

- Introduction to Business, Trade and Commerce
- Role of Business in the Development of Economy
- Concept of Business
- Classification of Business Activities
- Objectives of Business
- Business Risk
- Starting a Business – Basic Factors

Introduction to Business, Trade and Commerce

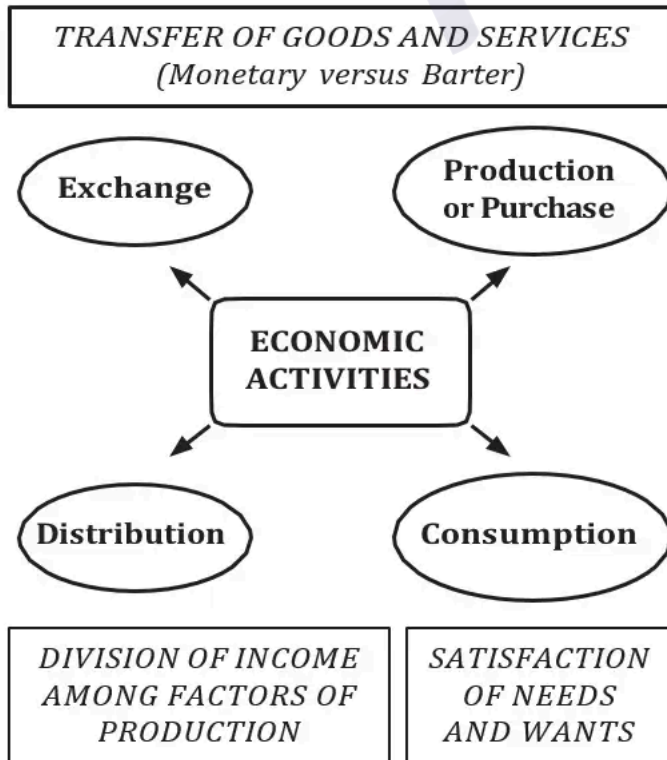
All human beings require different types of goods and services to satisfy their needs. People buy these goods and services from markets which may be physical or electronic, where various sellers offer commodities for selection.

Goods and services are made available through economic activities such as production, manufacturing, distribution, and exchange. Business is a major economic activity concerned with the production and sale of goods and services required by people. It starts with production and ends with consumption, involving industry and commerce.

Key Definitions and Features:

- **Business:** A wider term including industry, trade, and commerce.
- **Industry:** Production of goods.
- **Commerce:** Activities facilitating exchange of goods and services.

Illustrative Example: The process of production, exchange, distribution, and consumption of goods and services in an economy.



This image shows the main types of economic activities related to goods and services transfer, including exchange, production or purchase, distribution, and consumption.

Practice Set

- Explain the role of business in satisfying human needs.
- Describe the difference between industry and commerce.

- Identify examples of economic activities in your daily life.

Answer Key

- Business produces and sells goods and services to satisfy human needs.
- Industry involves production; commerce involves facilitating exchange.
- Examples include working in a factory (economic), helping a friend without pay (non-economic).

Quick Reference

- Business = Industry + Trade + Commerce
- Economic activities earn livelihood; non-economic do not.

Glossary

- **Business:** Economic activity involving production and sale of goods/services.
- **Commerce:** Activities facilitating trade.
- **Industry:** Production or processing of goods.

