

UNIT 1:INTRODUCTION

CONCEPTS OF BUSINESS, TRADE, INDUSTRY AND COMMERCE

P SUNANDA

Contract lecturer in Commerce

Business- Definitions

- a person's regular occupation, profession, or trade.
- The term "business" also refers to the organized efforts and activities of individuals to produce and sell goods and services for profit.
- commercial activity.
- A business is defined as an organization or enterprising entity engaged in commercial, industrial, or professional activities.



Business

Economic Activity

Production/Purchase of Goods and Services

Selling of goods and services

Continuity in Dealings

Profit Earning

Element of Risk

Uncertain Return

Legal and Lawful

Consumer Satisfaction

Important characteristics of a business:

1. Economic activity:

Business is an economic activity of production and distribution of goods and services. It provides employment opportunities in different sectors like banking, insurance, transport, industries, trade etc. it is an economic activity concerned with creation of utilities for the satisfaction of human wants.

2. Buying and Selling:

The basic activity of any business is trading. The business involves buying of raw material, plants and machinery, stationary, property etc. On the other hand, it sells the finished products to the consumers, wholesaler, retailer etc. Business makes available various goods and services to the different sections of the society.

3. Continuous process:

Business is not a single time activity. It is a continuous process of production and distribution of goods and services. A single transaction of trade cannot be termed as a business. A business should be conducted regularly in order to grow and gain regular returns.

4. Profit Motive:

Profit is an indicator of success and failure of business. It is the difference between income and expenses. The primary goal of a business is usually to obtain the highest possible level of profit through the production and sale. Profit acts as a driving force behind all business activities.

5. Optimum utilisation of resources:

Business facilitates optimum utilisation of countries material and non-material resources and achieves economic progress. The scarce resources are brought to its fullest use for concentrating economic wealth and satisfying the needs and wants of the consumers.

6. Risk and Uncertainties:

Risk is defined as the effect of uncertainty arising on the objectives of the business. Risk is associated with every business. Business is exposed to two types of risk, Insurable and Non-insurable. Insurable risk is predictable.

7. Creative and Dynamic:

Modern business is creative and dynamic in nature. Business firm has to come out with creative ideas, approaches and concepts for production and distribution of goods and services. It means to bring things in fresh, new and inventive way.

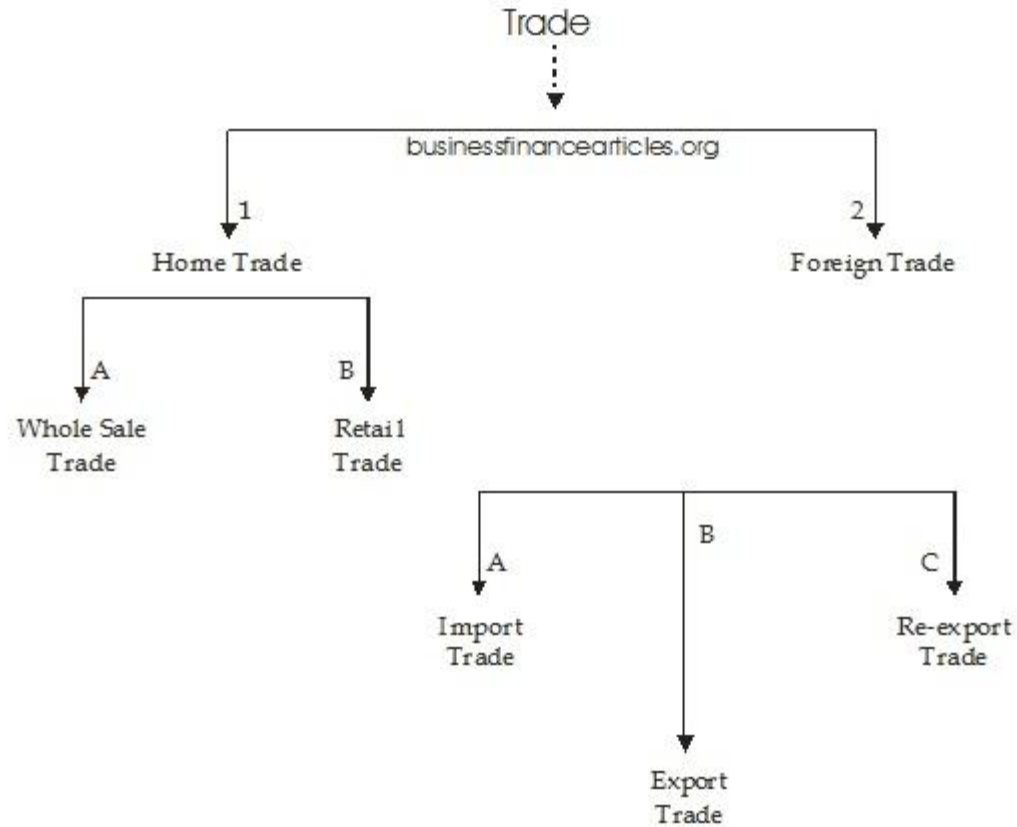
8. Customer satisfaction:

