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Production

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Production

The action of making or manufacturing from components or raw materials, or the process of being so manufactured.

Economic production is an activity carried out under the control and responsibility of an institutional unit that uses inputs of labour, capital, and goods and services to **produce** outputs of goods or services.

Production is a process of combining various material inputs and immaterial inputs (plans, know-how) in order to make something for consumption (the output). It is the act of creating output, a good or service which has value and contributes to the utility of individuals.



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PRODUCTION

Creation of value in the goods

Transforming of one set of goods into another

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The processes and methods used to transform tangible inputs (raw materials, semi-finished goods, subassemblies) and intangible inputs (ideas, information, knowledge) into goods or services. Resources are used in this process to create an output that is suitable for use or has exchange value.



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Factors of Production

Factors of production is an economic term that describes the inputs that are used in the **production** of goods or services in order to make an economic profit. The **factors of production** include land, labour, capital and entrepreneurship.



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Factors of Production

Economists divide the factors of **production** into four categories: land, labour, capital, and entrepreneurship. The first factor of **production** is land, but this includes any natural resource used to **produce** goods and services.

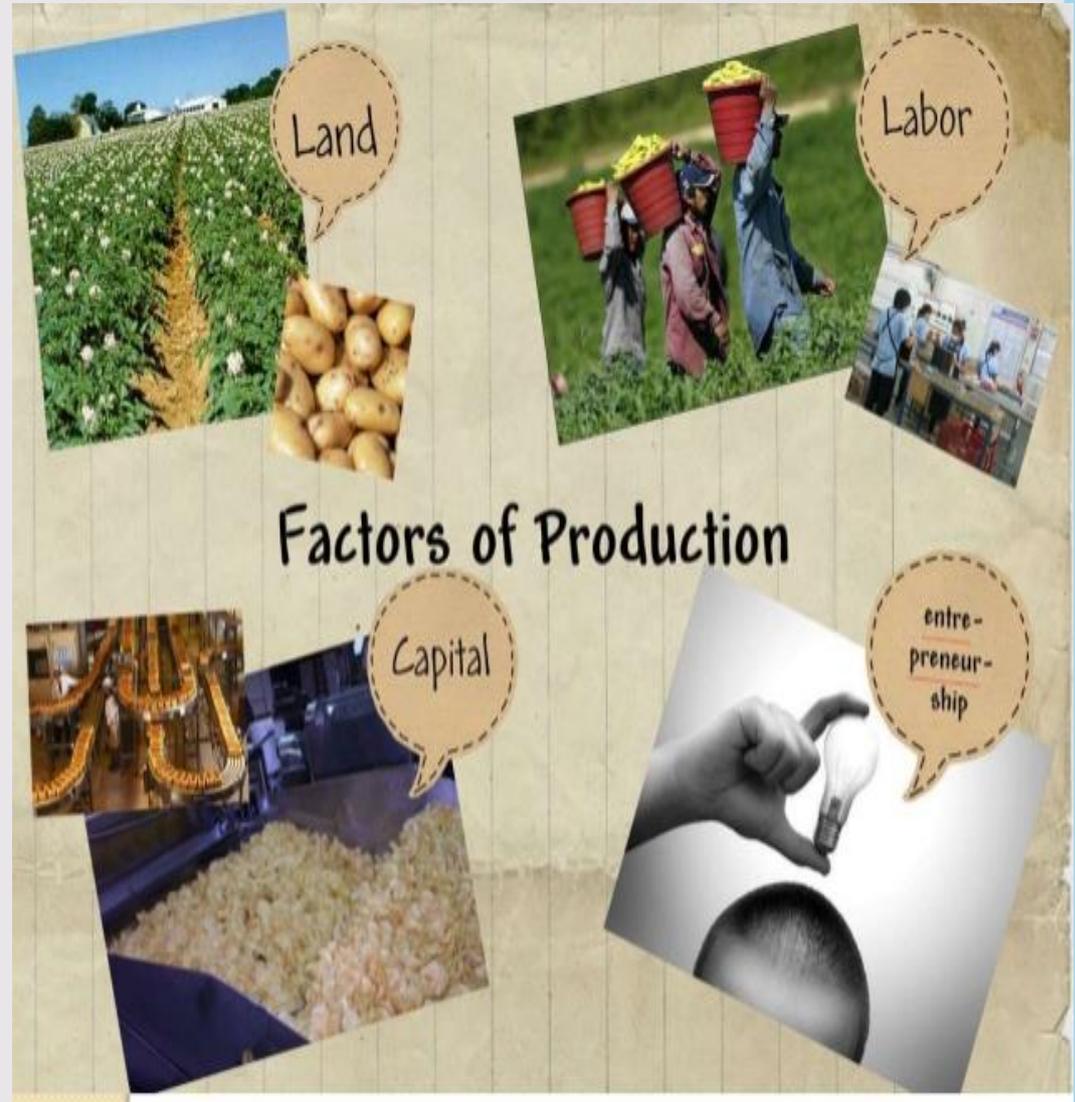


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Factors of Production

Land

(Free gifts of nature, e.g., soil, forests, rivers, mines, air, etc.)

Labour

(Mental or physical work done for income)

Capital

(Man-made means of production, e.g., machinery, buildings)

Entrepreneur

(Risk taker, organiser, binder of other factors)



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LAND

In its simplest form, **land** is the physical place where economic activity takes place. In our lemonade stand example, it could be the patch of lawn in front of your house. However, the term land also includes all the natural resources found on it.

Land plays an important part in production because land itself and the resources on it are usually limited in many nations

Using land for industrial purposes allows nations to improve the production processes for turning natural resources into consumer goods.



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Many of the natural resources are **non-renewable**, meaning that their amount is fixed and they can't be used indefinitely. Thus, producers must carefully manage land and its resources.





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LABOUR

Labour represents the human capital available to transform raw or national resources into consumer goods. Human capital includes all able-bodied individuals capable of working in the nation economy and providing various services to other individuals or businesses

