

Name: _____ Date: _____

The Story of Village Palampur

Q1. How do the medium and large farmers obtain capital for farming? How is it different from the small farmers?

Ans. _____

Q2. What is physical capital? What are its different types?

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Ans. Medium and Large farmers

Large and medium farmers sell the surplus farm products. A part of the earnings is saved and kept for buying capital for the next season. Thus, they are able to arrange for the capital for farming from their own savings. Some farmers give away the small savings to small farmers as loan at high interest rates and get back the amount by next season.

Small farmers

Most small farmers have to borrow money to arrange for the capital. They borrow 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. They are put to great distress to repay the loan.

Q2. What is physical capital? What are its different types?

Ans. The third requirement is physical capital, i.e. the variety of inputs required at every stage during production.

(a) Tools, machines, buildings: Tools and machines range from very simple tools such as a farmer's plough to sophisticated machines such as generators, turbines, computers, etc. Tools, machines, buildings can be used in production over many years, and are called fixed capital.

(b) Raw materials and money in hand: Production requires a variety of raw materials such as the yarn used by the weaver and the clay used by the potter. Also, some money is always required during production to make payments and buy other necessary items. Raw materials and money in hand are called working capital.