

## **Concept of Business**

Business is an economic activity which is concerned with the production and sale of goods and services on a regular basis needed by the society with the aim of earning profit. “Business may be defined as an activity in which different persons exchange something of value, whether goods or services for mutual gain or profit” —Peterson and Plowman

“Business is an institution organised and operated to provide goods and services to society under the incentive of private gain.” —Wheeler

“Business may be defined as human activity directed towards producing or acquiring wealth through buying and selling goods. —L. H. Haney.

## **Characteristics of Business**

- (i) An economic activity: Business is considered as an economic activity as it is undertaken with the objective or aim of earning money and livelihood and not for psychological satisfaction.
- (ii) Production of goods and services: Every business enterprise either produces goods or services for producers. Goods may consist of consumer or industrial goods and services may include transportation banking insurance, etc.
- (iii) Profit earning: The main purpose of business is earning profit. If the profit motive is missing in a transaction then it cannot be considered as a business transaction.
- (iv) Uncertainty of risk : Another important business is the presence of risk factor in a transaction. There is always a possibility of losses.

## **Nature and Purpose of Business: Characteristics of Business**

1. An economic activity: Business is considered as an economic activity because it is undertaken with the objective of earning money.
2. Production or procurement of goods and services: Business includes all the activities concerned with the production or procurement of goods & services for sales. Services include transportation, banking, Insurance etc. Goods may consist of consumable items.
3. Sale or exchange of goods & services : There should be sale or exchange of goods and service between the seller & the buyer.
4. Dealing in goods & services at a regular basis: There should be regularity of dealings or exchange of goods & services. One single transaction of sale or purchase does not constitute business.

5. Profit Earning: The main purpose of business is to earn profit. A business cannot survive without making profits.

## **Objective of the Business**

The business objective is a goal, i.e. where the business wants to reach in the future. Business needs objectives, without objectives the business is like a car without headlights driving blind. Objectives of business are the purpose for which the business is established and performed. The objectives of a business can be classified into two main categories, which are

1. Economic objectives
2. Social objectives

## **Economic Objectives of Business**

We learned in the previous topic that business is an economic activity. Hence, its purpose is to show economic results. Let's understand the economic objectives of the business. They are as follows:

1] Profit Earning: Business is a set of activities undertaken with the prospect of sale for the purpose of earning a profit. Profit is the extra income over the expenses. The main objective of any business is to earn a profit.

Profit guarantee a consistent stream of capital for the modernization and augmentation of business activities in the future. Profits likewise show the scale of stability, efficiency, and advancement of the business.

2] Market Share / Creation of Customers: In the words of Drucker, "There is only one valid definition of business purpose; to create a customer. " Profits are not generated out of thin air. They are the result of the hard work of the businessman to satisfy the needs of the customers.

3] Innovation & Utilization of Resources: Innovation normally means to change processes or creating more effective processes, products and ideas. Nowadays, business is ever-changing and dynamic. To keep up with the growing competition a businessman has to introduce efficient design, latest trends, upgraded machinery, new techniques, etc.

4] Increasing Productivity: Productivity is a scale to measure the efficiency of the business activity. It is usually the last objective but just as important because productivity is measured by the output

given by the activities. It is the end result of any business activity. Each business must go for more prominent productivity – to guarantee its survival and development. This goal can be accomplished by decreasing wastages and making proficient utilization of machines and supplies, HR, cash and so forth.

### **Social Objectives of Business**

According to Dayton Hudson “The business of business is serving society, not just making money.” Business is one of the pillars on which the society stands. Therefore, it is a part of the society. In fact, it cannot thrive without the resources from the society. The necessary social objectives of a business are as follows:

1] Providing Goods & Services at Reasonable Prices: Business exists in the first place to satisfy the needs of the society. It's the first and major social objective of the business. Services ought to be of better quality and these ought to be provided at sensible costs. It is additionally the social commitment of business to keep away from misbehaviors like boarding, Black promoting and manipulative advertising.

