

Chapter-1

The Story of a Village in Bihar

Picture- 1.1



Fatehpur Village

The purpose of this story is to make students acquainted with some basic concepts related to production. Farming is the main activity in Fatehpur, whereas several other activities such as animal husbandry, poultry, dairy, shop keeping, transportation etc. are carried out on a limited scale. These production activities need various types of resources - natural resources, manmade items, human efforts, money, etc. It will be clear through the early story of Fatehpur how various resources combine to produce the desired goods and services in the village.

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Picture - 1.2



Village marching towards development

Fatehpur is well-connected with its neighbouring villages and towns. Punpun river is in the east of this village whereas there is Patna-Gaya main road in the west which is situated eastward to the road 9 Km away from Patna. Many kinds of transport - bullock carts,

motor cars, motor cycles, jeeps, tractors, buses, trucks - are often visible on this road. About 1500 families of different castes reside in this village. Most of the villagers are landholders and some of them are rich and their houses are made of brick and cement. The number of the poor people is one-fourth of the total population and they live in a corner of the village in very small houses made of mud and straw. The government has provided Pucca houses to some of the poor families under the scheme of Indira Awas Yojana. As the village is nearer to Patna, most of the houses have electric connections. In recent years, a power grid has been set up for the production and storage of electricity. Electricity powers all the tubewells in the fields and is used in various types of small business. There are six primary schools, one middle school, one high and one degree college in the village. The village also has

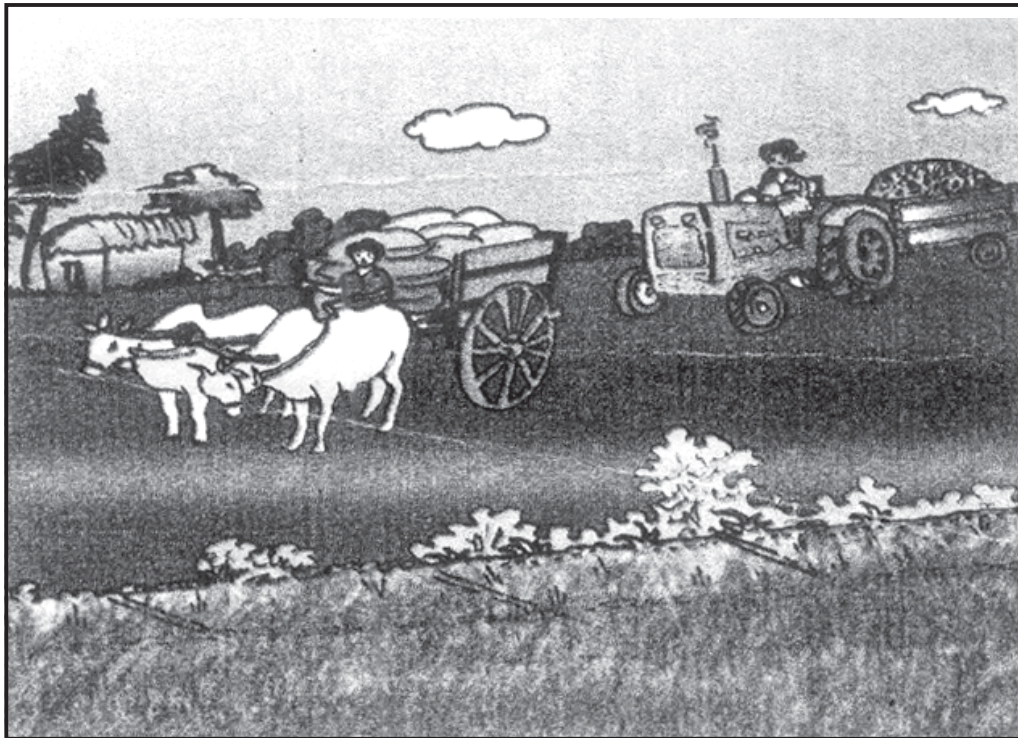
The village Fatehpur was named after shree Fateheshwar Narayan singh, a famous freedom fighter, active and ideal man

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two Govt. Primary Health Centers and one private hospital where the sick are treated. The post office and Anganwari centres are also available in the village where the meetings of women are often noticeable. Stage Samudayik Bhavan, Samudayik lavatory and a famous Kali temple are the centres of modern attraction.

