

Definition of the four factors of production commerce essay



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Natural Resources - sometimes called land - consists of all the gifts of nature. This includes mineral deposits, water, arable land, vegetation, natural forests, marine resources, the atmosphere, sunshine and animal life. They are a fixed supply. If we want more of them, their availability cannot be increased. It is possible to exploit some of the resources, for example, minerals. Once the minerals are used, they cannot be replaced.

Labour - is defined as the exercise of human mental and physical effort in the production of goods and services, where humans are rewarded in the form of an income. The quality of labour is depends on the size of the population and the portion that is able and willing to work. The quality of labour, which is described by the skill, knowledge and health of the workers, is important.

Capital - is made up of manufactured resources, such as machines, tools and buildings which are used in the production of other goods and services. It is those tangible things that are used to produce other things. These resources do not have an unlimited life.

Entrepreneurship - is the availability of natural resources, labour and capital is not sufficient to ensure economic success. These factors of production have to be organised by people who see opportunity and are willing to take risks to producing the goods, believing that they will be sold. These people are called entrepreneurs. They are the driving force behind the production. They are the innovators, the initiators, who take initiative. They believe that their ideas will make a profit.

2. 1 The Four Factors of Production in the Economy

2. 1. 1 Natural Resources

To improve the use natural resources we can implement regulations to protect the natural resources like forests which will increase tourism; encourage farming to grow vegetables and fruit; the investment to improve the technology to mine minerals; and find ways to improve the usage of our natural resources.

2. 1. 2 Labour

The labour regulations restrict entrepreneurship, enable government sponsor, enable employment, regulate minimum wage, maintain standards of working conditions, and ensure safety conditions.

2. 1. 3 Capital

We can encourage foreign investment, investments in infrastructure to enhance production easier, for example road maintenance and encourage of loans for new businesses.

2. 1. 4 Entrepreneurship

To encourage entrepreneurship the change can start in schools whereby economics can be introduced as part of the curriculum, encourage businesses to have open days for students to learn how the business works, develop and have tools that enhance entrepreneurship.

2. 2 The Four Factors of Production in our Organisation

2. 2. 1 Natural Resources

For the organisation, there are no natural resources that are used.

2. 2. 2 Labour

Employing individuals who have the qualifications, the mental effort, knowledge and brain power, to fit the organisation's culture and values will enhance the business. Training will empower and enhance the employees to do their job effectively. BankSeta assists in improving and up-skilling employees in the financial sector. It is important to taking care of the well-being of the employees - for example, having a canteen for employees where the food is easily accessible and safe and time to go and buy lunch and to ensure employees get the relevant training so that they are efficient in their job. There are two types of physical energies in the organisation - Sales and Admin. Sales bring in the business so the Admin can do their job. The organisation is reliant on clients for the business to grow. Admin run the day-to-day admin and they are dependant on the external energy.

2. 2. 3 Capital

In the previous premises, the parking was not easily accessible, the building could not accommodate all the employees, there were not enough working stations and the technology was not up to standard. In the new building the technology and software have been upgraded. The organisation needs to ensure that the systems are suitable for the Banking sector. Suitable working stations are installed, which will enhance the well-being and working environment of the employees. The building and meeting rooms have been built to enhance the clientele and interaction with clients. The building projects the organisations values and culture. The organisation's brand and reputation has been built on RMB and it continues to build its reputation through its client services.

2. 2. 4 Entrepreneurship

The organisation encourages innovations. There is an innovations blog where employees can submit their ideas to management where all ideas are taken into consideration. The organisation is flat structured and open plan. Managers are open to their employees and provide constant feedback. Employees are empowered and encouraged to take control of their own development. Employees live and believe in the organisations values and culture. The organisation is developing self sustaining systems. The organisation is currently implementing the care and growth model which is focused on caring and growing the employees as individuals.

3. The South Africa Foreign Trade (Imports and Exports)

In this section of the assignment, I refer to the Trade Report – October 2009 submitted.

The basic indicators section indicates the trade per capita which is the estimated trade of goods and services over the last three years – based on the population. The GDP is measured in nominal terms and with market exchange rates. The trade-to-GDP ratio is the estimated trade of goods and services over the last three years – based on the GDP. The real GDP are exports and import of goods and services of data at constant prices. The ranks in the world trade of merchandise and services are defined as members as individual traders and as one trader. In my opinion the percentage drop from 2007-2008 was from the Wall Street financial fall in 2008, which affected the percentage drop from 2007-2008 of exporting of goods and services. As we had the FICA and KYC regulations in place, this protected us. The percentage drop from 2007-2008 of importing of goods <https://assignbuster.com/definition-of-the-four-factors-of-production-commerce-essay/>

and services, in my opinion, reflected the fact that the importers were being cautious and they were concerned that the locals wouldn't have the funds to buy goods and services. Consumer spending per household decreased.

