



BAL BHARATI PUBLIC SCHOOL, PITAMPURA, DELHI – 110034

SUBJECT- ECONOMICS

Class IX

CHAPTER-1 STORY OF VILLAGE PALAMPUR

Dear students

Please read the given content carefully.

Do the activities either in the textbook or in your rough notebook.

Assignment questions are to be done in the Economics notebook.

Read the chapter from the link given below:

<http://ncert.nic.in/textbook/textbook.htm?iess2=1-4>

INTRODUCTION

In this E-lesson, we will study about **CAPITAL** as the factor of production.

Capital refers to the physical inputs needed in the production process e.g. machines, equipment, raw material etc.

In order to buy capital for farming, farmers need money.

How is the capital/money arranged for farming?

Medium/Large farmers - They are the rich people with big farms. The output from their farms is also big. Thus, they earn huge profits by selling their farm output and can buy capital from their profits and savings.

Small Farmers - They are the poor farmers with small farms. The output from their farms is also small. Thus, their profits are also less.

Hence, these farmers have to borrow money to buy capital.

They borrow from zamindars and big landlords who give loans at a very high rate of interest. This adds on to the miseries of the farmers. The rate of interest on loans is so high that it becomes difficult for them to pay it back. Hence, they get caught into the DEBT TRAP.

(DEBT TRAP- a situation in which a debt is difficult or impossible to repay, typically because high interest payments prevent repayment of the principal)

Please read Savita's story

Savita is a small farmer. She plans to cultivate wheat on her 1 hectare of land. Besides seeds, fertilizers 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 the loan at an interest rate 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 100 per day. As you can tell, this wage 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.

SURPLUS

It is that part of the produce that is meant for sale in the market.

Of the total production, the farmers keep a part of it for self-consumption (for self-use and use by the family members) and take the rest of it to the market.

Surplus = Total production - part kept for self-consumption.

ACTIVITY- 1

Read Kareem's story and answer the questions that follow.

Kareem has opened a computer class centre in the village. In recent years a large number of students have been attending college in Shahpur town. Kareem found that a number of students from the village are also attending computer classes in the town. There were two women in the village who had a degree in computer applications. He decided to employ them. He bought computers and set up the classes in the front room of their house overlooking the market. High school students have started attending them in good numbers.



Let's Discuss

- In what ways is Kareem's capital and labour different from Mishrilal's?
- Why didn't someone start a computer centre earlier? Discuss the possible reasons.

ACTIVITY- 2

Read the story of Mishrilal and answer the questions that follow :

Mishrilal has purchased a mechanical sugarcane crushing machine run on electricity and has set it up on his field. Sugarcane crushing was earlier done with the help of bullocks, but people prefer to do it by machines these days. Mishrilal also buys sugarcane from other farmers and processes it into jaggery. The jaggery is then sold to traders at Shahpur. In the process, Mishrilal makes a small profit.



Let's Discuss

- What capital did Mishrilal need to set up his jaggery manufacturing unit?
- Who provides the labour in this case?
- Can you guess why Mishrilal is unable to increase his profit?
- Could you think of any reasons when he might face a loss?
- Why does Mishrilal sell his jaggery to traders in Shahpur and not in his village?

ACTIVITY- 3

Read the story of Kishora and answer the questions that follow

Kishora is a farm labourer. Like other such labourers, Kishora found it difficult to meet his family's needs from the wages that 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 households. 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 he goes to Shahpur with a load of jaggery or other commodities. 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.



Let's Discuss

- What is Kishora's fixed capital?
- What do you think would be his working capital?
- In how many production activities is Kishora involved?
- Would you say that Kishora has benefitted from better roads in Palampur?

ASSIGNMENT

Q1 Throw light on the capital arrangement (needed for cultivation) done by the farmers.

Q2 Think of reasons behind the small farmers not taking loans from the banks.

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