The description above shows that Fatehpur is more modern and developed than other villages and towns. Here is a well-developed system of road, transportation, electricity, irrigation, schools and health centres. Compare these facilities with those in your nearby village

Picture- 1.3



Farmer takin his produced food grains for sale

We know that goods and services are provided to the society through production which satisfy our requirements. In the village-town-city-state-country-world, we see that people are in some activities to earn their livelihood. Farmers, labourers, artisans, teachers, doctors, engineers, shop keepers, etc. are different classes of society who are engaged in various activities.

The story of Fatehpur will tell us about different types of productive activities being carried out in a village. Farming is the main activity of production in the villages of Bihar; the other production-activities, referred to as non-farm activities include small manufacturing, transport, animal husbandry, shop keeping, dairy etc. Even after evolvement of new techniques and revolution in agriculture, traditional methods are more popular in the village.

Production

In economics, production means creating utility.

We will try to understand production before discussing about the factors of production.

This is the main part of the study of economics. Production creates goods and services in society which satisfy our requirements. Here, it is noticeable that production does not mean creating new physical goods, but human beings make natural things much more useful through their economic efforts by changing their form, place or ownership. In economics, it is called **Production**. For example, when a carpenter makes a table or a chair of wood, it is called production because it increase its utility. Thus production does not mean manufacturing goods or matter but creating utility. In this part of economics, the different factors of production, (Land, labour, capital, organisation and enterprise), and methods and theories of production has been discussed.

Factors of Production

Production of goods and services requires some factors of production. In other words, the factors which help us in production are factors of production. for

example, land, ploughs, bullocks, seed, labourers, irrigation, pesticides etc. are required for growing crops. Similarly, for the production in factories, land, building, machines labourers, capital, organizers, market etc. are essential. So a great many factors are needed for production.

Factor of Production

1. Land
2. Labour
3. Capital
4. Organisation
5. Enterprise

There are five means of Production :

1. Land
2. Labour
3. Capital
4. Organisation
5. Enterprise

(1) Land

Land is the first requirement for production. Generally, land is meant for ground and its upper layer. But in economics, land is meant for all the free gifts from nature. Thus besides the upper layer of ground, land includes mountain, forest, river, sea, wind, sun, mineral, etc. In other words, the things freely gifted by nature are called land. These free gifts from nature always help in production.

Prof. Marshall : Land does not only mean the upper crust of the Earth, but the whole and forces which nature gives freely for man's aid in land, water, in air and light and heat.

Land is a natural resource and it should be used carefully. Scientific reports indicate that modern techniques of farming have used natural resources in abundance. By the advent of Green Revolution, in many regions, the fertility of land has reduced due to excessive use of chemical fertilizers.

In the manufacturing of Physical things, natural resources are used excessively. For example, in the construction of a building a number of trees has to be cut down.

1.1 Land is fixed / Static :

Farming is the main production activity in Fatehpur. About 75 percent of the people who are working are dependent on farming for their livelihood. They could be farmers or farm labourers. The well-being of these people is closely related to production on the farms. Since 1960, there has been no expansion in land area under cultivation. By then, some of the wastelands in the village had been converted to cultivable land. Since then there could be no expansion in agricultural land.

The Standard unit of measuring land is hectare, though in the villages land is measured in local units such as acre, *bigha*, *kattha*, *dhur*, etc. one hectare equals the area of a square with one side measuring 100 meters. Can you compare the area of a one hectare field with the area of your school ground?

