

Class B.Com-I.

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Environment.

Paper : II

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Lecture
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Concepts of productivity :-

The marginal productivity of a factor of production may be used in two terms:

- ① Physical Productivity
- ② Revenue Productivity

The physical productivity of a factor can be measured in terms of units of production produced with the help of that factor. If we express this physical productivity in terms of money, it is known as revenue productivity.

① Marginal Physical Productivity (MPP).

The first concept is MPP of a factor. The marginal physical product of a factor say of labour is the increase in the total product of the firm as additional workers are employed by it. MPP increase in total productivity by employing an additional unit i.e. labour as a factor, remaining factor are constant. The total prodⁿ increase just because of labour.

i.e. the unit which the employer feels worthwhile than an than he will employe as a factor (labour).

② Marginal Revenue Productivity (MRP).

Marginal Revenue Productivity shows the addition to the total revenue of the firm when it adds successive marginal unit

of the variable factor to the fixed amt. of the other factor of production

Under perfect competition VMP (Value of Marginal Productivity) of the factor is equal to its marginal revenue product.

$$\text{ie } MRP = MPP \times MR$$

It is simply MPP multiplied by constant price as Price = MR. $\left[\text{VMP of a factor} = \text{MPP of the factor} \times \text{Price of the Product per unit} \right]$

So under Perfect competition :

$$\text{VMP of factor} = \text{MRP of factor}$$

③ Average Physical Productivity (APP).

It can be obtained by the average productivity

$$\text{ie Average Productivity} = \frac{\text{Total Productivity}}{\text{Number of unit Employed}}$$

④ Average Revenue Productivity (ARP).

$$\text{Average Revenue Productivity} = \frac{\text{Total Revenue}}{\text{Number of unit of factor}}$$

$$\text{Average Revenue Productivity (ARP)} = \text{APP} \times \text{AR}$$

⑤ Value of Marginal Productivity (VMP).

$$\text{Value of Marginal Productivity} = \text{MPP} \times \text{Price (Average Revenue)}$$

Acc Ferguson: "The value of marginal product of the variable factor is equal to its marginal product multiplied by the market price of the commodity in question".