

## PRODUCTION

### **Q.1. What is meant by the term production?**

Production means creation of utilities to satisfy human wants. The sum- total of matter in this world is unchangeable. Man, by his efforts, however great, can neither create matter nor destroy it. At the most he can rearrange and combine particles of the existing matter so as to make them more useful and have a greater utility than before. A cultivator ploughs his land, throws seed in it and gives water to it. After some time there appears a beautiful plant on the soil. To the cultivator it may appear that he creates plant out of nothing or that he adds matter to the world. That is not fact. Before the cultivation of land, matter exists in the form of seeds, water, manure and chemical properties of the soil. After cultivation it appears in the form of a plant. It is thus clear that production consists in creating utility in goods for the satisfaction of human wants. According to 'Adam Smith' the production of thing is complete only when it is in the hands of consumer (e.g.) the production of a hat is complete when it is on the head of the wearer.

### **Q.2. How many factors of production are there? Discuss?**

There are four factors of production.

1. Land
2. Labour
3. Capital
4. Organization

1) **Land as a Factor of Production:** - Land in economics is used in a very wide sense. It does not mean surface of the soil only but includes all those natural forces which are the free gifts of nature. According to "Dr. Marshall" By land is meant not merely land in the strict sense of the word, but whole of the materials and forces, which nature gives freely for man's aid in land water, in air and light and heat. In land we include all those natural forces which are above or over the earth like air, light, rainfall, sunshine etc. which are on the earth like rivers, forests, lakes, vegetables etc, and which are beneath the earth like coal, iron, copper, oil, minerals etc.

### **IMPORTANCE OF LAND AS A FACTOR OF PRODUCTION:-**

Land has been usually described as a passive factor of production, it would be much better if it had been described as an absolutely essential and basic factor of production. Without land there would be no air, heat, light and life itself would be impossible. It is land that provides us with food on which we feed ourselves, land again provides us with agricultural raw materials like jute, cotton, to carry on our manufacturing activities, power resources like electricity, coal and kerosene oil to run our mills, rich abundant minerals like iron, copper, brass, gold and silver to be turned into useful tools

and implements, machinery and various kinds of jewellery. Without land we would not even be able to stand, start our business or run our factories, lay down buildings, road and railways. Without land, infact, there would be no economic activity.

**2) Labour as a factor of production**:- By labour is meant the economic work of man whether with hand or head. According to 'S.E. Thomas' labour is all human efforts of body or of mind which are undertaken in the expectation of reward. It is therefore clear that labour is any mental or physical work which is done not for the sake of pleasure but with a view to earning money for the satisfaction of material wants. For instance a teacher when teaching his own child is not doing labour because he is not getting any money for the work done, but when he accepts atitution, he is getting money and his work will be treated as labour in economics. Labour like land is treated as the basic factor of production. Land and labour when combined in right proportion produce wealth. Infact, land or any other factor of production is of little use till labour is applied.

### **CLASSIFICATION:-**

1) **Manual and Mental labour**:- Physical efforts done by coolies, farmers in fields, worker's in factories, are called manual labour. Efforts made by persons like lawyers, professors, judges are called mental labour because more brain is used in doing their activities.

2) **Skill and unskilled labour**:- Skilled labour is done by persons like engineers, doctors, architects, artists, etc. it needs great skill. Practice and training. The unskilled labour, on the other hand, needs no training or practice like digging, weight lifting etc.

3) **Direct and Indirect Labour** :- Direct labour is visible in the production of tangible goods like the farmers producing wheat or workers manufacturing shirts. Indirect labour, on the other hand, result in an addition of time and place utility. Persons employed in banking, transport, communication, insurance etc. are rendering indirect labour.

### **Q.3 What do you understand by the term capital?**

Capital is that part of wealth which is used for further production of wealth. Further wealth may be produced in a short time or in a long time. Capital is a stock or fund of goods and services in existence at a particular time, income on the other hand is a flow, it is the amount of goods and services which flows from it in a particular period of time. Suppose I have a house worth of Rs.10,0.00, if I live in it myself. It is wealth. If I give it on rent it becomes capital. Suppose the rent is

Rs.500 a year, this sum of Rs 500 is yearly income. Capital is the source of income and income is the product of capital. Capital is like a tree and income like its fruit.

That part of money which is used for the production of more money is called capital. Money spent for machines or for the purchase of raw materials or producers goods is called capital. However, saving in terms of money very often results in an increase of capital or capital base of an economy.

#### **CHARACTERISTICS OF CAPITAL:-**

- 1) Capital is the result of accumulation. It is stored-up labour. It is the result of the saving of man. It is saved by postponing the present wants.
- 2) Of all the factors of production capital is most mobile.
- 3) Capital is a passive factor of production. Unless it is combined with labour capitals is of no use and remain idle.
- 4) It is always more easy to increase and decrease the quantum of capital as compared to other factors of production.
- 5) The value of capital appreciates and depreciates with the passage of time. If an item of capital is used again and again it depreciates and its value declines.

**IMPORTANCE OF CAPITAL:-** production nowadays is being carried on large scale and lot of division of labour is being introduced. It is said that we are living in a 'capital age' capital has come to occupy a very important and integral position in the modern productive system. It oils the productive wheel. Infact, nothing can be done without sufficient capital. The economic development of a country depends upon the extent of capital formation. we can set up big factories, purchase tools and implements of production, arms for defence forces with the help of capital. Capital is the basis of all progress in modern times. Its importance can be judged from the functions that it performs.

#### **Q.4. Write a short note on organization?**

Organization is the fourth factor of production. In production an organizer combines all the factors in right proportion and co-ordinates them. Combining and co-ordinates thus become essential elements of organization. These tasks are performed by the organizer. In earlier times, no distinction was made between enterprises and organization. The scale of production having become very large in modern times, a distinction becomes necessary. Persons who take risks of business are different from persons who organize and combine the factors of production. A modern

steel or cement factory is organized by the managing director, general manager, engineers and a large number of other organizers, who do not take any risk, they do not provide any finance, they are not bothered about profits and losses, They get their fixed salaries. The finance is provide by another group called enterprisers or shareholders in thousands who are the owners of the company and who even do not know how production is being organized or is going on. Thus, organizers and enterprisers are two distinct groups in the modern productive system, though at times organizers and enterprisers may be the same group of persons.

**IMPORTANCE:-**

As a result of industries, the techniques of production changed remarkably. Many new inventions were made. Divisions of labour and capital come to be introduced on large scale. The methods of production become complex and roundabout. Organization, under these circumstances, come to occupy a very important place and was being treated as a separate factor of production. There may be land, labour and capital all lying idle and scattered unless an organizer comes forward, combines them in right proportion, Co-ordinates their activities and makes them useful factors of production.