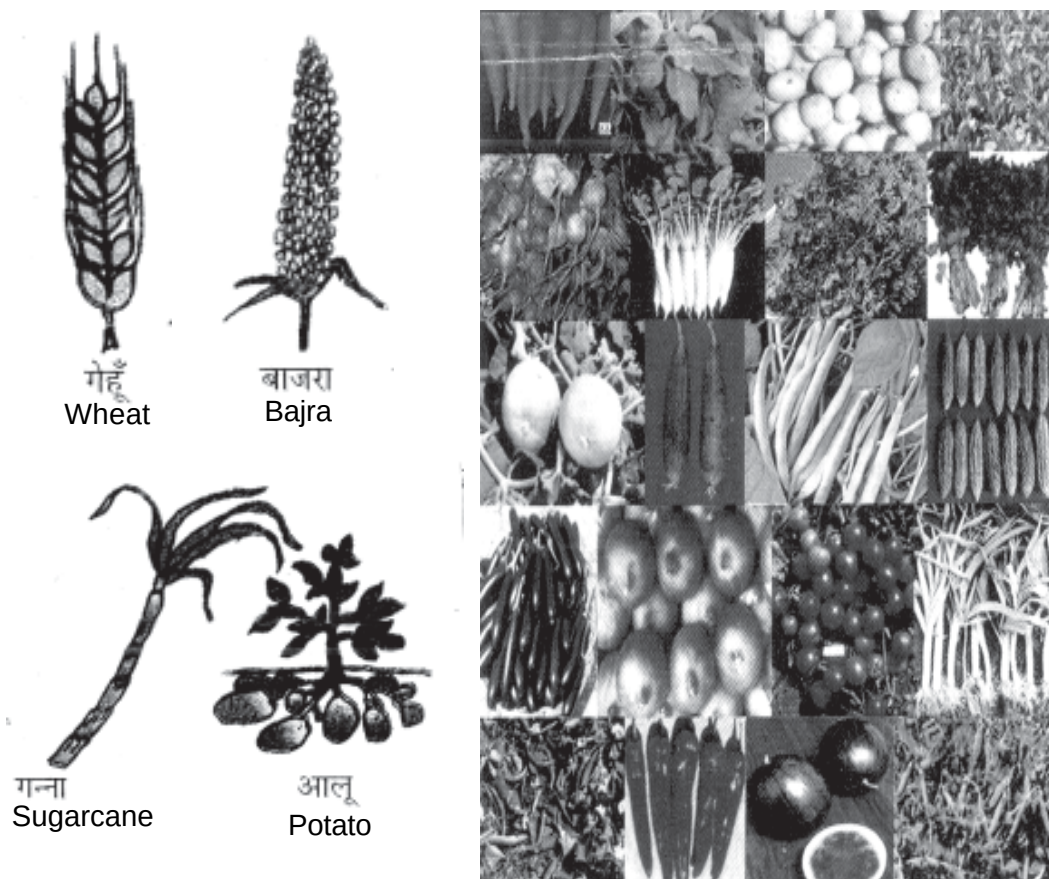
In Bihar, most of the land is used for farming. No land is left useless. In the rainy season (from July to October), the farmers grow Kharif crops - Paddy and green vegetables. In winter (November to February), they grow Rabi Crops - Wheat, Pulses, Oil Seeds and Potato. The farmers keep some of them for their use and sell the surplus at their nearby market (*Mandi*). On one part of the land, the farmers grow sugarcane which is harvested once in a year. It is sold either in its raw form or in the form of Jaggery.

Not all villages in India have such high levels of irrigation. Apart from the riverine plains, coastal regions in our country are well - irrigated. On the contrary, plateau regions such as southern plateau have low levels of irrigation of the total cultivated area in the country a little less than 40 per cent is irrigated even today. In the remaining areas, farming is largely dependent on rainfall.

1.2 Multiple Cropping System :

To grow more than one crop on a piece of land during the year is known as multiple cropping system. It is the most common way of increasing production on a given piece of land. All farmers in Fatehpur grow at least two main crops. For the past several years, many farmers have started growing potato as the third crop.

