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Classification of Human Activities— Economic and Non-Economic

LEARNING OBJECTIVES

After studying this chapter, you should understand:

- ✓ 1.1 Meaning of Human Activities
- ✓ 1.2 Classification of Human Activities
- ✓ 1.3 Economic Activities
- ✓ 1.4 Non-Economic Activities
- ✓ 1.5 Types of Economic Activities
- ✓ 1.6 Distinction between Business, Profession and Employment

Human life is built around work. Every human being is busy in some activity or the other throughout the day. Every person gets up from bed in the morning, brushes his/her teeth, takes bath and eats breakfast. Then a child goes to School or College to study. An adult goes to work on the job and a housewife works at home. In the evening a person comes back home, watches television, eats dinner and goes to bed at night. All these activities in which a person engages from morning to evening are known as 'human activities'.

1.1 MEANING OF HUMAN ACTIVITIES

Human activities mean all those activities which human beings undertake. Human activities are undertaken to satisfy human wants. These activities continue throughout life because wants are unending, unlimited and recurring. Some of the human activities (e.g., working in an office or factory or shop) produce direct economic benefits. Other human activities (e.g. praying, playing, sleeping) produce no direct economic benefits.

The main characteristics of human activities are as follows:

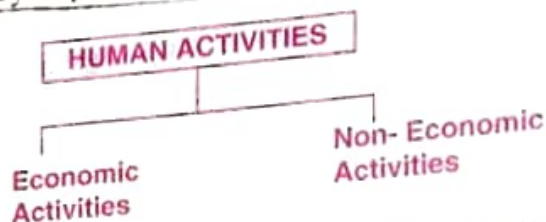
- ✓ (i) Human activities are those activities which can be undertaken only by human beings i.e., men women and children. These activities involve human efforts.
- ✓ (ii) Human activities are undertaken to satisfy human wants which are unlimited.
- ✓ (iii) Human activities continue throughout life.
- ✓ (iv) Human activities have a very wide range.
- ✓ (v) Human activities are performed both for earning money as well as for obtaining personal satisfaction.

1.2 CLASSIFICATION OF HUMAN ACTIVITIES

All human activities may broadly be classified into two categories.

1. Economic activities, and
2. Non-economic activities.

Economic activities are undertaken with the object of earning money and acquiring wealth. These activities result in the production of economic goods and services. Business is an economic activity but it differs from other economic activities such as those of an employee, and self employed persons like doctors, lawyers, chartered accountants, etc.



Non-economic activities are inspired by sentiments and emotions such as love for the family, desire to help the poor and love for the country. These activities are not undertaken for monetary gain but for one's satisfaction and happiness.

1.3 ECONOMIC ACTIVITIES

Economic activities refer to all those human activities which are undertaken to earn a living and thereby satisfy human wants. The main object of these activities is to earn income and create wealth. The money earned through work is used to satisfy wants. For example, a teacher teaches in a school or college, a doctor attends to patients in his clinic and a shopkeeper sells goods to his customers. Economic activities are concerned with the production, distribution and exchange of goods and services. These activities create utilities and result in the production of wealth. Economic activities are also called occupations.

1.3.1 Characteristics of economic activities

The main characteristics of economic activities are as follows:

- (i) **Economic motive.** Economic activities are undertaken to earn money and acquire wealth. The main motive behind these activities is to make an economic gain. These activities are performed by human beings for earning livelihood.
- (ii) **Productive.** Economic activities involve production, distribution and exchange of goods and services for satisfying human wants. These activities are directly related to creation of wealth.
- (iii) **Economic resources.** Economic activities make use of economic resources such as land, labour, capital, etc.
- (iv) **Rational use.** Economic activities require proper allocation of scarce resources so as to obtain maximum output from them. These activities involve optimum utilisation of land, labour, capital and other factors of production. Welfare of society can be maximised when best possible use of resources is made.
- (v) **Economic growth.** Economic activities determine the level of economic development of a country and the standard of living of its citizens.
- (vi) **Legally valid.** Human activities performed for economic gain are called economic activities only when they are lawful. Unlawful activities such as gambling,

blackmarketing, theft, dacoity, smuggling etc., are opposed to public interest. Therefore, these activities cannot be called economic activities.

- (vi) **Socially desirable.** Economic activities are desirable for society. They must be in accordance with the expectations and norms of society.

1.3.2 Examples of economic activities

1. Production of goods by a manufacturer in a factory.
2. Distribution of goods by a wholesaler to retailers.
3. Selling of goods by a retailer to customers.
4. Transportation of goods and passengers by railways/roadways/airlines/ships.
5. Storage of goods by a warehouse keeper.
6. Acceptance of deposits and lending of money by a banker.
7. Insurance of risks by an insurance company.
8. Advertising and publicity of goods by an advertising agency.
9. A clinic run by a doctor.
10. Legal services provided by a lawyer in a court.
11. Audit services provided by a chartered accountant in his office.
12. Working of a Government officer.
13. Services of a teacher in a school/college.
14. Working of a farmer in his fields to sell his produce.
15. Working of a nurse in a hospital.