Role of Business in the Development of Economy

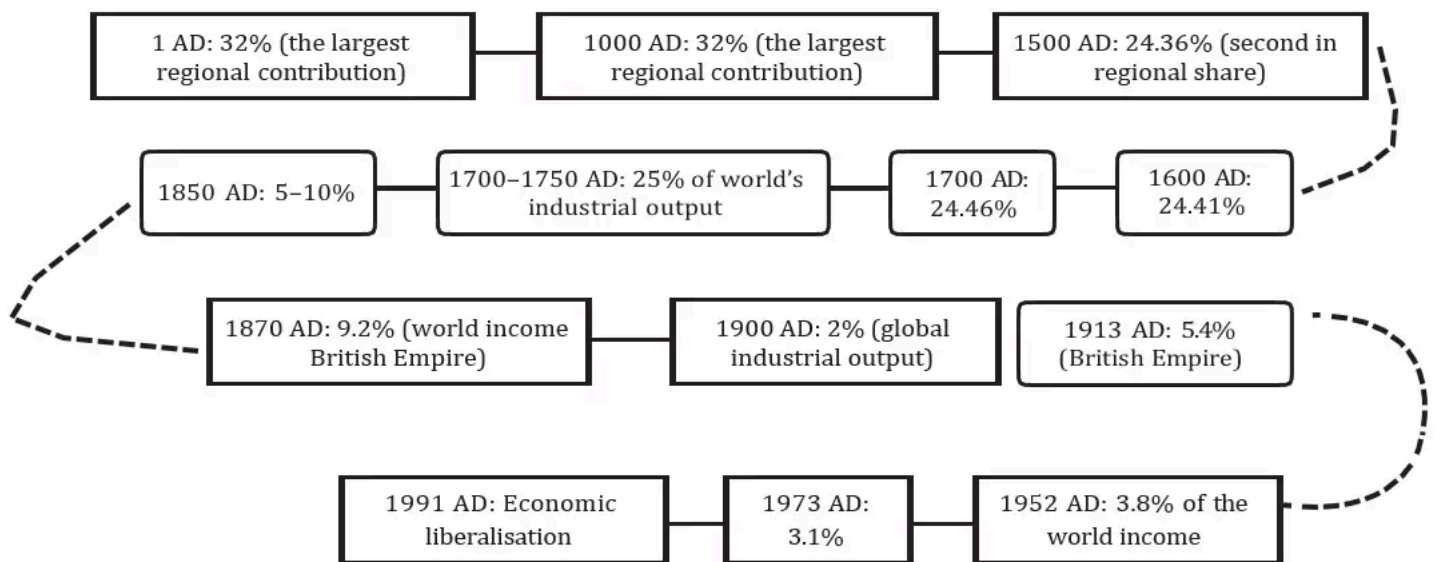
Business, including trade and commerce, has played a vital role in economic development since ancient times. India had a prosperous past with significant contributions from internal and foreign trade.

Trading activities generated surplus income, leading to growth in agriculture, manufacturing, and banking systems. Instruments like *Hundi* facilitated safe money transfer, promoting trade.

<i>Hundi as practised by Indian Merchant Communities</i>		
<i>Dhani-jog</i>	<i>Darshani</i>	Payable to any person—no liability over who received payment.
<i>Sah-jog</i>	<i>Darshani</i>	Payable to a specific person, someone 'respectable'. Liability over who received payment.
<i>Firman-jog</i>	<i>Darshani</i>	<i>Hundi</i> made payable to order.
<i>Dekhan-har</i>	<i>Darshani</i>	Payable to the presenter or bearer.
<i>Dhani-jog</i>	<i>Muddati</i>	Payable to any person—no liability over who received payment, but payment over a fixed term.
<i>Firman-jog</i>	<i>Muddati</i>	<i>Hundi</i> made payable to order following a fixed term.
<i>Jokhmi</i>	<i>Muddati</i>	Drawn against dispatched goods. If goods lost in transit, the drawer or holder bears the costs, and the Drawee carries no liability.

The table explains different types of *Hundi*, traditional financial instruments used by merchants for money transfer and credit management.

Major trade centers like Patliputra, Peshawar, Taxila, and Surat were hubs of commerce. Business activities led to the growth of aids to trade such as transportation, banking, finance, and communication.



This timeline shows India's share in the world economy from 1 AD to 1991 AD, highlighting its rise and decline over centuries.

Post-independence, India adopted planned development and economic liberalisation in 1991, leading to reforms in fiscal, monetary, trade, and industry sectors.



The pie chart illustrates key sectors of the Indian economy including agriculture, manufacturing, GST, foreign investment, stock market, and telecommunications.

Practice Set

- Explain how business activities contributed to ancient India's prosperity.
- Describe the role of Hundi in trade.
- Discuss the impact of economic liberalisation in 1991 on Indian business.

Answer Key

- Trade generated surplus income, supported agriculture and manufacturing, and led to banking growth.
- Hundi facilitated safe and efficient money transfer, reducing risks in trade.
- Liberalisation introduced reforms that improved growth, investment, and global integration.

Quick Reference

- Business drives economic development through production, trade, and finance.
- Trade centers and financial instruments are crucial for commerce.