2] Employment Generation: One of the major problem today's generation facing is unemployment. Business generates employment. Therefore, it is the social objective of a business to give chances to beneficial employment to individuals of the society. In a nation like India, unemployment has turned into a critical issue.

3] Fair Remuneration to Employees: The business does not run on its own but the people are responsible for the success and failure of the business. The people on the inside of the business are more valuable i.e. employees. They are an asset of the business and make a ground-breaking contribution to the business. They must be given reasonable pay for their work.

### **Qualities of Good Business man**

#### **Visionary**

Visionary is a critical quality of a good businessman. It encompasses the capacity to have a clear vision and long-term plans for the business. A visionary businessman maintains the foresight to see beyond the present. They predict the future of their enterprise. They are not limited to the current state of their business situation. They have thought out where they want to take their company. A businessman may give the company a purpose of direction. It acts as a foundational concept for strategy planning. Also, resource allocation, and decision-making. A visionary businessman can share their vision with stakeholders, team members, and clients. They unite them around a common objective and motivate them to help realize it.

#### **Leadership**

A good businessman must possess the core skill of leadership. It includes the capacity to encourage, inspire, and direct people. Also, teams toward attaining shared objectives. A successful businessman understands the need for good leadership in developing their firm. The most vital qualities of effective leadership are the ability to inspire and motivate people.

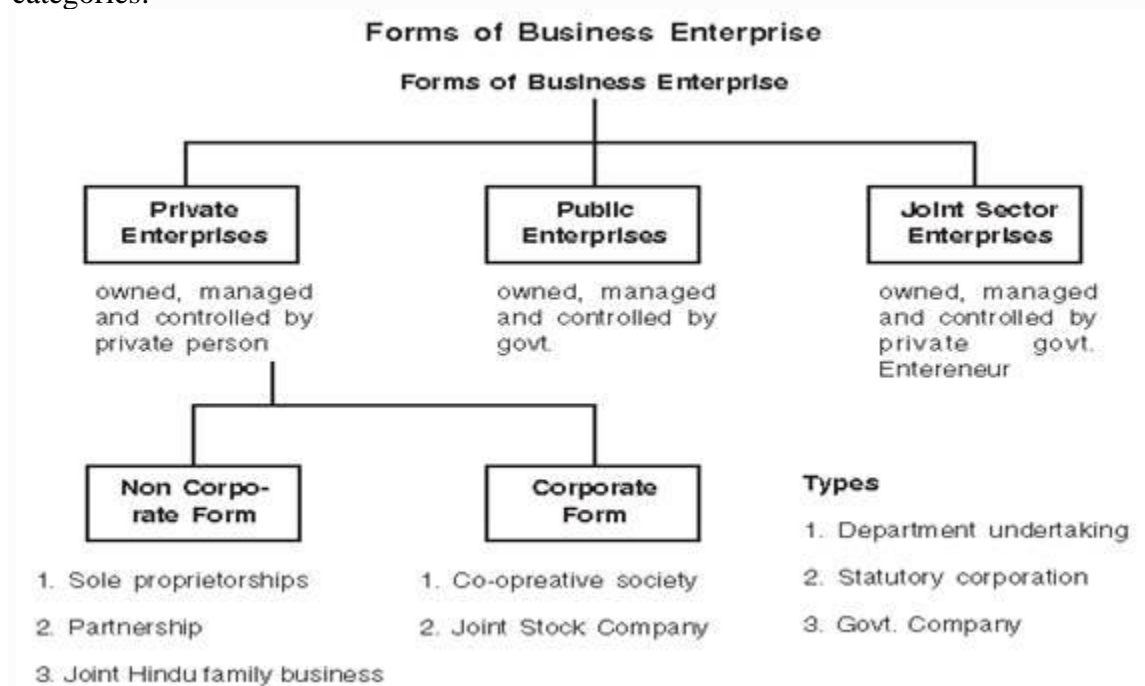
## Adaptability

A good businessman must be adaptable to become successful. Today's business environment is dramatically changing rapidly. Good businessmen need to respond to changing market conditions, consumer wants, and technology improvements. So, adaptation is crucial for survival and success, and a competent businessman knows this.

