This was a lot of effort for the small amount of money they would earn. So, they depended on people called middlemen, who would buy the milk in bulk at meagre prices from the farmers and sell it in the market. Many times, the farmers felt cheated and harassed by the middlemen.



Sardar Vallabhbhai Patel

One day, the farmers collectively approached Sardar Vallabhbhai Patel, a prominent national leader, with their problems. He advised them to form a **cooperative** to become independent and stop relying on the **middlemen**. As a cooperative, the farmers would be abl milk as a group, taking care of the entire operation of milk collection, processing and distribution themselves. The farmers took Sardar Patel's advice.

AMUL was set up in 1946 under the leadership of Tribhuvandas Patel (lawyer and freedom fighter) and Dr. Varghese Kurien (an engineer who was working at a dairy factory in Mumbai).



Varghese Kurien (left) and Tribhuvandas Patel (right)

Cooperative: A group of people who voluntarily come together to meet their economic and social needs in a formal way. They own the cooperative and decisions are taken by the members collectively.

Middlemen: Persons who buy goods from producers and sell them to consumers. The middlemen charge a fee for this service.

© NCERT not to be republished

This initiative brought farmers, including women, together and gave them control over the production and sale of milk. The milk producers collectively made their own decisions on all matters such as production, **pasteurisation** and sale of milk. The tasks were shared by everyone, which helped raise their income gradually. They did not need the middlemen anymore and became like one big family!





As more and more farmers began to see the benefits of the cooperative, it continued to grow. The quantity of milk that was being collected was so huge that the farmers decided to make other products out of it. They set up a **factory** in Anand, and began to produce butter and milk powder.

Today, the cooperative has a wide range of products made at many milk processing plants and factories all over India. Can you name a few? The products are then transported and sold in both small and large **retail** shops all over the country. In fact, they also **export** the products to several countries around the world. Is it not amazing?

In this fascinating story, the farmers of this cooperative milk their cows to sell the milk later. This kind of economic activity is called a *primary sector economic activity* because the product (milk) is derived directly from a natural source (cows/livestock).

Pasteurisation: A process by which milk is preserved through heating to a specific temperature to kill harmful bacteria.

Factory: Building or group of buildings where goods are manufactured, or various components are put together, to make a final product.

Retail: The sale of goods in small quantities for use by the end consumer rather than for resale.

Export: Goods and services that are produced in one country and sold to buyers or consumers in another country.

© NCERT not to be republished

Milk is then processed and converted from one form (liquid) into another — milk powder, ghee, cheese, butter and many others in the factories. These economic activities are called *secondary sector economic activities*.



What does AMUL do with all the products it makes? It sells them in various places. AMUL uses lorries and trucks, as well as railway, air and shipping services, to transport its products. It has set up retail stores and supplies milk and milk products to other shops in towns, cities and villages all over Gujarat, as well as in different states across India. Here, transportation, trading and retail is a *tertiary activity*.



DON'T MISS OUT

Just like AMUL, there are many other milk cooperatives under brands such as Nandini from Karnataka, Mother Dairy from Delhi-NCR, Aavin from Tamil Nadu, Vijaya from Andhra Pradesh, Kevi from Nagaland, Sudha from Bihar, Verka from Punjab, etc. Can you name one cooperative around you that has helped groups like farmers, persons with disabilities, and women, to come together and has brought prosperity to their lives?

© NCERT not to be republished

With the help of the images below, let's see how the books you study are made. The images show the transformation of pulp (wooden fibre of a tree) into paper and, after printing, into textbooks.