Glossary

- **Hundi:** Traditional financial instrument for money transfer.
- **Economic Liberalisation:** Policy reforms to open economy and encourage growth.

Concept of Business

Business means being busy in activities related to purchase, production, and sale of goods and services with the aim of earning profit.

Activities are classified as economic (earning livelihood) and non-economic (performed out of love or sympathy). Economic activities include business, profession, and employment.

Characteristics of Business Activities:

- **Economic Activity:** Undertaken to earn money.
- **Production or Procurement:** Goods/services must be produced or procured.
- **Sale or Exchange:** Transfer of goods/services for value.
- **Regular Dealings:** Business involves regular transactions.
- **Profit Earning:** Main objective is to earn profit.
- **Uncertainty of Return:** Profit is not guaranteed.
- **Element of Risk:** Business involves risks like market changes, accidents, etc.

Try it yourself:

State whether each of the following is an economic activity or not. Give reasons for your answer.

1. Health worker treating her patient.
2. Store owner sympathies with a needy elderly person and gives medicines for his ailment.
3. Football coach giving training in football to his daughter for forthcoming match.
4. Services of a housewife doing household chores at home.
5. Donation made by a business house towards community kitchen run by an NGO for providing food, medicines to underprivileged people and migrant workers of the society during Covid 19 pandemic.

This image helps identify economic and non-economic activities.

Comparison of Business, Profession and Employment

Economic activities are divided into business, profession, and employment, differing in nature, qualification, risk, and rewards.

Basic	Business	Profession	Employment
1. Mode of establishment	Entrepreneur's decision and other legal formalities, if necessary	Membership of a professional body and certificate of practice	Appointment letter and service agreement
2. Nature of work	Provision of goods and services to the public	Rendering of personalised, expert services	Performing work as per service contract or rules of service
3. Qualification	No minimum qualification is necessary	Qualifications, expertise and training in specific field as prescribed by the professional body is a must	Qualification and training as prescribed by the employer
4. Reward or return	Profit earned	Professional fee	Salary or wages
5. Capital investment	Capital investment required as per size and nature of business	Limited capital needed for establishment	No capital required
6. Risk	Profits are uncertain and irregular; risk is present	Fee is generally regular and certain; some risk	Fixed and regular pay; no or little risk
7. Transfer of interest	Transfer possible with some formalities	Not possible	Not possible
8. Code of conduct	No code of conduct is prescribed	Professional code of conduct is to be followed	Norms of behaviour laid down by the employer are to be followed
9. Example	Shop, factory	Legal, medical profession, chartered accountancy	Jobs in banks, insurance companies, government departments

Practice Set

- Define business and explain its characteristics.
- Differentiate between business, profession, and employment.
- Identify economic and non-economic activities from examples.

Answer Key

- Business is an economic activity involving production and sale for profit.
- Business involves profit and risk; profession requires special skills; employment is service for salary.
- Economic activities earn livelihood; non-economic do not.

Quick Reference

- Business = Economic activity + Profit motive + Regular dealings + Risk
- Profession requires expertise; Employment is salaried work.

Glossary

- **Economic Activity:** Activity to earn livelihood.
- **Business:** Economic activity with profit motive.
- **Profession:** Occupation requiring special skills.
- **Employment:** Work done for salary.

Classification of Business Activities

Business activities are classified into Industry and Commerce.

Industry

Industry involves production or processing of goods and materials, including mechanical and technical skills.

Types of Industry:

- **Primary Industries:** Extraction and production of natural resources.
 - Extractive Industries: Farming, mining, fishing.
 - Genetic Industries: Breeding plants and animals.
- **Secondary Industries:** Processing raw materials into finished goods.