Picture - 1.4



Various types of green vegetables

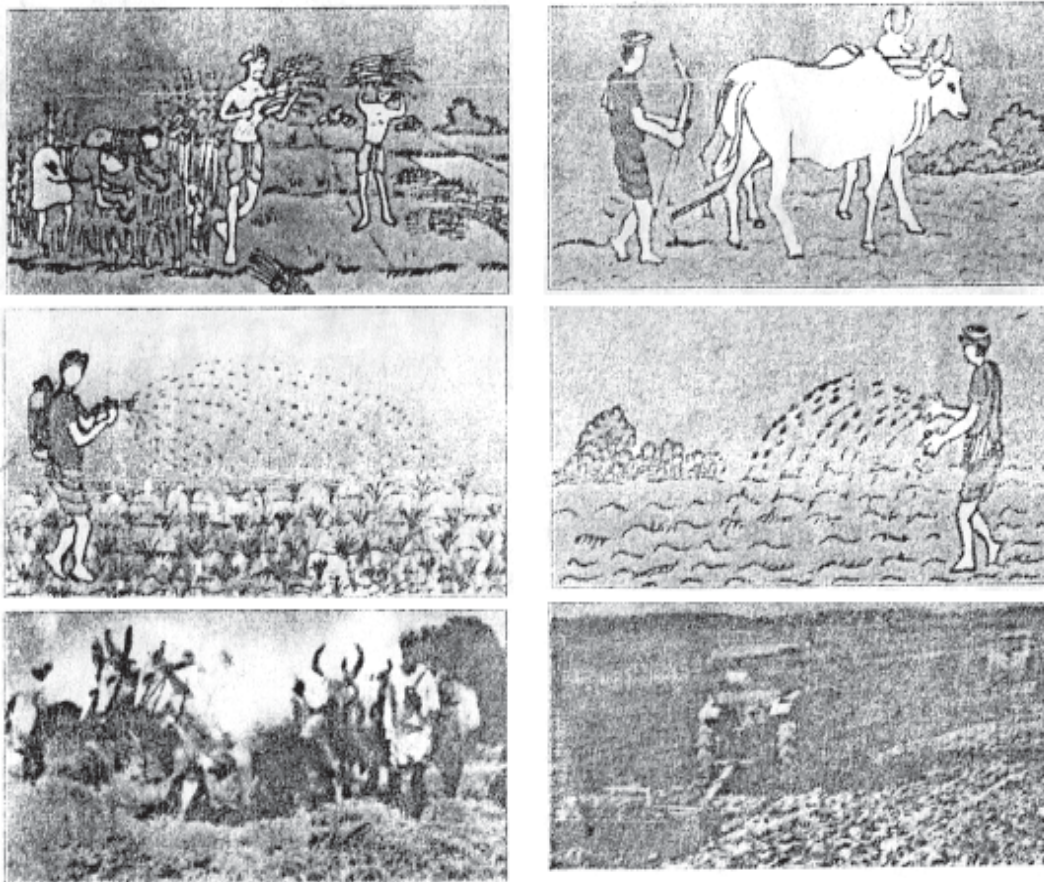
1.3 Distribution of Land

You must have realised how important land is for farming. Unfortunately, not all the people engaged in agriculture have sufficient land for cultivation.

In the decade 1960-70, Murari, a farmer had three hectares of largely unirrigated land. Murari with the help of his three sons cultivated the land. Though they did not live very comfortably, the family managed to feed itself with a little bit of extra income by selling the milk of two buffaloes that the family possessed. After

Murari's death this land was divided among his three sons. Now, each one had a plot of land that was only one hectare in size. Even with improved irrigation and modern farming method, Murari's sons are not able to make a living from one hectare of land. Some of the farmers in this village have the land quite large in size, but due to increasing population and dividing family, the distribution of land is unequal. That is to say, some of the farmers have large pieces of land but most of them have less. The distribution of land is unequal in this village.

Picture - 1.5



Works on the fields : Harvesting wheat crop, sowing, spraying of insecticides, ploughing by modern and traditional methods.

2. Labour

Labour is the most necessary factor for production. No production is possible without labour. There are two types of labour: (i) Physical labour and (ii) Mental labour. Both types of labour are used for production. Labour is known as **Active Factor** for production, but as a factor of production, physical and mental labour should be done for economic purpose. That is to say, after land, labour is the most necessary factor for production. Production requires a great deal of hard work. For cultivation, small farmers along with their families themselves work in their fields. Thus, they provide the labour required for farming themselves. Medium and large farmers hire farm labourers to work on their fields.