The merchandise trade is broken up into three sections - Agricultural products, Fuels and mining product and Manufactures. In my opinion the percentage drop from 2007-2008 of merchandise exports was caused by the financial fall of Wall Street. The merchandise imports percentage from 2007-2008 stayed constant. For South Africa, I feel that we have not been as affected as much as other countries. The country felt the recession in 2009.

Exporting and Importing of:

Agriculture which consists of raw materials and foods such as vegetables, fruit, maize, sugar. In my opinion we export the best grade of our food and sell the rest to the locals. This increases the production of GDP and the economy. We should increase our export of agriculture. We import fewer foods and products into the country.

Fuels and mining products which consists of other minerals, fuel and ores and non-ferrous metals. In my opinion we should not export that much. This should decrease. We should rather increase our skills and knowledge so that we can export the end product. This would increase our GDP and the economy. For example, gold: we export most of our raw gold and import the end product because we do not have the skills and knowledge to make the jewellery. The constant decrease and increase of fuel prices affects the economy and people spend. The percentage of imports, in my opinion, is acceptable as this keeps the balance of the economic production levels.

Manufactures which refers to steel, iron, chemicals, other semi-manufactures, machinery, transport equipment, textiles, clothing and other consumer goods. In my opinion the percentage of exports should decrease as the country should use these materials to build the economy of the country. In building the status of our country, this would increase our economic growth. For example, building houses. The exporting keeps our foreign exchange inline with other countries. If the exporting decreases, the importing will decrease. In some instances, it is better to import the parts to be assembled locally than to import the end product. For example, in the Operations, Implementation Management and Sustainability, the lecturer gave an example of a company who saved on overall costs by importing the parts and assembling it locally instead of importing the end product. South Africa has very innovative people and we should start believing in what we have. When government or investors do not see the potential of the innovative ideas, the innovators end up selling their ideas to other countries and end up importing the end product. We should spend more time in investing in these innovative ideas as this will increase our economic growth.

Commercial Services Trade, which refers to construction, finance, computer, insurance, communication, cultural and recreational services, information, other businesses, royalties and other fees. In my opinion the percentage of exports and imports indicates that there is a lack of interest, interaction and investment in South Africa from other countries.

Transportation – in my opinion the percentage of exports is acceptable. The percentage of imports indicates that we lack the skills and knowledge to sustain our transportation.

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Travel – the percentage of exports indicates that locals prefer to travel to other countries instead of our own. We should improve our tourism locally to encourage the locals and foreigners to explore South Africa. This country has so much to offer.

Other commercial services – in my opinion the percentage is acceptable.

We are losing people who have the skills and knowledge in industries like medicine, engineering, technology and construction to other countries. We should be retaining these skills to build a better country. We should be investing in developing in our people, empowering them so that they have pride in themselves and are proud of their country, so they can make it a better place to live.

4. The Banking Sector, Organisation, Department and I

The organisation forms part of the banking sector. The banking sector is linked to economic growth through enhancing the access to financial services, and increasing competitiveness of domestic financial markets – both of which reduce the costs of financing. The basic role that the banking sector plays in the process of transferring savings to borrowers is risk sharing, providing liquidity, information and improving efficiency. If the financial markets are well developed, they improve the availability of funds to support borrowers and channel the funds to where the rates of returns are higher. Positive effects like this can increase the economic growth by larger capital accumulation with lower cost of financing and increased efficiency. But in some countries, the financial markets are not developed and market failures exist everywhere.

By improving the access to financial services and the efficiency of financial go-between, which can reduce the cost of financing the banking sector, stimulates capital accumulation and economic growth.

The role of money replaced the barter system. Each person could trade whatever he or she produced for one common thing. Money means a set of common prices can be established. Money is a medium of exchange between individuals and a way to distribute the ownership in society. It is generally accepted as payment for goods and services and repayment of debts. Money is used for everyday spending and saving for the future. Saving money for future use is to ensure that the values of the savings do not decrease but increase overtime by through investments and earning of interest. Money helps our economy to work more smoothly, it has three key roles:

A medium of exchange

A unit of account or a standard of value

A store of value for future use

The characteristics of money:

Durable

Not easily produced by people

Relatively scarce

Not too scarce

Easily transported

Divisible

The organisation needs to ensure that their products are inline with their competitors and maintain the supply of money and borrowing from clients.