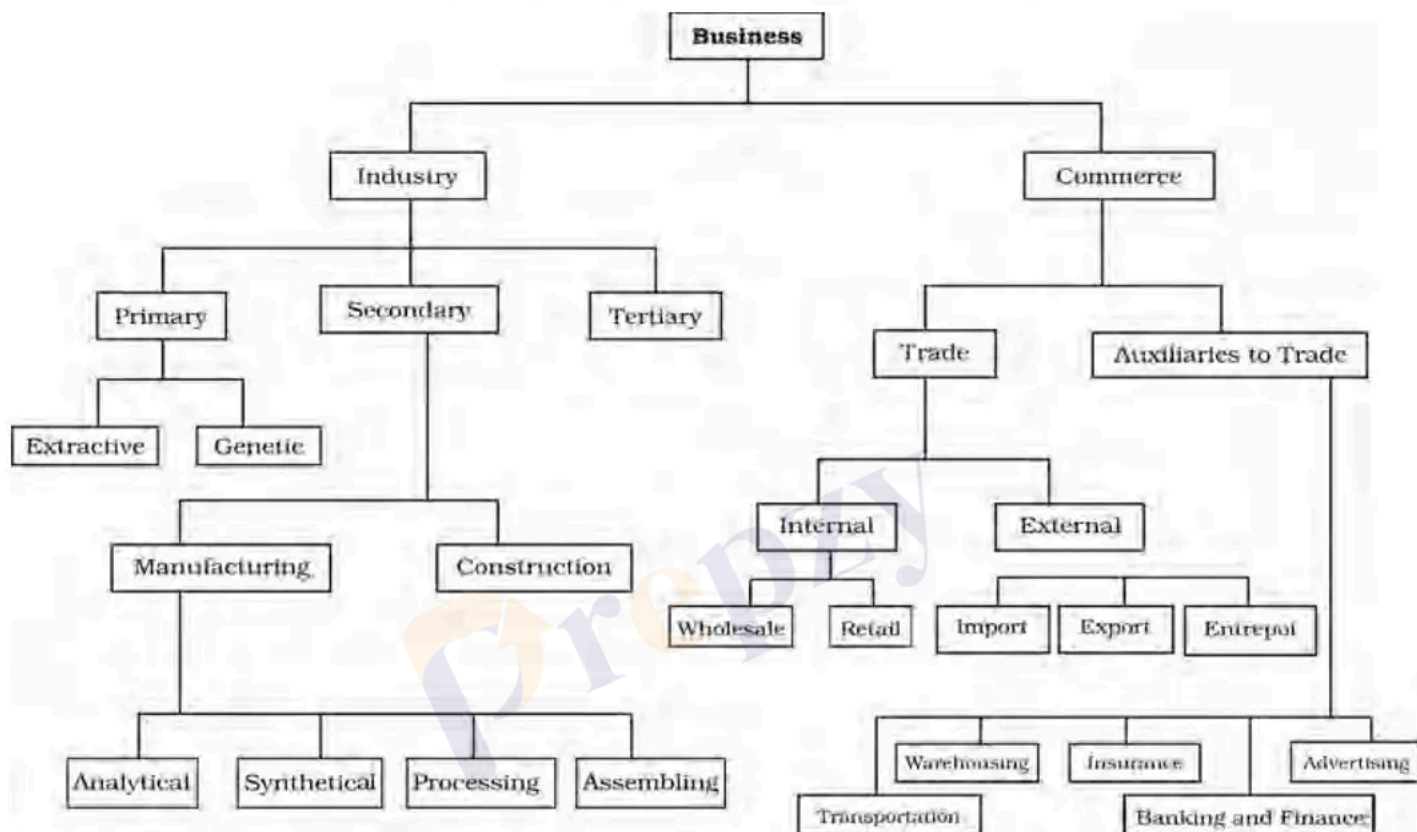
- Manufacturing Industries: Analytical, Synthetical, Processing, Assembling.
- Construction Industries: Building, roads, bridges.
- **Tertiary Industries:** Providing support services like transport, banking, insurance.

Commerce

Commerce includes trade and auxiliaries to trade.

- **Trade:** Buying and selling of goods (internal and external).
- **Auxiliaries to Trade:** Services supporting trade such as transport, banking, insurance, warehousing, advertising.

Chart Showing Business Activities



This chart shows business activities divided into Industry and Commerce with their subcategories.

Practice Set

- Classify business activities into industry and commerce with examples.
- Explain the role of auxiliaries to trade.
- Describe the types of manufacturing industries.

Answer Key

- Industry involves production; commerce involves trade and support services.
- Auxiliaries like transport and banking facilitate smooth trade operations.
- Manufacturing industries include analytical, synthetical, processing, and assembling types.