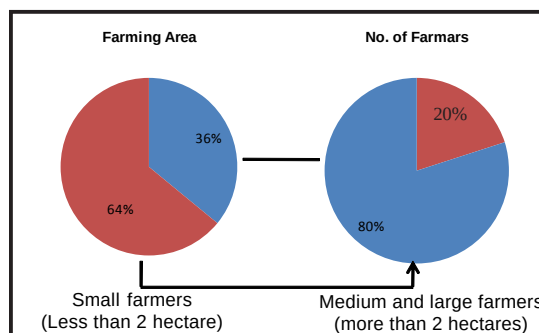
Wages: The part of national income that the labourers are paid for their labour is wages. In other words, the price paid for labour is wages. Wages can be physical or mental.

Mostly, Farm labourers come either from landless families or families cultivating small plots of land. Hardly any labourer has his own land. Mostly they earn their livelihood by working on the fields possessed by other not the crops grown on the land. Instead, they are paid wages by the farmer for whom they work. Wages can be in cash or in kind; e.g. crop.

Graph : 1.1

According to Prof. Marshall :

Labour means economic activity of man whether it is done by hands or by brain.



3. Capital

Generally capital means money. But in economics, the word, capital is used in comprehensive sense. In economics, the, part of wealth (produced by human being) which is used for the production of more wealth is capital. Thus seed, raw material, machine, factory, house etc. are capital. The only part of money which is used for reproduction is capital.

Thus we can say that capital is the main factor for production. Money or goods which is used for production is kept under capital.

Capital plays a key role in production. The production of goods and services are impossible without it. As we have noticed earlier, the modern methods of farming require more and more capital. So Now farmers need more money than before.

According to Prof. Marshall: Except free natural gift from nature, all the wealth which is used for income is capital

3.1 Arrangement of Capital:

Most small farmers have to borrow money to arrange for the capital. They borrow from large farmers or the village moneylenders or the traders who supply various inputs for cultivation. The rate of interest on such loans is very high. They are put to great distress to repay the loan. In contrast to the small farmers, the medium and large farmers have their own savings from farming. They are thus able to arrange for the capital needed.

The story of Savita

Savita is a Small farmer. She plans to cultivate wheat on her 1 hectare of land. Besides seeds and pesticides, she needs cash to buy water and repair her farm instruments. She estimates that the working capital itself would cost a minimum of Rs. 3,000. She doesn't have the money, so she decides to borrow from Tejpal Singh, a large farmer. Tejpal Singh, agrees to give savita loan at an interest of 24 per cent for four months, which is a very high interest rate. Savita also has to promise to work on his field as a farm labourer during the harvest season at Rs. 35 per day. As you can say, this wages is quite low. Savita knows that she will have to work very hard to complete harvesting on her own field, and then work as a farm labourer for Tejpal Singh. The harvest time is a very busy time. As a mother of three children, she has a lot of household responsibilities. Savita agrees to these tough conditions as she knows getting a loan is difficult for a small farmer. She does not know that the government has managed for the loan for small farmers through banks.

4. Organisation

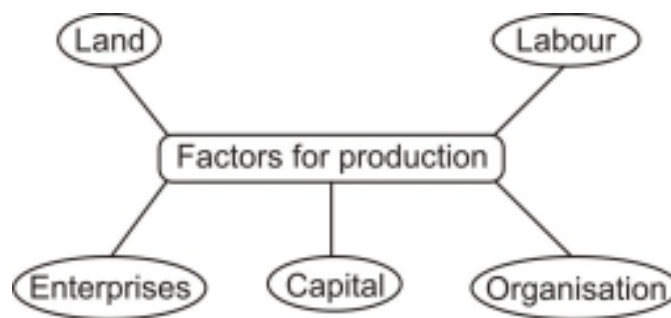
Land, labour and capital are the factors for production but it is vital for production that they should be used in production activity in their collected form. This activity is specially performed by manager or orgnaiser. Management or organisation is thus a sole factor for production. The importance of management or organisation is much more increased in production activities on a large scale. Small capital demands the use of the factors for production in a well-organised way so that the limited means of production can be used in a proper way. The better an organiser is, the more active will be the management or organisation. Thus, in a way **organisation has been considered as an active factor of Production Process.**

So we can say that management or organisation is to use the factors collectively in production activity and the person who does this job is called a manager or an organiser.

