

Civics Class IX

Economics Ch-1

Reading Material

Overview

Introduction to some basic concepts related to production through a hypothetical village called Palampur where farming is the main activity. The village also has several other activities such as small scale manufacturing, dairy, transport, etc, carried out on a limited scale.

Introduction

Palampur is fairly connected with a well-developed system of roads, transport, electricity, irrigation, schools and health centres. The story of Palampur takes us through the different types of production activities in the village. In India, farming is the main production activity across villages.

Organisation of Production

The main aim of production is to produce goods and services, which require four essential things.

1. Land and other natural resources such as water, forests, minerals.
2. Labour
3. Physical Capital such as tools, machines, buildings, raw materials and money.

A variety of raw materials are required while production, such as the yarn used by the weaver and clay used by the potter. Money is also essential during production and both of them in hand are called working capital. The fourth requirement is knowledge and enterprise to be able to put together land, labour and physical capital and produce an output. Factors of production are combining of land, labour, physical capital and human capital.

Farming in Palampur

1. Land is fixed

For Palampur, village farming is their main production and the wellbeing of these people is related to production on the farms. But, there is a basic constraint in raising farm production. Land area under cultivation is practically fixed.

2. Is there a way one can grow more from the same land?

In the rainy season, Kharif farmers grow jowar and bajra followed by the cultivation of potato between October and December. In winter, farmers grow wheat and a part of the land is devoted to sugarcane harvested once every year. Due to well-developed irrigation, farmers can grow three different crops. Electricity transformed the system of irrigation. Multiple cropping means to grow more than one crop on a piece of land. Another way for higher yield is modern farming. In the later 1960s, the Green Revolution introduced the Indian farmer to cultivation of wheat and rice using high yielding varieties (HYVs) of seeds.

3. Will the land sustain?

Modern farming methods have overused the natural resource base. Due to increased use of chemical fertilisers, soil lost its fertility. Natural resources like soil fertility and groundwater are destroyed and it is very difficult to restore them.

4. How is land distributed between the farmers of Palampur?

Land is important for any kind of farming. In Palampur, about one-third of the 450 families are landless. Dalits have no land for cultivation. 240 families cultivate small plots of land less than 2 hectares in size. In Palampur, there are 60 families of medium and large farmers who cultivate more than 2 hectares of land.

5. Who will provide the labour?

Small farmers cultivate their own lands. Medium and large farmers hire labourers to cultivate their fields who come either from landless families or families cultivating small plots of land. Farm labourers will not have any right over the crops grown on the land. They will be paid on wages for their work which can be cash or in-kind e.g. crop. Sometimes labourers get meals also. Wages vary from region to region, crop to crop, one farm activity to another. Farm labourers are employed on a daily basis, or for one particular farm activity like harvesting, or for the whole year.

6. Capital needed in farming

Modern farming methods require a great deal of capital.

1. Most small farmers borrow money 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.
2. The medium and large farmers have their own savings from farming. They are thus able to arrange for the capital needed.

7. Sale of Surplus Farm Products

The wheat the farmers produce from the land is retained in part for their family consumption and they sell the surplus wheat. Only the medium and large farmers supply wheat to the market.

Non-Farm Activities in Palampur

25 per cent of the people working in Palampur are engaged in activities other than agriculture.

1. Dairy — the other common activity

Other than agriculture, some people are engaged in dairy and the milk is sold in the nearby village.

2. An example of small-scale manufacturing in Palampur

People are engaged in small-scale manufacturing which are carried out at home or in the fields. This manufacturing involves very simple production methods.

3. The shopkeepers of Palampur

Traders of Palampur buy various goods from wholesale markets in the cities and sell them in the village. General stores in the village sell a wide range of items like rice, wheat, sugar, tea, oil, biscuits, soap, toothpaste, batteries, candles, notebooks, pen, pencil, even some cloth.

4. Transport: a fast developing sector

Transport services include rickshaws, tonga, jeep, tractor, truck drivers, traditional bullock cart and bogey. They transport people and goods from one place to another, and in return get paid for it.

- **Village Palampur**

Palampur is a small hypothetical village having about 450 families. It is 3 km away from Raiganj — big village. Shahpur is the nearest town to the village.

The village is well connected with neighbouring villages and towns. The village is well connected by the road and most of the houses are electrified.

It has two primary schools and one high school.

There is a government primary health Centre and a primary dispensary.

- **Main Production Activities**

Farming is the main production activity in the village Palampur. Most of the people are dependent on farming for their livelihood. Non-farming activities such as dairy, small-scale manufacturing (e.g. activities of weavers and potters, etc.), transport, etc., are carried out on a limited scale.

- **Factors of Production (Or Requirements for Production of Goods and Services)**

Land, labour, and capital are the basic requirements for production of goods and services which are popularly known as factors of production. Land includes all free gifts of nature, e.g., soil, water, forests, minerals, etc. Labour means human effort which of course includes physical as well as mental labour. Physical capital is the third requirement for production. Physical capital includes fixed capital (e.g. tools, machines, building, etc.)

Working capital includes raw materials such as seeds for the farmer, yarn for the weaver, and money in hand.

- **Important Changes in Farm Activities**

Land area under cultivation is virtually fixed. However, some wastelands in India had been converted into cultivable land after 1960.

Over the years, there have been important changes in the way of farming, which have allowed the farmers to produce more crops from the same amount of land.

These changes include :

- (a) Multiple cropping farming
- (b) Use of modern farming methods.

Due to these changes (in the late 1960s) productivity of land has increased substantially which is known as **Green Revolution**. Farmers of Punjab, Haryana and western Uttar Pradesh were the first to try out the modern farming methods in India.

Overuse of fertilizers, pesticides and water is resulting into land degradation. The farmers in Punjab are facing these problems.

- **Labour:** After land, labour is the next basic factor of production. Small farmers provide their own labour, whereas medium and large farmers make use of hired labour to work on their fields.
- There are many landless families in Palampur which provide labours. As the work is less for the number of labourers they are not given minimum wages set by the government.
- So some labourers migrate to the cities.
- **Capital:** After land and labour, capital is another basic factor of production. All categories of farmers (e.g. small, medium and large) require capital. Small farmers borrow from large farmers or the village moneylenders or the traders who supply them various inputs for cultivation.

Modern farming requires a great deal of capital.

- **Sale of Surplus Farm Products**

Farmers produce crops on their lands by using the three factors of production, viz. land, labour and capital. They retain a part of produce for self-consumption and sell the surplus in the nearby market. That part of farm produce which is sold in the market is called marketable surplus. Small farmers have little surplus output. It is the medium and large farmers only who have substantial surplus produce for selling in the market.

- **Non-farm activities**

Out of every 100 workers in the rural areas in India, only 24 are engaged in non-farm activities. There is a variety of non-farm activities in the villages. Dairy, small scale manufacturing, transport, etc., fall under this category.