Quick Reference

- Business = Industry + Commerce
- Industry: Primary, Secondary, Tertiary
- Commerce: Trade + Auxiliaries

Glossary

- **Industry:** Production of goods.
- **Commerce:** Trade and support services.
- **Auxiliaries to Trade:** Services facilitating trade.

Objectives of Business

Business objectives are goals that guide the activities of a business to ensure survival and prosperity.

- **Market Standing:** Maintaining goodwill and competitive position.
- **Innovation:** Introducing new ideas or improving products and processes.
- **Productivity:** Efficient use of resources to maximize output.
- **Physical and Financial Resources:** Acquiring and using resources effectively.
- **Earning Profits:** Generating reasonable profit for survival and growth.
- **Social Responsibility:** Contributing to social welfare and ethical conduct.

Practice Set

- Explain why profit is an essential but not the sole objective of business.
- Discuss the importance of innovation in business.
- Describe the role of social responsibility in business objectives.

Answer Key

- Profit is necessary for survival but ignoring other objectives can harm business reputation and sustainability.
- Innovation helps businesses stay competitive and grow.
- Social responsibility ensures business contributes positively to society and gains public trust.

Quick Reference

- Business objectives balance profit with social and market goals.
- Innovation and productivity drive growth.

Glossary

- **Profit:** Excess of revenue over cost.
- **Innovation:** Introduction of new ideas or methods.
- **Social Responsibility:** Ethical obligation towards society.

Business Risk

Business risk refers to the possibility of inadequate profits or losses due to uncertainties or unexpected events.

Types of risks:

- **Speculative Risk:** Involves possibility of gain or loss (e.g., market fluctuations).
- **Pure Risk:** Involves possibility of loss or no loss (e.g., fire, theft).

Nature of Business Risks:

- Risk is inherent and cannot be eliminated.
- Risks arise due to uncertainties like natural calamities, market changes.
- Degree of risk depends on nature and size of business.
- Profit is the reward for taking risks.

Causes of Business Risks:

- Natural causes: Floods, earthquakes.
- Human causes: Employee negligence, strikes.
- Economic causes: Demand fluctuations, competition, financial problems.
- Other causes: Political disturbances, mechanical failures.

Practice Set

- Define business risk and explain its types.
- List and explain causes of business risks.
- Discuss why profit is considered a reward for risk-taking.

Answer Key

- Business risk is the chance of loss or inadequate profit due to uncertainties.
- Types: Speculative (gain or loss), Pure (loss or no loss).
- Causes include natural, human, economic, and other unforeseen events.
- Profit compensates entrepreneurs for bearing risks.

Quick Reference

- Risk is unavoidable in business.
- Profit is the reward for risk-taking.

Glossary

- **Business Risk:** Possibility of loss or inadequate profit.
- **Speculative Risk:** Risk with chance of gain or loss.
- **Pure Risk:** Risk with chance of loss or no loss.

Starting a Business – Basic Factors

Starting a business involves entrepreneurship, which is the process of identifying needs, mobilising resources, and organising production to deliver value and earn profits.

Basic Factors to Consider:

- **Selection of Type of Business:** Choose industry or commerce based on market demand and personal interest.
- **Size of Business:** Decide scale of operation (small, medium, large).
- **Location:** Choose location considering raw materials, labour, power, and services.
- **Financing:** Arrange capital for fixed and current assets and expenses.
- **Physical Facilities:** Machines, buildings, and supportive services.
- **Competent Workforce:** Skilled and committed employees and managers.
- **Tax Planning:** Consider tax liabilities and laws affecting business.
- **Launching the Enterprise:** Mobilise resources, complete legal formalities, start production and sales.

Practice Set

- List and explain factors to consider when starting a business.
- Discuss the role of entrepreneurship in economic development.
- Explain why location is important for a business.

Answer Key

- Factors include type, size, location, finance, facilities, workforce, tax planning, and launching.
- Entrepreneurship creates jobs, promotes economic activities, and drives growth.
- Location affects cost, availability of inputs, and market access.

Quick Reference

- Entrepreneurship is key to starting and growing business.
- Careful planning of resources and location is essential.

Glossary

- **Entrepreneurship:** Process of starting and managing a business.
- **Entrepreneur:** Person who starts a business.