Economic Activities at a Glance

Characteristics

- | | |
|-----------------------|-----------------------|
| 1. Economic motive | 2. Productive |
| 3. Rational use | 4. Economic resources |
| 5. Economic growth | 6. Legally valid |
| 7. Socially desirable | |

Examples

- (i) Manufacturing goods in a factory.
- (ii) Selling goods in a shop.
- (iii) A doctor treating patients in his clinic.
- (iv) A lawyer providing legal advice in his own office.
- (v) A professor teaching in a university.
- (vi) A clerk working in a Government office.

1.4 NON-ECONOMIC ACTIVITIES

Activities which are undertaken to satisfy social, religious cultural and sentimental requirements are called non-economic activities. The object of these activities is not to earn monetary gain or reward. People engage in non-economic activities for reasons of love, sympathy, religion, patriotism, etc. For example, a mother looks after her children, a

student donates blood, an old man goes to temple daily, a rich man donates money to Prime Minister Relief Fund, a young man helps a blind girl to cross the road, etc.

It is the object of any activity that distinguishes between economic and non-economic activities. The primary objective of economic activities is to earn livelihood and create wealth. On the other hand, the main objective of non-economic activities is to get some sort of social, cultural, religious or recreational satisfaction. The output of economic activities can be measured in terms of money e.g., the salary of a teacher, the fee of a doctor and the profits of a businessman. But the result of non-economic activities cannot be measured in terms of money.

The same activity may be economic as well as non-economic. For example, a nurse attending a patient in a hospital is an economic activity as the nurse works for a salary. But when the same nurse attends to her sick mother at home it is a non-economic activity because the object is not to earn money. Thus, the activity of the same person may be economic at one-time or place and non-economic at another time or place. The dividing line is not the activity or the person who is doing it but the objective for which it is undertaken.

Thus, non-economic activities are undertaken due to the following considerations :

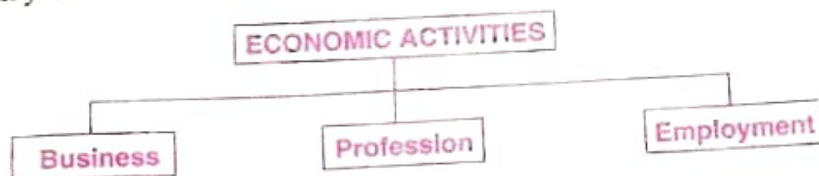
- (i) Love and affection – for example taking dinner with the family, cooking food for family.
- (ii) Personal satisfaction. – for example meditating in a park.
- (iii) Physical needs – for example morning walk by a person.
- (iv) Religious obligation – for example praying in a temple.
- (v) Social obligations – for example helping victims of an accident, flood or earthquake.
- (vi) Patriotism – donating blood for injured army men.

Distinction Between Economic and Non-economic Activities

Point of Distinction	Economic Activities	Non-Economic Activities
1. Objective	Economic objective– To earn a living and acquire wealth	Sentimental and emotional objectives–To obtain some sort of personal satisfaction.
2. Expectation	Money income is expected from these activities	Money income is not expected from these activities
3. Relationship	Directly related to income and wealth	Not related to income and wealth.
4. Measurement of outcome	Result can be measured in terms of money	Result cannot be measured in terms of money
5. Logic	Guided by rational considerations of cost and benefit	Guided by sentiments and emotions without regard to gain or sacrifice
6. Resources	Involve proper allocation and optimum use of resources	Optimum allocation and use of resources not essential
7. Types or examples	Business, Profession and employment	Family-oriented, religious, social, cultural and national

1.5 TYPES OF ECONOMIC ACTIVITIES

Economic activities are also known as 'occupations'. Economic activities or occupations may be classified into three broad categories as follows:



1. Business Business includes all those economic activities which are concerned with production and exchange of goods or services with the object of earning profits. Business is an economic activity because it is undertaken for earning money and producing wealth. All organisations which carry on business, activities are called business enterprises or 'business firms'. Similarly the persons who are engaged in business are known as 'businessmen'. Business creates various types of utilities by making goods and services more valuable and useful to consumers. When raw materials are converted into finished products, it creates form utility. Place utility is created by transporting goods from the place of production to the place of consumption. Goods are stored for future use which results in the creation of time utility. A factory, a shop, a transport company, a warehouse, an insurance company, a bank are all examples of business activity. Firms providing direct services e.g., tailor, drycleaner, beauty parlour, etc., are also business enterprises.