5. Enterprises

The main purpose of organiser or producer is to gain profit in production but he may suffer loss due to various reasons and particularly due to uncertainties of future. So production activity is full of risk and the one who bears risks is an enterpriser. In modern time, the role of the organiser has been increased in bearing the risk in production. If as a result of production, the enterpriser suffers a regular loss, he loses his courage and the whole process of production is paralysed. So the enterpriser determines before production that he has to continue the production till the last moment.

So bearing risks in production is called enterprise and the person who bears the risk is an enterpriser.



What to produce

It is really a very big problem of an economy because we can produce a thing only after minimising the production of another thing. Our present necessities are fulfilled by the production of consumer goods. It is mainly the problem of the distribution of factors. We have noticed above that the limited means of a country can be used in several ways. For example, in one economy, we can produce food grains such as rice, wheat, maize, etc. on available land or grow raw material such as sugarcane, jute, oil seeds, pulses cotton, etc. which can be used in industries. We can set up factories on this land. Similarly, in a country, iron and steel can be

used in manufacturing weapons or in making machines and tools or in building houses, bridges and malls. So it is clear that the factors for production can be used in several ways.

1. Importance of factors of Production

It can be really seen that there has been difference in the related importance of different factors of production. In the beginning, man lived in jungles and made his livelihood by plucking fruits, hunting and by drinking lake water. These activities needed labour, still land was more important than labour. But with the growth in population, man had to work harder to get these things and they themselves began to grow fruit and food grains. Thus gradually the importance of labour increased, man needed capital for cultivation, setting up factories and for increasing production. These days with the development in civilization and economy, production is done on a large scale and capital has become an important factor of production. But in this age of production on a large scale, various factors of production i.e. land, labour, capital, etc. are needed to be used collectively. This job is performed by a manager or organiser. So today organisation has become an important factor of production. Management is also considered a type of labour because a manager or organiser provides a well-managed labour for production. Besides, we have noticed that modern production system has a great risk. So, to bear this risk, enterprisers are needed for management or organisation. These days the importance of enterprise as a factor of production cannot be minimised. Thus no decision can be made regarding to the related importance of the factors of production.

Methods of production and construction of utility

1. Form utility
2. Place utility
3. Time utility
4. Ownership utility
5. Service utility
6. Knowledge utility

So, as every part of human body is essential for life, the assistance of all factors are needed for production.

2. Classification of goods and services :

There are many types of goods and in an economy, various types of goods and services are produced. We can divide these goods into two classes.

