# Why Palampur?

Palampur is an imaginary village used to understand how production works in a rural economy.

### ▼ Features of Palampur:

- Connected to nearby towns via all-weather roads
- Facilities: electricity, schools, health centre, irrigation
- Around 450 families, different castes (upper castes own most land; SCs mostly landless)
- Farming is the main activity, but some also do dairy, transport, small-scale manufacturing

## What Is Production?

- **Production**: The process of combining resources to produce goods and services.
- Four Requirements (Factors of Production):
- 1. Land natural resources (soil, water, etc.)
- 2. Labour people doing the work
- 3. Capital -
  - Fixed Capital (tools, machines, buildings)
  - Working Capital (raw materials + money in hand)
- 4. Human Capital Knowledge and enterprise to combine the above



Fig. 1.2 – Factory showing machines & workers

# Farming in Palampur

### 1. Land Is Limited

- 75% people depend on farming
- Land under cultivation is fixed since 1960
- All cultivable land already used

Unit of measurement: hectare (100m × 100m)

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## 2. How to Grow More from Same Land?

#### ▼ Two methods:

- 1. Multiple Cropping Growing more than one crop in a year
  - o Palampur: jowar-bajra (monsoon), potato (Oct-Dec), wheat (winter)
  - O Sugarcane also grown yearly

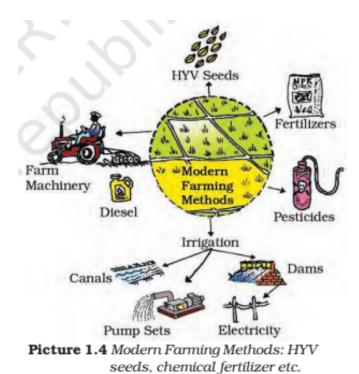
#### 2. Modern Farming Methods -

- HYV seeds (High Yielding Varieties)
- Chemical fertilisers & pesticides
- o Tubewell irrigation
- Machinery like tractors, threshers

## ✓ Wheat yield:

• Traditional seeds: 1300 kg/ha

HYV seeds: 3200 kg/ha



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## 3. Sustainability: Will the Land Last?

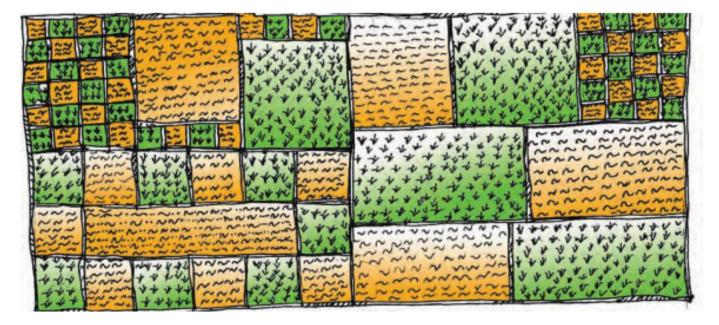
### Problems with Modern Farming:

- Loss of soil fertility (overuse of chemicals)
- Depletion of groundwater
- Pollution due to fertiliser run-off
- Modern farming gives higher output but damages environment in long term.

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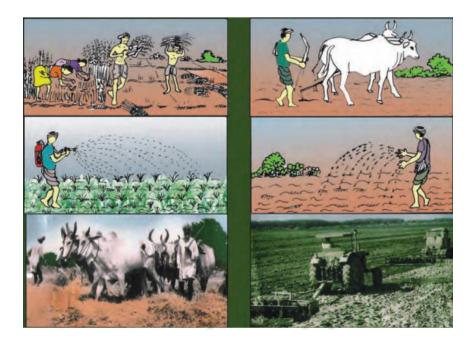
# 4. Unequal Land Distribution

- 150 out of 450 families = landless
- 240 families = cultivate <2 hectares (small farmers)
- Only 60 families = medium/large farmers (>2 ha), some even 10+ hectares
- Small farmers struggle; large farmers dominate land and production



# 5. Labour in Farming

- Small farmers work themselves
- Medium/large farmers hire farm labourers
- Wages: Often below govt. minimum (e.g., Dala gets ₹160/day instead of ₹300)
- Labourers often landless and in debt
- Employment is uncertain and poorly paid.



■ Fig. 1.6 – Various farming activities

6. Capital Requirement in Farming

- Small farmers borrow money (from big farmers, traders) at high interest
- Example: Savita borrows ₹3000 at 24% interest & has to work as labour in return
- Large farmers use savings from earlier crops
- Capital is scarce and costly for poor farmers

7. Sale of Surplus Farm Products

- Small farmers: Little surplus, most wheat kept for family
- Medium/large farmers: Sell in market (e.g. Tejpal Singh sells 350 quintals)

Profits used for:

- Buying tractors, tools (fixed capital)
- Lending money
- Investing in next season
- Surplus leads to savings → investment → more income

Non-Farm Activities in Palampur

Only 25% of people are in non-farm work. Examples:

- 1. **\*\* Dairy:** 
  - o Milk sold in Raiganj
  - o Collection centres by Shahpur traders
- 2. **Small-Scale Manufacturing:**

- o Mishrilal crushes sugarcane into jaggery using electric machine
- O Works with family, makes small profit

#### 3. **Shopkeepers:**

- o General stores sell groceries, daily-use items
- o Buy from wholesale markets, sell in village

### 4. Services & Transport:

- O Kareem runs a computer centre
- O Kishora (labourer) bought buffalo & cart via govt. loan
  - → Now earns from milk + transport
- Non-farm jobs are diverse but limited; capital, skill & markets are needed to grow them.

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# **E** Summary:

Factor	Issue
Land	Limited, unequally distributed
Labour	Abundant but underpaid, underutilized
Capital	Scarce for small farmers
Farming	Uses modern methods; higher output, but risks environment
Non-farm	Growing slowly; needs better credit & infrastructure

## Final Takeaways:

- Farming can't absorb everyone → need for non-farm employment
- For non-farm growth, we need: ✓ Loans at low interest
  - ✓ Skill training
  - ✓ Market access
  - ✓ Roads and connectivity