In **economics**, **labour** is a measure of the work done by human beings.

Labour: It can be defined as any exertion of mind or body undergone partly or wholly with a view to earning some good other than the pleasure derived directly from the work.

In short labour in economic means that any type of work performed by a labourer with an intention to earn income.



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The important peculiarities of labour

Labour is inseparable from the labourer: Here labour means a quantum of work performed while labourer means who perform the work (e.g. labour). Therefore, the labour's work has to be delivered in person.

Labourer sells his services not himself: If labourer is employed means an employer only pays in the form of wages on account of services received from the labourer. Thus labourer is only selling his services not himself.

Labour is more perishable than other commodity: If time passes, it lapses forever. Therefore a day lost which out work means the days work gone for ever. That is why many times workers have to accept lower wages rather than earn nothing.



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Labourer has not the same power of bargaining as their employers. This is because labour can not be stored up and labourers are poor and ignorant.

Man, not a machine: A labourer differs from machine. He can not render services like machine. After all labourer is man and he has feelings and likings. If good surrounding, health, recreation is provided, he can work efficiently otherwise he will not work efficiently.

Less mobile: Generally labourer does not want to leave his home. It is therefore labour is such less mobile a compared to other factors.

Supply Independent of its demand: The supply of labour is always independent of its demand and cannot be easily and quickly increased or decreased. If supply of labour is surplus, their numbers can be reduced only by a painful process of starvation. But when sudden increase demand for labour, as during war, wages will rise but supply can not be quickly increased.



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CAPITAL

Capital is that part of wealth which can be used for further production of wealth. According to Marshall, “Capital consists of all kinds of wealth, other than free gifts of nature, which yield income.” Therefore, every type of wealth other than land which helps in further production of income is called capital.

Capital: Capital has been as that part of person's wealth, other than land, which yields an income or which aids in the production of further wealth.



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Characteristics of capital:

- 1) Capital is man made factor of production.
- 2) It involves time element.
- 3) Capital may be fixed: i.e. it is durable use pre use producer goods e.g. machinery, well in agriculture.



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Function of capital

Supply of raw material: The working capital required in production process represents raw material.

Supply of appliances and equipment: The fixed capital goods

Provision of subsistence: If capital is available to the poor person, he can utilize it and run his family very well. Suppose only 5 to 6 goats maintained by a poor person it will give him sizeable income to survive his family.