## Forms of Business

### Classification

On the basis of ownership business enterprises can broadly be classified into the following categories:



In case of CORPORATE FORM of private enterprises the identity of the enterprise is separate from that of the owner and in case of NON CORPORATE FORM, the identity of the enterprise is not different from that of its owners.

### Sole Proprietorship

Sole proprietorship means a business owned, financed and controlled by a single person who is recipient of all profit and bearer of all risks.

It is SUITABLE IN AREAS OF PERSONALISED SERVICE like beauty parlour, hair cutting saloons & small scale activities like retail shops.

### Features

- 1. Single ownership:** It is wholly owned by one individual.
- 2. Control:** Sole proprietor has full power of decision making.
- 3. No separate legal entity:** Legally there is no difference between business & businessmen.
- 4. Unlimited liability:** The liability of owner is unlimited. In case the assets of business are not sufficient to meet its debts, the personal property of owner can be used for paying debts.
- 5. No legal formalities:** Not required to start, manage and dissolve such business organization.
- 6. Sole risk bearer and profit recipient:** He bears the complete risk and there is no body to share profit/loss with him.

### Merits

- 1. Easy to start and close:** It can be easily started and closed without any legal formalities.
- 2. Quick decision making:** As sole trader is not required to consult or inform anybody about his decisions.
- 3. Sense of accomplishment:** There is a sense of personal satisfaction.
- 4. Unlimited liability:** The liability of owner is unlimited. In case the assets of business are not sufficient to meet its debts, the personal property of owner can be used for paying debts.
- 5. No legal formalities:** are required to start, manage and dissolve such business organization.
- 6. Sole risk bearer and profit recipient:** He bears the complete risk and there is no body to share profit/loss with him.

### LIMITATIONS

- 1. Limited financial resources:** Funds are limited to the owner's personal savings and his borrowing capacity.
- 2. Limited Managerial ability:** Sole trader can't be good in all aspects of business and he can't afford to employ experts also.
- 3. Unlimited liability:** Ofcourse, sole trader compels him to avoid risky and bold business decisions.
- 4. Uncertain life:** Death, insolvency, lunacy or illness of a proprietor affects the business and can lead to its closure.
- 5. Limited scope for expansion:-** Due to limited capital and managerial skills, it cannot expand to a large scale.

### Public Sector

Any organisation that is under government ownership and control are called public sector units. Here, public means the government and not the general public. On the basis of the way they are created, and the flexibility and autonomy provided to them, public sector units are divided into 'Departmental Undertakings' (or Departments), 'Corporations', and 'Companies'. For example, anything, which is directly under the ownership, control, and management of government, such as railways, post & telegraph, atomic power, etc. are called 'departments'. Likewise, any public

undertakings, which have been formed by the special act of the parliament or state legislatures, are called 'corporations'. Some of the examples of public corporations are Life Insurance Corporation of India, Industrial Financial Corporation of India, Darnodar Valley Corporation, Oil & Natural Gas Commission, etc. Lastly, the public undertakings, which are formed under the Companies' Act, 1956, like any other companies, are called government companies. According to this Act, a government company is that in which not less than 51 % of 'paid-up share capital is owned by the Central government, or by any State Government or Governments, or jointly by the Central and State Governments. Examples of 'government companies are Bharat Heavy Electricals Limited, Madras Refineries Ltd., Gujarat State Fertiliser Corporation Ltd., etc. They are run like any other private companies. The term "public enterprises" usually refer to non-departmental undertakings, which include corporations as well, companies. Depending, on which government is the owner, organisations in public sector can be categorised as central public enterprises, state public enterprises, and local public enterprises (enterprises owned and managed by local government).

