

Ch-1 Factors of Production

Good Morning Students

This lesson is of class 10th for the subject of Economics. The topic for today is 'Entrepreneur' which is covered in Chapter-1 titled 'Factors of Production' of your book of Economics of class 10th. This lesson is being submitted to you on 22.04.24 and the voice is of Mr. Lokesh Arora.

All the students now please listen carefully.

Enterprise or Organisation

In the ancient time, organisation was not a separate factor of production. Production process was very simple. The worker himself owned his land and capital. He used to plan the entire production process himself. He was thus, landlord, the worker, the capitalist and the entrepreneur - all combined into one.

But now production has become highly complex. Factors of production i.e. land, labour and capital etc. are separately owned and available at different places. Thus, there should be somebody who can bring these factors of production together and combine them in right proportions. This function is performed by the organiser or the Entrepreneur.

"The entrepreneurs are the owners of the business who contribute capital and bear the risk of uncertainties in business life."

Characteristics of An Entrepreneur:-

- (i) All other factors are employed by the entrepreneur in the production process. But entrepreneur is not a hired factor of production.
- (ii) Unlike rewards of other factors of production, the income of the entrepreneur is residual in nature. He earns profit only after making payment to other factors.
- (iii) The rewards of all other factors of production are contractual and hence are always positive. But the reward of an entrepreneur can be positive or zero or even negative.
- (iv) Risk and uncertainty bearing is the key job of the entrepreneur.

Difference between Organiser and Entrepreneur
In small-scale production like sole-proprietorship and partnership, owners and managers are same. There is no difference between organisers and managers.

But in large-scale production, risk is borne by the shareholders (owners) but the actual work of organisation is done by the paid managers.

'The task of bearing risks is called Enterprise'

So the shareholders (owners) who bear the risk of business are Entrepreneurs and the managers who get the work done are the organisers.

Differences between Labourer and Entrepreneur

- (i) Labourers get wages for the tasks they perform, whereas an entrepreneur hopes to get profit.
- (ii) Labourers have nothing to do with the risks involved in the business. They will be sure to get wages. But an entrepreneur has to bear all risks of business and his income in the form of profit is not certain and fixed.
- (iii) Labourers are supposed to perform activities allotted to them, but the entrepreneur has to perform all jobs concerning with the business.

Functions of an Entrepreneur:

- (i) Risk-Bearing: Risk bearing function is the most important function of an entrepreneur. The entrepreneur has to calculate all the risks and then plan the organisation of various factors of production in different proportions.
- (ii) Decision Making:
An entrepreneur has to take several decisions e.g. selection of the commodity, design and quality of the product, location of the plant, scale and technique of production etc.

(iii) Co-ordination and Supervision! - An entrepreneur not only brings different factors of production together, but also organises them.

(iv) Distributive functions! - The entrepreneur has to decide the reward that each factor of production should get. In deciding this, he has to bear in mind their relative contributions to production.

(v) Innovative function!

Innovation is considered as an important function of an entrepreneur. The entrepreneur has to choose profitable innovations and apply them to earn more and more profits.

Essential Qualities of an Entrepreneur:-

(i) He should possess courage and ability to successfully tackle the day-to-day problems arising in business.

(ii) He should have complete knowledge about his business.

(iii) He should be capable of taking quick decisions.

(iv) He should have the quality of fearlessness.

(v) He should have the capacity to recognise the abilities of a person so that work could be given to the employees according to their abilities.

(vi) An entrepreneur should also possess

the qualities of leadership.

- (vii) An Entrepreneur should be well experienced in his business.

Role of Entrepreneurs:-

- (1) Increase in National Income:-
Entrepreneur helps in better exploitation of physical, financial and human resources of a nation. This results in large amount of output and large increase in national income.
- (2) Generate Employment:- Entrepreneurs generate employment opportunities and thus help to reduce unemployment problem in the country.
- (3) Mobilisation of Savings:- Entrepreneur mobilise idle savings of the public through issues of shares and debentures. Investment of public savings in Industry results in capital formation which is regarded crucial for economic development.
- (4) Reduction in Regional Disparities:- Entrepreneurs set up industries in the backward regions of the country to avail various concessions provided by the government. In this way, they help to reduce regional disparities in the country.

- (5) Reduction in dependence on Foreign Countries:-
Entrepreneurs also help the nation reducing dependence on foreign countries by producing indigenous substitute of imported goods.

Students, with this I am ending my topic here. I will give you few questions. You are requested to write the answers of the following questions in Your note books.

Answer the following questions.

- (i) Differentiate between Labour and Entrepreneur.
- (ii) Explain any five ways by which entrepreneurs can promote the economic development of a nation. (Explain the role of entrepreneur).
- (iii) Why is the income of an entrepreneur residual in nature?
- (iv) Mention five qualities of a good entrepreneur.