

Trend in sectoral distribution of National Income in Indian economy

The sectoral distribution of the national income means how much of the country's national income is coming from which sector

Economists Clark, Fisher, and Kuznets divide the national economy into three sectors from the viewpoint of sources of income.

In the primary field there is agriculture, forest land, fishing etc.

In the secondary field there is industry, construction, electricity, gas, water supply

The third or service sector includes business, transportation, banking and insurance, communications, personal and collective service work.

Table 1: Contributions of different sectors to India's gross domestic product on the basis of current prices

Sectors	1950-51(Percentage)	2016-17(Percentage)
Primary	55.4	17.32
Secondary	15.0	29.02
Tertiary	29.6	53.66

Observation

- 1) Decline of Primary Sector's Contribution – In 1951 the contribution of primary sector to GDP of India was mainly from agriculture but later the contribution of primary sector has been declining.
- 2) Increase in Secondary Sector's Contribution - In 1951 the contribution of secondary sector to GDP of India was mainly from industry. The contribution of industry has increased since 1951, but the contribution of industry has not increased as much as the contribution of agriculture has declined.
- 3) Growth of third sector or service sector's contribution - The service sector's contribution to India's gross domestic product (GDP) includes transport and communication, trade. The contribution of service sector has increased significantly since 1951.
- 4) Increase in the contribution of the Government sector - Government contributions to India's gross domestic product (GDP) have increased since 1951 as the expenditure for government administration and defence have increased.
- 5) Increase in the contribution of non-agricultural sector - In 1950-51 the contribution of non-agricultural sector to India's GDP was 44.6 per cent and in 2016-2017 it increased to 82.68 per cent.
- 6) The growth rate of the service sector is higher than that of the secondary sector - It is true that the importance of the primary sector in India has declined during the plan period and the importance of the secondary and service sectors has increased, but the expansion of the service sector has been faster than in the secondary sector. The reasons behind this are infrastructural defects, deterioration of industrial relations, shortage of

raw materials, power crisis, increased competition in the international market, formation of WTO, etc.

- 7) Expansion of the service sector is not a sign of economic development - According to Clark and Fischer's theory, in the early stages of development, the importance of the primary sector in the national income decreases and the importance of the secondary sector increases, so that the surplus population of the primary sector shifts to the secondary sector. At the next stage of development, the population of the secondary sector shifts to the third sector. But this theory did not apply to the Indian economy. It is true that the importance of the primary sector has diminished, but the expansion of the service sector has been greater than that of the secondary sector. Due to the lack of expansion in the secondary sector, the excess population of the primary sector has been forced to be self-employed. They run shops at footpath or at stations or they are engaged in selling goods in trains. Therefore, despite the expansion of the service sector in the Indian economy, poverty and unemployment have not decreased.

Table 2: Employment in different sectors

Sectors	1950-51(Percentage)	2016-17(Percentage)
Primary	72.7	53.2
Secondary	10.0	21.5
Tertiary	17.3	25.3

Observation:

1. Due to structural lag the occupational structure remains almost unchanged though there was a change in sectoral distribution of national income in Indian economy. The surplus population of the primary sector has not shifted from the primary sector to the secondary sector due to the sickness of the industrial sector, uncertainty of guaranteed income and employment etc. The surplus population of the primary sector is forced to be employed in personal or other's business.
2. Again, due to the expansion of education and modern technology, they are attracted to the service sector. But due to the country's severe unemployment problem, rapid population growth, the percentage of employment in this sector has not increased so much. The main reason behind this is lack of technical knowledge, and moreover the labour generally does not like to migrate from one place to another for employment.

So, it can be said the structural change of national income reflects the development of the Indian economy but it is not reflected in her employment structure.