- (i) Consumer Goods
- (ii) Producer Goods

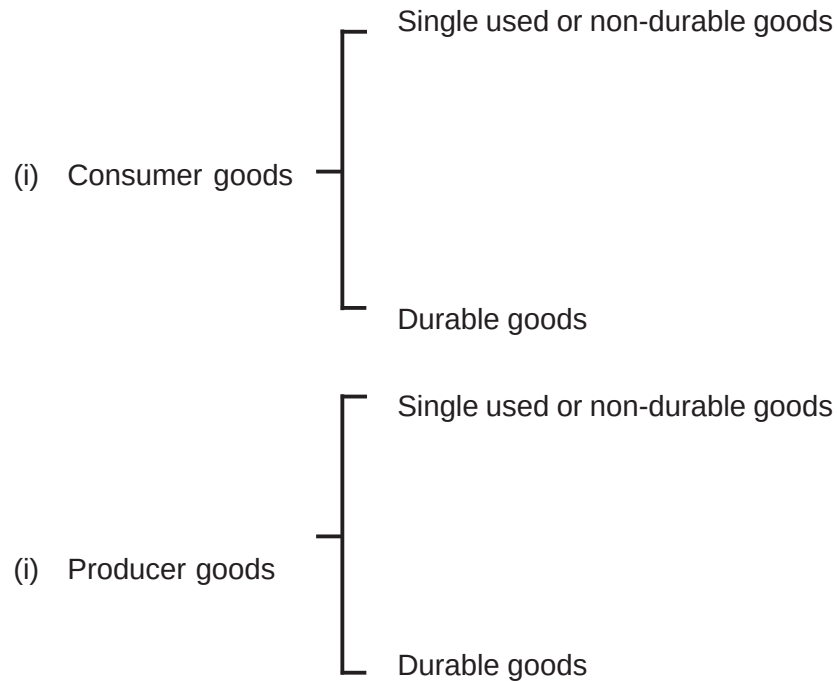
The goods which are directly used to satisfy human necessities are consumer goods. Food, clothes, house, book, pen radio etc. are consumer goods. There are also two type of goods : (a) Single-used or non-durable goods and (b) Durable goods. Edibles and drinks are non-durable consumer goods which are used once to satisfy our needs. On the contrary, house, cycle, television, watch etc. are durable goods which are used for a long time.

The goods which are produced for more income are producer goods. These types of goods grow the production capacity of economy. Producer goods are also durable and non-durable. Raw material, manure, seed, etc. are non-durable producer goods. On the other hand, machines, tools, etc. are durable producer goods which help in production for a long time.

The story of Kishora

Kishora is a farm labourer. Like other such labourers, kishora found it difficult to meet his family's needs from the wages he received. A few years back Kishora took a loan from the bank. This was under a government programme which was giving cheap loans to poor landless household. Kishora bought a buffalo with this money. He now sells the buffalo's milk. Further, he has attached a wooden cart to his buffalo and uses it to transport various items. Once a week, he goes to the river Ganga to bring back clay for the potter or sometimes goes to nearby market with a load of jaggery and other comodities. Every month he gets some work in transport. As a result, Kishora is able to earn more than what he used to do some years back.

Production of various types of goods



Summary

The meaning of Production - The meaning of production in economics is the creation of utility.

Factors of Production - There are five main factors of production as (i) land, (ii) labour, (iii) capital, (iv) organisation, (v) Enterprises. All these factors of production are equally important in economy. Production has a great importance in a personal, social, economic and national life of a country, state, city or a village.

Farming is the main production activity in the village. In comparison with previous years, a great change has occurred in the methods of farming. This is why the farmers have begun to produce more crops on the same amount of land. This is an important achievement, since land is fixed and scarce. But in raising production, a great deal of pressure has been put on land and other natural resources.

The new ways of farming need less land, but much more capital. The medium and large farmers are able to use their own savings from production to arrange for capital during the next season. On the other hand, the small farmers who constitute about 80 percent of total farmers in India, find it difficult to obtain capital. Because of the small size of their plots, their production is not enough. The lack of surplus means that they are unable to obtain capital from their own savings, and have to borrow. Besides the debt, many small farmers have to do additional work as farm labourers to feed themselves and their families.

Labour being the most abundant factor of production, it would be ideal if new ways of farming use much more labour. Unfortunately, such a thing has not happened. The use of labour on farms is limited. The labourer, looking for opportunities, is thus migrating to neighbouring villages, towns and cities. Some labourers have entered the non-farm or non-agriculture sector in the village.

At present, the non-farm sector in the village is not very large. Out of every 100 workers in the rural areas in India, only 24 are engaged in non-farm activities. Though there is a variety of non-farm in the villages (we have only seen a few examples), the number of people employed in each is quite small.

In the future, we would like to see more non-farm production activities in the village, unlike farming, non-farm activities require little land. People with a small amount of capital can set up non-farm activities. How is this capital obtained? One can either use one's own savings, but more often has to take a loan. It is important that loan be available at low rate of interest so that even people without savings can start some non-farm activity. Another thing which is essential for expansion of non-farm activities is to have markets where the goods and services produced can be sold. In Fatehpur, we saw the neighbouring village, towns and cities provide the markets for milk, jaggery, wheat, etc. As more villages get connected to towns and cities through good roads, transport and telephone, it is possible that the opportunities for non-farm activities in the village would increase in coming years.