The Learning Solutions (LS) Department is in the process of becoming a self-sustaining system. We are working well together and have the same focus and goals. At our yearly meeting, we discuss the past year - what we have accomplished, what obstacles we came across, how we can improve, what changes we would like to see and what our focus and goals will be for the coming year.

We had looked at the functions of the Human Resources (HR) department and determined that there were common areas and functions that the HR department had. The LS department was a closed system and had no interconnections with them. The HR department have three subsystems namely, People Development, Administration and New Recruits. The overlapping of work areas are the new recruits and the people development. Changes needed to be made.

The changes that HR department made:

Administration is an open and closed system, they have confidential information that should not be shared with other employees (salaries and medical aid) and the employees submit general administration / queries

New Recruits is an open and closed system, they too have confidential information that should not be shared with other employees (agreements between the Bank and employee) and information about the new recruits will be shared with the LS department

People Development is an open and closed system, they have a good relationship with all the managers and know where employee development is required and this information will be shared with the LS department

The changes that the LS department made:

Develop a open relationship with the New Recruits team

Develop a open relationship with the People Development team

In making these changes we are enabling the growth of knowledge and empowerment in the employees. The employees are enabled to be efficient at their job. In being efficient and knowledgeable, they will enhance the growth of our clients and their investments which will assist the growth of the economy.

Each individual contributes to the economy. How can I contribute to the economy? I need to understand my financial status and increase my wealth. I need to determine what money I save and invest for the future and invest in my country. I need to sustain my knowledge and personal growth. I need to be aware of the country's financial status. I need to balance my needs with the available resources.

5. Inflation – Consumer Habits and Behaviour

The definition of inflation is the rise in prices of goods and services in an economy over a period of time. When price levels rise, the unit of currency buys fewer goods and services. It is an erosion of the purchasing power of money. Inflation occurs when the price increase of goods and services are recorded over a period of time. The general price level is measured by the Consumer Price Index.

As the price levels rise, the consumer habits and behaviour are affected. Consumer behaviour is the study of when, why, how and where people do or do not buy goods and services. It is about understanding the consumer's buying decision-making process in an attempt to understand people's wants. Habitual patterns of spending that consumers have over a period of time are the best thing that can happen to a brand. For this to happen there are two conditions that need to satisfy the consumer – the brand in question must fall into a product category that elicits a low level of involvement from the consumer when considering purchasing the product and the consumer becomes a satisfied customer when buying the product – the brand should deliver on what was promised. For the brand to be a part of the consumer's habit, the critical requirement is the delivery of value on the first purchase.

Inflation occurs when the demand for goods and services increase and the supply remains unchanged or the increase of cost of production which pushes up the price level. How does this affect the consumer? It is dependant on the affordability of the consumer. For example, in the beginning of the year 2008 I bought 6 chocolate muffins at Woolworths for

R10. 99. In 2009, the costs had increased to R24. 99 for the same product. Due to the price increase, I no longer buy the chocolate muffins.

6. Microeconomics and Macroeconomics

Microeconomics is the study of how household and organisations make decision to allocate limited resources. It examines the behaviour affect of the supply and demand of the goods and services which determines the prices which in turn determine the supply and demand of the goods and services.

Macroeconomics deals with the performance, structure and behaviour of the entire world. It looks at indicators such as GDP, unemployment rates, price indexes to understand the whole economy functions.

If the micro and macro economical performance was sustainably improved, the changes to the consumer behaviour would be:

For Micro:

Our environment would be more stable

There would be overall well-being and enjoyment in individuals, less stress

Depending on the individual's mindset, there would be more investment and spending

The wealth of individuals would grow

Decrease in crime

Decrease in immigration of individuals

Increase of skilled individuals

Downfall is that there would be overspending and more debt

For Macro:

The economy would be more liquid

There would be a growth in external investors

The country would be more productive and innovative

Increase of tourism

Increase of entrepreneurship and resources

Increase of the well being of the country

Decrease of poverty

7. Conclusion

Each one of us on an individual level has an affect on the economy, which affects the organisation, which affects the country. If the organisation wants to grow they need to have good leadership skills and delivery of goods and services. In my opinion the improvement of the economy starts with oneself. I have a good understanding of my own finances and how I can increase my wealth. I have realised that I need to improve my understanding of my organisation and how it affects the economy of the country. I need to improve my understanding of the economy of the country.