



Classification of businesses

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Stages of economic activity

The primary sector of industry extracts and uses the natural resources of earth to produce raw materials used by other businesses.

The secondary sector of industry manufactures goods using raw materials provided by the primary sector.

The tertiary sector of industry provides services to consumers and other sectors of industry.

Sectors of Indian Economy

Primary Sector

Agriculture



Dairy

Fishing



Forestry

Secondary Sector

Manufacturing Industries



Tertiary Sector

Service Sectors



Relative importance of economic sectors

Usually the three sectors of economy are compared by:

- Percentage of the country's total number of workers employed in each sector
- or*
- Value of output of goods and services and the proportion this is of total national output

Changes in sector importance

De-industrialization occurs when there is a decline in the importance of the secondary, manufacturing sector of industry in a country.

In the UK and other developed economies, there has been a decline in the importance of manufacturing industry.

In China and India, the relative importance of the secondary sector has increased since the 1980s, compared to the primary sector, and tertiary sector industries are expanding more rapidly.

Mixed economy

- ▶ A mixed economy has both a private sector and a public sector. Nearly every country in the world has a mixed economy.
- ▶ Private sector-businesses not owned by the government. These businesses will make their own decisions about what to produce , how it should be produced and what price should be charged for it. Most businesses in private sector will aim to make a profit.
- ▶ Public sector-government (or state) owned and controlled businesses and organizations. The government or other public sector authority, makes decisions about what to produce and how much to charge to consumers. Some goods and services are provided free of charge to the consumer , such as state health and education services and money comes from the taxpayer.
- ▶ In many countries, government controls important industries like health, education, defence, public transport, water & electricity supply.

Mixed economy-recent changes

Many governments have changed the balance between the private and the public sector by selling public sector businesses to private sector businesses. This is called privatization. It is often claimed that private sector businesses are more efficient than public sector businesses because their main objective is profit. Competition between private sector businesses can help to improve product quality. However, a private sector business is also less likely to focus on social objectives.