The phase of business has changed from traditional concept to modern concept. Business adopts a consumer-oriented approach. Customer satisfaction is the ultimate aim of all economic activities.

Important characteristics of a business

- General Management
- Public relations
- Purchasing
- Human Resources
- Production
- Administration
- Marketing
- Financial

Trade is a basic economic concept involving the buying and selling of goods and services, with compensation paid by a buyer to a seller, or the exchange of goods or services between parties.



Classification of International Trade:

(a) Import Trade:

It refers to purchase of goods from a foreign country. Countries import goods which are not produced by them either because of cost disadvantage or because of physical difficulties or even those goods which are not produced in sufficient quantities so as to meet their requirements.

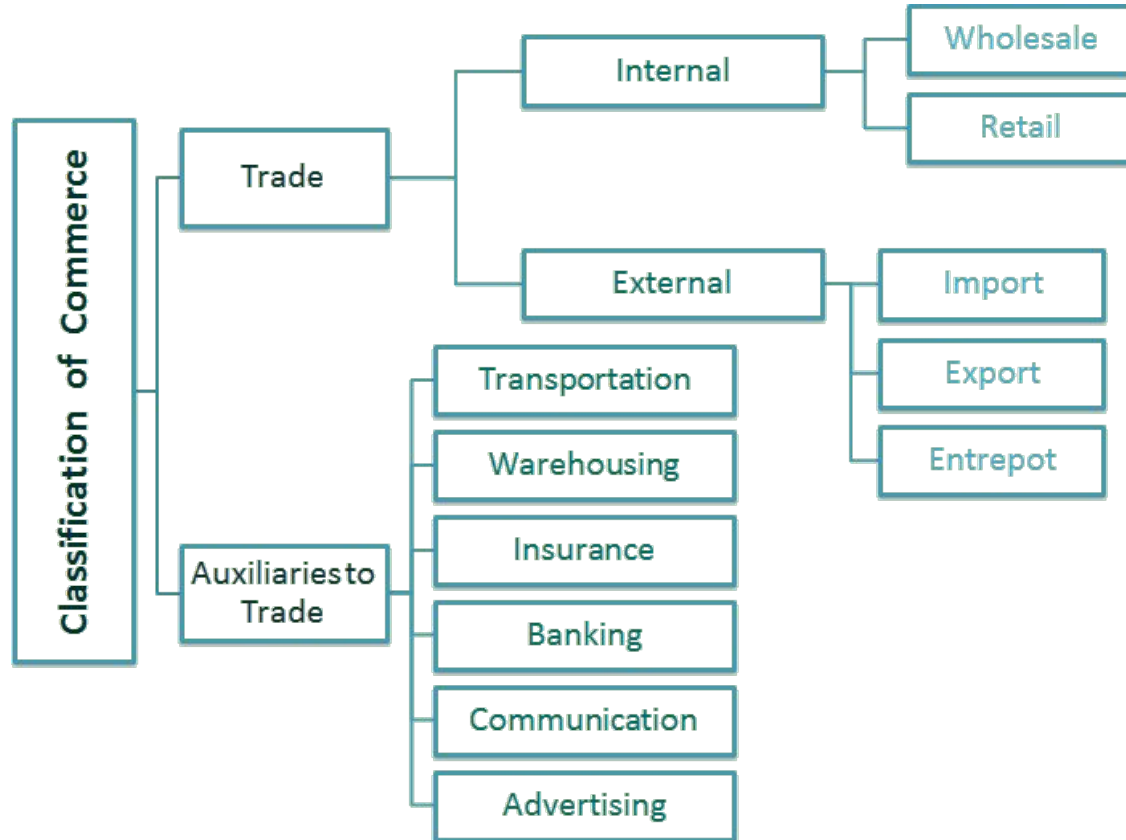
(b) Export Trade:

It means the sale of goods to a foreign country. In this trade the goods are sent outside the country.