The major objectives of public sector are to help in rapid economic growth, rapid industrialisation, and create infrastructure for economic development. The other avowed objectives of public sector are: to promote redistribution of income and wealth, to promote balanced regional development, to generate employment opportunities, and to promote import substitution and save precious foreign exchanges

## **Private Sector**

Any organisation, which does not belong to public sector, can be taken to be part of private sector. Definitionally the firms, owned and managed exclusively by private parties (could be individual or collective) are known as private sector units. Private sector is sub-divided into : a) private corporate sector, which includes : i) joint stock companies, and ii) cooperatives, and b) household sector. In India, over the years, the range of goods and services where private sector has taken initiative and is playing a major role, has widened substantially. These days, almost everything conceivable is being manufactured in private sector. In terms of number of owners involved, private sector can be subdivided into two categories, namely, 'individually owned' and 'collectively owned'. Individually owned firms are managed by single person and work with the objective of profit maximisation. Collectively owned private firms can be sub-divided into : i) partnership,

ii) joint-stock companies, and iii) cooperatives (discussed in Section 14.5). In partnership form, the firm is jointly owned and managed/controlled by more than one person. As partnership is based on the sharing of the profit the main objective of a partnership firm like individual owned firm, is maximisation of profit.

The private sector plays an important role in the industrialisation and development process of a country. Developed countries have a long history of private sector involvement. Particularly in the West, private sector has been the prime mover of growth. Because of the profit motive, private sector tends to be more innovative in its approach towards production and processes. Profit motive not only drives it to make efficient use of available resources, but also compels it to constantly introduce newer products. Thus it contributes to welfare of a nation through provisions of varieties of goods and services at competitive prices. Because of its positive role, private sector is being given renewed importance everywhere to contribute in the development process. After 3 decades of planning era with emphasis on greater public sector role, India started realising the potential of private sector in mid eighties.

## **THE JOINT SECTOR**

Joint sector is a type of organisation where both government and private entities act as collaborating partners. Though joint sector gained prominence after the Dutt Committee report in 1969, this form of organisations had already started appearing after the Industrial Policy Resolution of 1956. This resolution made provisions for collaborative ventures between private and public sector. In this type of arrangement, both private sector and public sector own, control, and manage resources jointly, hence the name 'joint sector'. Earlier, public financial institutions hardly had any control over the resources they had invested in private sector. The idea of joint sector was broached so that public sector could have some control over the financial resources. In joint sector, not more than 50% of equity can be owned by the government and financial institutions together. Secondly, a single private investor cannot hold more than 25% of the paid-up capital without the permission of the Government of India. A joint sector firm can be formed in accordance with the Companies' Act of 1956. Some of the famous names in joint sector are Bharat Shell, Container Corporation of India (Concor), Maruti Udyog Ltd., Gujarat State Fertiliser Corporation, Haldia Petrochemicals Ltd., Mangalore Refineries and Petrochemicals Ltd. etc.

## **NGO**

Non-Governmental Organization (NGO) refers to an organization that is not a part of the government and is not considered a convention for-profit business.

Most NGOs are formed by ordinary citizens. NGOs are funded by foundations, businesses, governments, or private persons.

### **Laws and Regulations for NGOs**

- Some constitutional provisions for Non-governmental Organizations (NGOs) are enlisted below:
- Article 43 mentions the state's aims and the objective of encouraging cooperatives in rural areas. Article 19 (1)(c) involves the right to form associations. The Concurrent List in Entry 28 indulges Charitable Institutions, Charity, Religious and Charitable endowments, and religious songs institutions.

### **Role of NGOs**

The activities performed by NGOs are not restricted to environmental, human rights work, social, and advocacy only.

- The NGOs work in favor of political and social change at a larger scale or sometimes very locally.
- They play a prominent role in improving the communities, developing society, and encouraging citizen participation.
- The contribution of NGOs in India has made the Right to Information or RTI possible in India.
- It also ensured the promotion of the Right to Shelter by introducing NGOs like SPARC and YUVA.
- It is observed that many NGOs are interested in Pilot Projects, and they encourage innovation and demonstration. Through NGOs, various welfare schemes come into act.