It also employment means of transport:

Supply of employment: If ample supply of capital is made, it will enhance production which will in turn give employment.

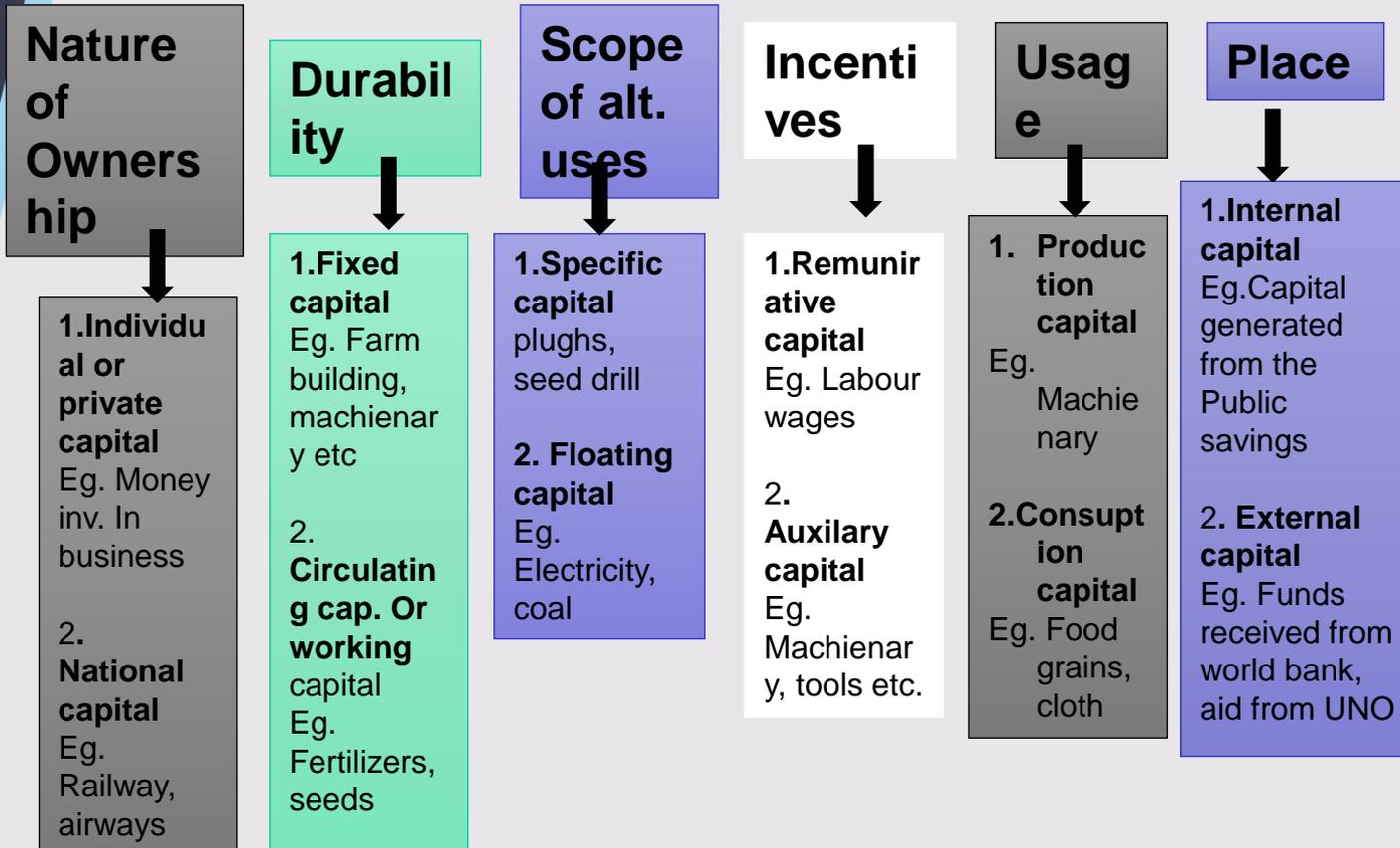


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Classification of Capital

Capita I





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ENTREPRENEURSHIP

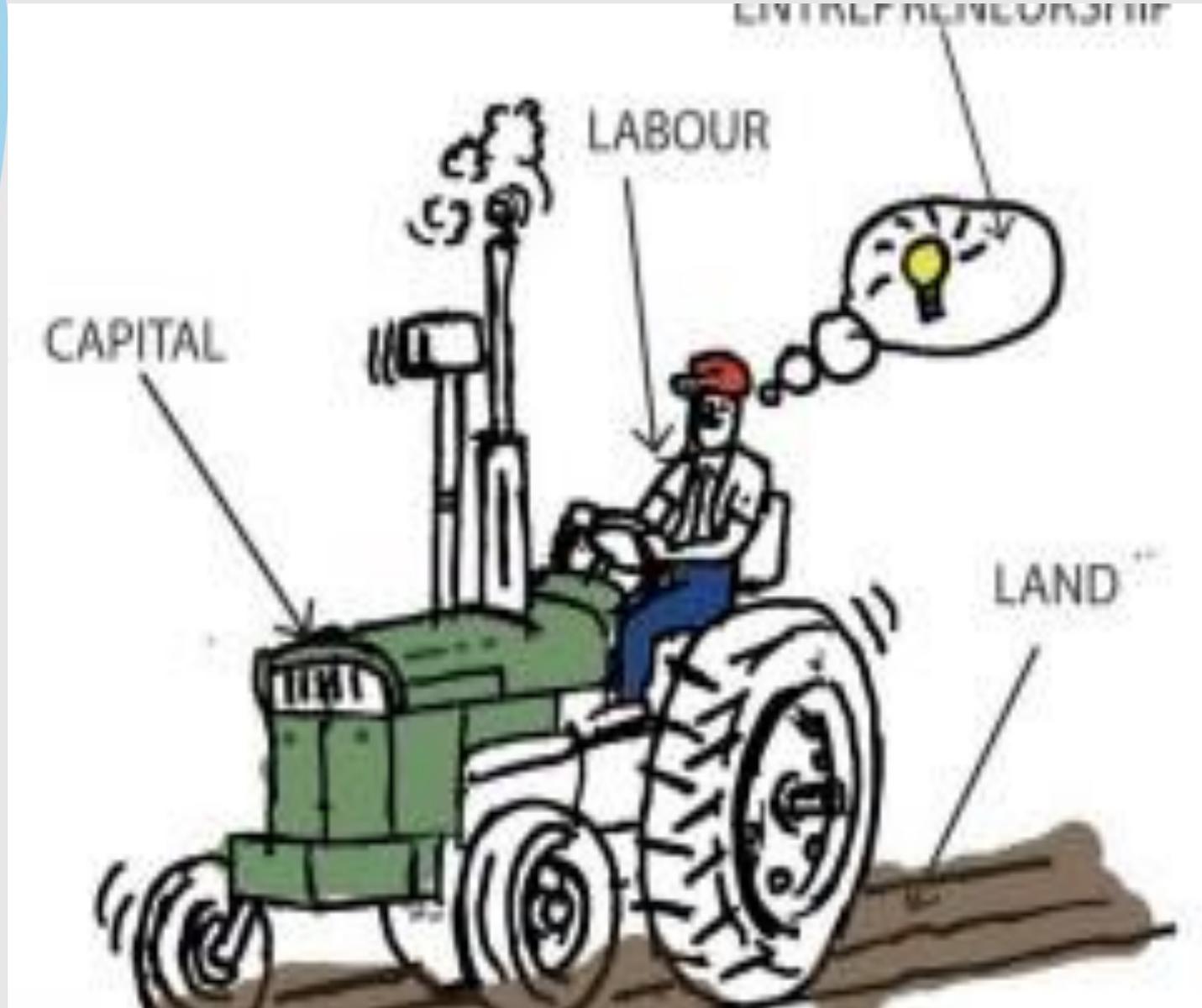
Some economists identify entrepreneurship as a factor of production because it can increase the productive efficiency of a firm.

Many different definitions of entrepreneurs and entrepreneurship exist, and many of these definitions place entrepreneurs in the same critical category as more consistently identified factors of production.



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THANK YOU