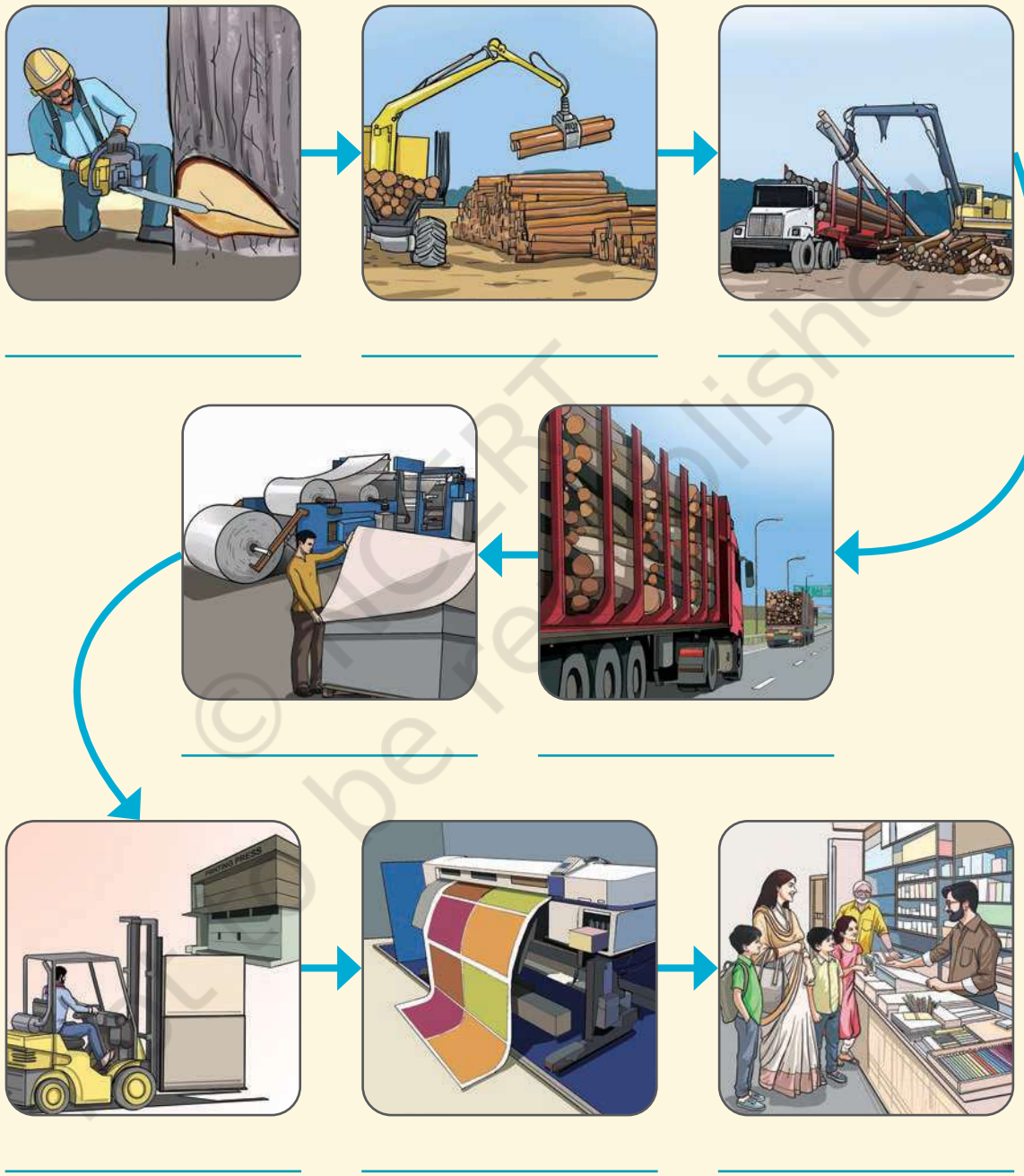


Fig. 14.1

© NCERT not to be republished

None of the activities that were part of the process – from extracting pulp from the trees to making paper and finally producing the books would have been possible, had it not been for all three sectors working together.

THINK ABOUT IT

Observe the different stages of the process shown in Fig. 14.1 on page 206 and discuss them with your fellow classmates.

LET'S EXPLORE



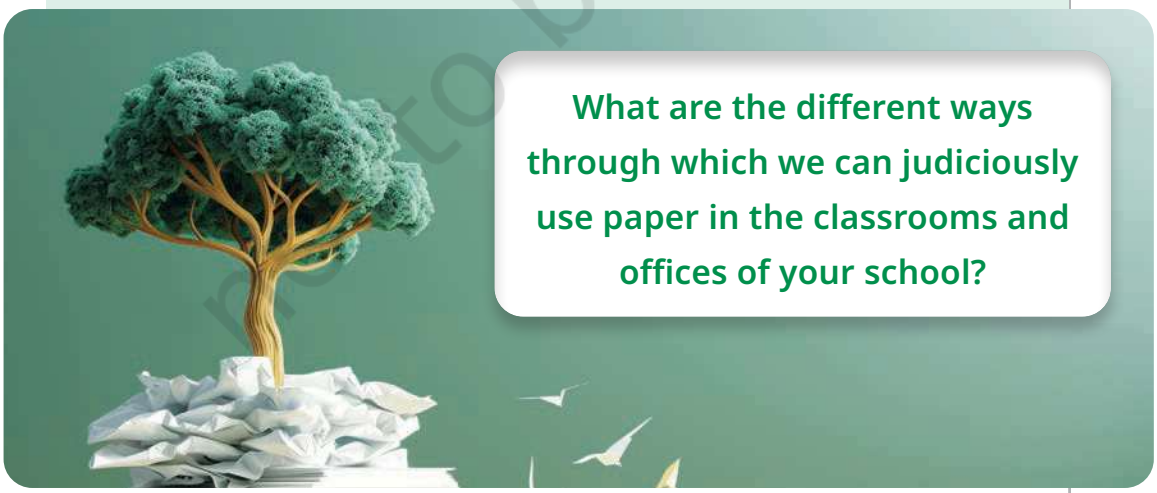
Label the pictures in the illustration shown in Fig. 14.1 on page 206 as:

1. Primary sector
2. Secondary sector
3. Tertiary sector



DON'T MISS OUT

These days, used paper is recycled to make new paper. Recycling just one tonne of paper saves 17 trees as well as 2.5 cubic metres of landfill space, where waste is dumped. It also takes 70 per cent less energy and water to recycle paper than to make new paper from wood pulp.



What are the different ways through which we can judiciously use paper in the classrooms and offices of your school?

© NCERT not to be republished

LET'S EXPLORE



List the economic activities in your neighbourhood and label them appropriately as primary, secondary or tertiary. Draw arrows to show how they are connected to each other. In what ways are they dependent on each other? What would happen if one of the activities ceased to exist?



Before we move on...

- In this chapter, we learnt about the three sectors of economic activities.
- The various examples and illustrations helped to understand the difference as well as the interdependence between the three types of economic activities or sectors — primary, secondary and tertiary.

Questions, activities and projects

1. What is the primary sector? How is it different from the secondary sector? Give two examples.
2. How does the secondary sector depend on the tertiary sector? Illustrate with a few examples.
3. Give an example of interdependence between primary, secondary and tertiary sectors. Show it using a flow diagram.

© NCERT not to be republished