2. Profession The term profession means an occupation which involves application of specialised knowledge and skills to earn a living. The persons who are engaged in profession are called professionals. They render personal services of a specialised nature to their clients. The service is based on professional education, training and experience. Professionals receive fee for their services. Chartered Accountancy, medicine, law, tax consultancy are examples of professions.

The main features of a profession are as follows :

- Specialised body of knowledge.** Every profession has a specialised and systematised body of knowledge. Members of the profession are required to learn this knowledge.
- Restricted entry.** Entry to a profession is allowed only to those who have completed the prescribed education and have passed the specified examination.
- Formal training.** A profession provides facilities for formal education and training to those who want to acquire professional qualification.
- Professional association.** Every profession has its own association. A professional association is a statutory body and its membership is essential. The association regulates entry in the profession, grants certificate of practice, formulates and enforces code of conduct.

Names of Various Professions and their Respective Associations are Given Below:

Professions	Professional	Professional associations
1. Medical Profession	Doctors	Medical Council of India
2. Law Profession	Lawyers	Bar Council of India

3. Accounting Profession	Chartered Accountants	The Institute of Chartered Accounts of India (ICAI)
4. Company Secretary Profession	Company Secretaries	The Institute of Company Secretaries of India (ICSI)
5. Cost Accounting Profession	Cost Accountants	The Institute of Cost and Works Accountants of India (ICWAI)
6. Engineering Profession	Engineers	The Institutions of Engineers (India)

(v) **Service motive.** Professionals are expected to emphasise services to their clients rather than economic gain.

(vi) **Code of conduct.** The activities of a professional are regulated by a formal code of conduct. The code is prescribed by the professional association of which he is a member.

✓ Employment. Employment means an economic activity, where people work for others in exchange for some remuneration. The persons who work for others are called 'employees'. The persons or organisations which engage others to work for them are called 'employers'. The remuneration by an employer to his employee is known as wages or salary. The employee performs the work assigned to him by his employer as per the terms and conditions of employment. There is an oral or written agreement between the employer and the employee. The employee acts under the guidance and control of his employer. The employer may be a Government (department) undertaking or a private firm. Employment thus includes all types of jobs in government offices and private enterprises. When a professionally qualified person works as an employee he is also said to be in employment. For example, a doctor may be employed in a hospital, a chartered accountant may be working as an accountant in a company and a lawyer may serve as a law officer in a bank.

Various examples of employment are as follows:

- A teacher teaching in a school or college.
- An engineer employed in Municipal Corporation of Delhi.
- An accountant working in the accounts department of a company.
- A person working as the plant manager of a factory.
- A nurse or doctor working in a hospital.

1.6 DISTINCTION BETWEEN BUSINESS, PROFESSION AND EMPLOYMENT

1. Mode of establishment. A business enterprise is established when an entrepreneur takes a decision to carry on some business activity. In a profession, on the other hand, the membership or enrollment of a recognised professional association or institution is essential. In order to take up employment, a person has to enter into a contract of service.

2. Nature of work. A business exists to provide goods and services to satisfy human wants. On the other hand, a professional renders personalised service of a specialised nature to his clients. An employee performs the work assigned by the employer under the contract of service.

3. Qualifications. No formal education is compulsory in order to carry on a business. But for a profession, specialised knowledge and training are essential. Minimum educational

Employment. Economic activities wherein people work for others and receive wages and salary for their services as per the terms and conditions of agreement. Even professionally qualified persons may work as employees.

Distinction Between Business, Profession and Employment

S. No.	Point of distinction	Business	Profession	Employment
1.	Objective	To earn profits	To render service for economic gains	To earn wages or salary
2.	Minimum qualifications	No qualifications are essential for starting a business	Minimum educational qualifications essential to enter a profession	Qualifications required depend upon the job
3.	Nature of work	Production, sale and exchange of goods and services	Providing specialised service	Work assigned by the employer
4.	Status	A businessman works for himself and is his own master	A professional works according to the guidelines prescribed	An employee works for his employer and has to follow the instructions of his master boss
5.	Reward or Return	Profit which is uncertain and variable	Professional fee which is certain but flexible	Wage or salary which is regular and fixed
6.	Risk and uncertainty	High risk from beginning to end	Risk is negligible	There is no risk
7.	Investment of capital	Adequate amount of capital is required depending on the size of business	Limited capital is required to set up office	No capital is required
8.	Advertising	Advertisement is usually necessary	Advertisement is prohibited by the professional body	No advertisement is necessary at all
9.	Measurement of efficiency	Profitability of business is the sole criterion	Quality of service provided to the clients	Productivity and quality of work performed
10.	Regulation	Governed by business laws	Governed by the regulations and guidelines of employment	Governed by the terms and conditions of
11.	Transfer of ownership	Ownership of business can be transferred	Transfer is not possible	Transfer is not possible.

EXERCISES

SHORT ANSWER QUESTIONS

- How would you classify human activities?
- What do you understand by...