### **Role of NGOs in Indian Democracy**

There are 3.4 million Non-Governmental Organizations(NGOs) in India. Their areas of expertise are expanded to many fields, from advocacy for disadvantaged and marginalized communities to disaster relief. The responsibilities and role of NGOs in India are mentioned below:

- Bridging the Gap: The NGOs work to fill up the gaps existing in the government's programs and offer services to the left-out sections. For instance, during COVID-19, migrant workers were provided with aid by NGOs. The activities linked with gender issues, human and labor rights, environment, education, healthcare, and legal aid are looked after by the NGOs.
- Acting as a Pressure Group: Several political NGOs mobilize the opinions of the public against the policies and actions of the government. The NGOs also work to create awareness among the



public and assert pressure on public policy. NGOs are known to be a popular pressure in a democratic country. The main work of these NGOs is to impose a proper community system in terms of accountability on the works of grassroots government functionaries.

- **Role of an Enabler:** The self-help groups and community-level outfits are vital for creating change in the field. In the past, these grounded organizations came into existence by collaboration with huge NGOs and other research agencies that accepted foreign funding.
- **Acting as a Social Mediator:** The people of India are surrounded by different beliefs, faith, customs, and superstition. The NGOs work as catalysts and spread awareness among the people of India.
- **Role in Participative Governance:** The initiatives taken by civil society granted several laws for the country. It indulges Environmental Protection Act -1986, Forest Rights Act-2006, Right to Education Act- 2009, Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA), Right to Information Act- 2005, Integrated Child Protection Scheme(ICPS), and Juvenile Court. Most of the NGOs work with the government as partners and help implement several campaigns like Sarva Shiksha Abhiyan and Swachh Bharat Abhiyan.

### **Challenges Faced by NGOs**

The challenges faced by NGOs are given below:

- **Asymmetry of Power:** Some NGOs are of MNCs' characteristics as they have large-scale funding from companies, foreign governments, etc. On the other hand, a huge number of NGOs cannot even afford operational funding.
- **Siphoning of Funds:** Nowadays, NGOs are known to be a good way to channel black money, and tax evasion. Such NGOs are causing a loss to the Indian economy with the show of helping the poor people.
- **NGOs for Namesake:** It is calculated that nearly 1.5 percent of NGOs actually undertake developmental work.
- **Political Activism:** Some NGOs also participate in political activism with foreign funds. Several NGOs indulge partially in political campaigns advertising certain political parties.
- **Obnoxious Agenda:** The NGOs claim indulgence in social empowerment or human rights initiatives. These organizations are allegedly fronts for foreign supported extremist and secessionist groups. A huge part of such funds is used for the purposes of religious conversions, which is restricted under the FCRA.
- **Absence of Strategic Planning:** Many NGOs suffer from the lack of a proper strategic plan that would ensure success in their mission and activities. This makes them incapable of effectively raising and capitalizing on financial accounts.

- **Poor Governance and Networking:** Most NGOs have poor governance. The founders of NGOs may be so considerate of their own purposes and desires.
- **Lack of Social Work/ Volunteerism:** Lack of social work is seen among the young generation as they have unattractive career opportunities with low salaries.

In fact, children are discouraged by their parents from engaging in social work.

### **Some Prominent NGOs in India Below**

we have listed some of the most proponent NGOs in India.

#### **CRY (Child Rights and You)**

CRY is known to be India's most trusted NGO. They work laboriously to ensure healthier and happier childhoods for the underprivileged children of India. In 1979, Rippan Kapur founded CRY(Child Rights and You). Basically, CRY records children's crucial needs like healthcare, education, nutrition, and protection from child marriage and child labor. Over the last 42 years, this NGO has changed the lives of nearly 3 million children across 19 states in India.

#### **Smile Foundation**

Smile Foundation is an NGO located in New Delhi, India. In 2002, it came into existence and had branches in more than 25 states. It was founded by Santanu Mishra. According to the 2017 report, the Foundation helped nearly 4 lakh children and their families. The main objective of the Smile Foundation is to encourage the education of underprivileged children in India. Their major welfare programs include health, education, and proper livelihood for women and children. It also has some other programs like Smile on Wheels, Smile Twin e-learning programs, and Mission Education.