Exercise

I. Objective Question : Write the symbols (a, b, c, d) for right answer :

1. How many main factors of production are there?
(a) Three (b) Four (c) Five (d) Two
2. The meaning of production is
(a) creation of new goods (b) creation of utility
(c) destruction of utility (d) to be useful
3. Which is the passive factor of production?
(a) Labour (b) organisation (c) enterprises (d) land
4. Which of the following is the characteristic of land
(a) It is perishable (b) It is manmade (c) It lacks mobility
(d) It has equal fertility
5. In economics, land refers to
(a) all free gifts from nature (b) the upper layer of land
(c) the down layer of land (d) only minerals
6. Which of the following is producer?
(a) carpenter (b) beggar (c) thag (d) drunkard
7. The factor of production is
(a) distribution (b) labour (c) exchange (d) consumption
8. Which of the following is not a factor of production?
(a) organisation (B) enterprises (B) capital
(d) consumption

9. Which of the following is capital?
(a) torn clothes (b) unused machine
(c) farmer's plough (d) A stone lying outside the house
10. One who bears risk in trades is called
(a) an organiser (b) capitalist (c) enterpriser (d) managing board
11. Which of the following falls under labour?
(a) to visit a cinema
(b) to play cricket by students for entertainment
(c) teaching by a teacher
(d) to practise music for enjoyment

II. Fill in the gaps :

1. Labour is called the _____ factor of production.
2. The work of a teacher is called _____ labour.
3. _____ are physical or capital factors of economy.
4. With the development of civilization the _____ of human being have increased.
5. The production of goods and services takes place with the _____ of different factors.
6. Because of new methods of production, the production capacity rather _____.

III. Tick (✓) the true statement and cross (✗) the false one :

1. In economics the meaning of production is the creation of utility.
2. The work of farmers is mental labour.
3. The main constituents of economics are natural and physical resources.
4. The economy of Britain is developed.
5. India economy is not a mixed economy.

IV Match the statement of column 'A' with that of the column 'B'.

Column 'A'	Column 'B'
1. Wages of land	(a) Profit
2. Wages of labour	(b) Salary
3. Wages of capital	(c) Lagaan
4. Wages of organiser	(d) Wages
5. Wages of enterprises	(e) Interest

V. Short Answer type question. (Answer in about 20 words)

1. What do you mean by production?
2. Differentiate between production and consumption.
3. Which are the various factors of production?
4. What is the main occupation of the people in Fatehpur?
5. Make difference between land and capital.
6. Is it important to increase the area under irrigation? Why?
7. What is importance of capital in production?

VI. Long answer type question. (Answer in about 100 words.)

1. Define the production. What are the factors of production? Explain.
2. Mention the role of organisation and enterprise in the factors of production.
3. Write a note on the farming activity in Fatehpur.
4. How do the medium and large farmers obtain capital for farming?
How is it different from the small farmers?

Answers

I. Objective Questions :

(1) c, (2) b, (3) d, (4) a, (5) a, (6) a, (7) b, (8) d,
(9) c, (10) c, (11) c.

II. Filling the gaps

(1) active (2) metal (3) machine and tools (4) needs
(5) help (6) increase

III. True-false

(1) true (2) false (3) true (4) true (5) false

IV. Matching Test :

(1) - (c), (2) - (d), (3) - (e), (4) - (b), (5) - (a)

Project work

1. How has the spread of electricity helped farmers in Fatehpur?
2. Construct a table on the distribution of land between two families in your village or town.
3. What are the different ways of increasing production on the same piece of land? Use examples to explain.
4. How do the medium and large farmers obtain capital for farming? How is it different from the small farmers?
5. On what terms did Savita get a loan from Tejpal Singh? Would Savita's condition be different if she could get a loan from the bank at a low rate of interest?
6. What can you do to start more non-farm activity in your village?

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