(c) Entrepot Trade:

When goods are imported from one country and are exported to another country, it is called entrepot trade. Here, the goods are imported not for consumption or sale in the country but for re-exporting to a third country. So importing of foreign goods for export purposes is known as entrepot trade.

Commerce is the conduct of trade among economic agents. Generally, **commerce** refers to the exchange of goods, services or something of value, between businesses or entities.



Auxiliaries to Trade: Auxiliaries to trade covers all those activities which help in the efficient flow of commercial activities. There are various hindrances in undertaking trade. Auxiliaries to trade help in eliminating those hindrances:

- **Transportation:** Transportation activities facilitate in the removal of the hindrance of place, as goods are produced in a specific location only, while they are demanded in varied locations. Hence, these goods need to be moved from their place of origin to the place of consumption.
- **Warehousing:** Warehousing involves safe storage of the goods, which facilitates the removal of the hindrance of time. There are a number of goods which are produced in specific seasons, for instance, cotton, juice, sugar etc. However, they are needed throughout the year, on a daily basis for different purposes and then there are some goods which are needed season-wise such as woollen clothes, umbrellas, etc. Hence, warehousing provides proper storage for such produce.
- **Banking:** Banking helps in providing financial assistance to the enterprise, i.e. it removes the hindrance of finance. We all know that goods are not purchased at the same time when they are produced, and so there is a time-gap between the production and consumption of goods. And during this period, the entrepreneurs require funds to finance production. Therefore, banks help in raising funds.

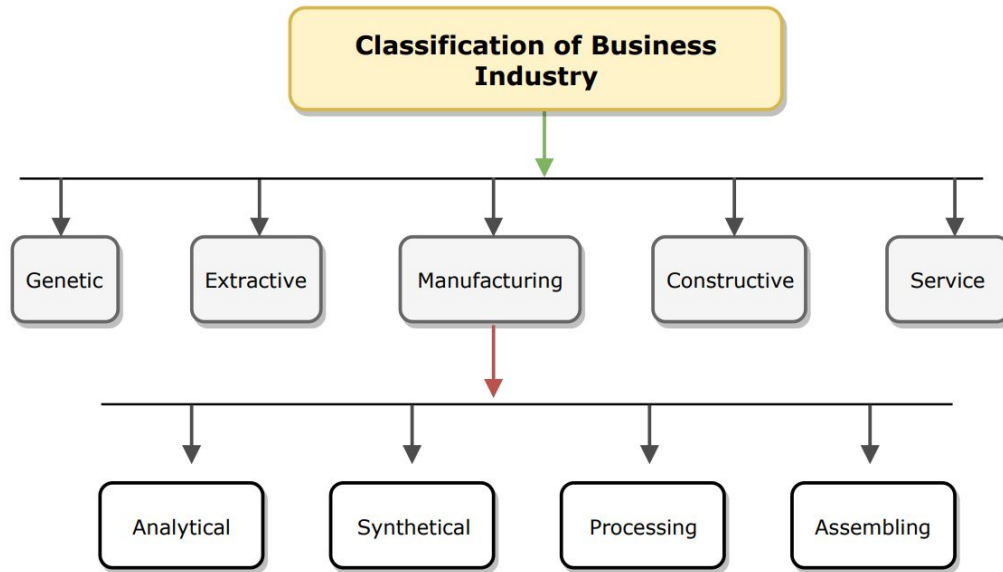
- **Insurance:** We all know that there is always a risk involved in the transportation of goods and services from one place to another. With the insurance, the risk of theft or fire can be removed and the organization can be free from the fear of loss during transit.
- **Advertising:** Until and unless firms advertise their goods and services in the market, customers may not be aware of the goods available. Hence, advertising facilitates the removal of the hindrance of information/knowledge.

Advertisement is the best tool for making people aware of the goods and services, with just one message, that communicates its features and usefulness, through various channels, such as radio, television, internet, newspaper, etc.

- **Communication:** The goods and services provided by different organizations are required to be communicated among the buyers. In the same way, goods and services needed or desired by the buyers have to be conveyed to the sellers, by way of orders.

What Is an Industry?

An industry is a group of companies that are related based on their primary business activities. In modern economies, there are dozens of industry classifications, which are typically grouped into larger categories called sectors.



9 Factors influencing the choice of Suitable Business Organization

- Nature of business activity
- Scale of operations
- Capital requirements
- Degree of control and management
- Degree of risk and liability
- Stability of business
- Flexibility of administration
- Division of profit
- Cost, procedure, and government regulation

THANK YOU