

# **CHAPTER-28**

## **BUSINESS STUDIES**

### **MEANING AND IMPORTANCE**



#### **After studying this chapter you learn :**

- Understand the objectives of business.
- Know the meaning and importance of home trade, foreign trade and entrepot trade different types of trade.
- Able to discuss the features of production and problem of cottage and small scale industries.
- Know about the business ethics.

Business is an important economic activity mainly concerned with production and distribution of goods and services to consumers. Business has two main objectives:

- 1 Economic objectives
- 2 Social objectives

**Economic objectives** : We are under the impression that earning profit is the main objective of business. But it is not so, the sole objective of business includes earning reasonable profit that is sufficient to enable the business to cover the costs and the business man to lead a normal comfortable life. Business supplies goods and services to the consumers and thus creates consumers. It uses the available resources to produce the goods that are sufficient to consumers. It produces such goods that are required according to changes that take place from time to time. It brings changes in production by adopting new techniques. It also enable the consumers to know about the changes in products through advertisement.

**Social objectives** : Business produces and supplies the goods that are required for the development of a nation. It provides employment to many and pays them fair wages and salaries and helps them to improve their standard of living. Business contributes its share the economic development of a nation by paying rates, taxes and duties. Business also contributes a fair share for the social welfare of the nation by starting and running of schools, colleges, hospitals, and also by maintaining public gardens etc.

## Trade, Industry and Services

Trade is a part of business. It is mainly concerned with buying and selling of goods to the consumers. Trade is divided into three types, they are, 1. Home Trade, 2. Foreign Trade and 3. Entrepot Trade.

**1. Home Trade :** Trade within the country is called home trade. It is carried through Retailers and Whole Salers.

**Retail Trade :** Retailers carry out their trade at places where consumers live. They buy goods from the whole salers and sell them to the consumers. They render various services to the consumers. Some of them are: they are the last connecting link in the distribution of goods. They supply variety of goods produced by different producers to the consumers. They store the goods to meet the demand of the consumers. They take the risk of loss in business or loss of goods. They grade the goods and supply according to the tastes of the consumers.

They provide credit facilities to the consumers, give more information about the newly available goods in the market and suggest alternative goods for the particular goods that are not available.



**Permanent Shops**

Retail trade is carried out in different ways. The important types are :

- a) Permanent shops
- b) Itinerant or mobile traders.

**Permanent shops** : They are opened at a fixed place and carry out trade.

**Itinerant or Mobile Traders** : They do not have a fixed place to carry on their trade. The important among them are Hawkers, Peddlers, Street vendors and Market vendors.



**Hawker**

**Hawkers** : They carry goods on their heads, move from "door to door" and sell their goods. They generally

sell only one or two type of goods. e.g. - Vegetables, fruits, flowers etc.



**Peddler**

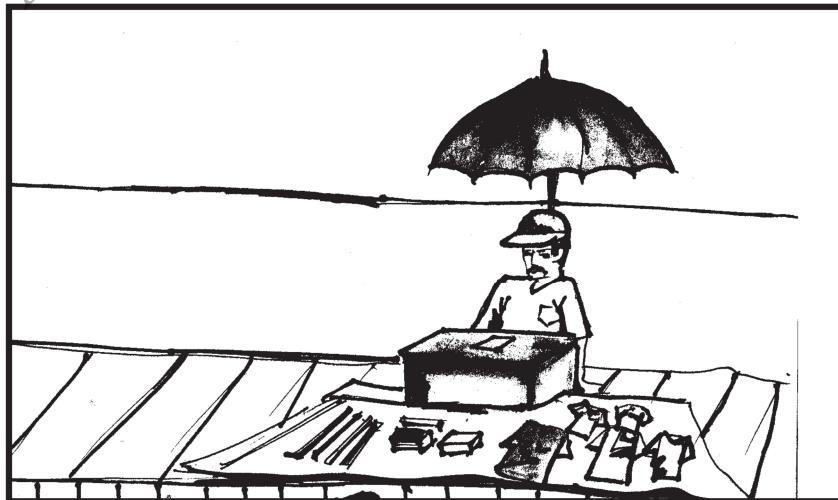
**Peddlers** : They carry their goods on wheeled carts and sell them to the consumers at their doors. They generally sell more than one type of goods.

#### **Street traders or Foot path traders** :

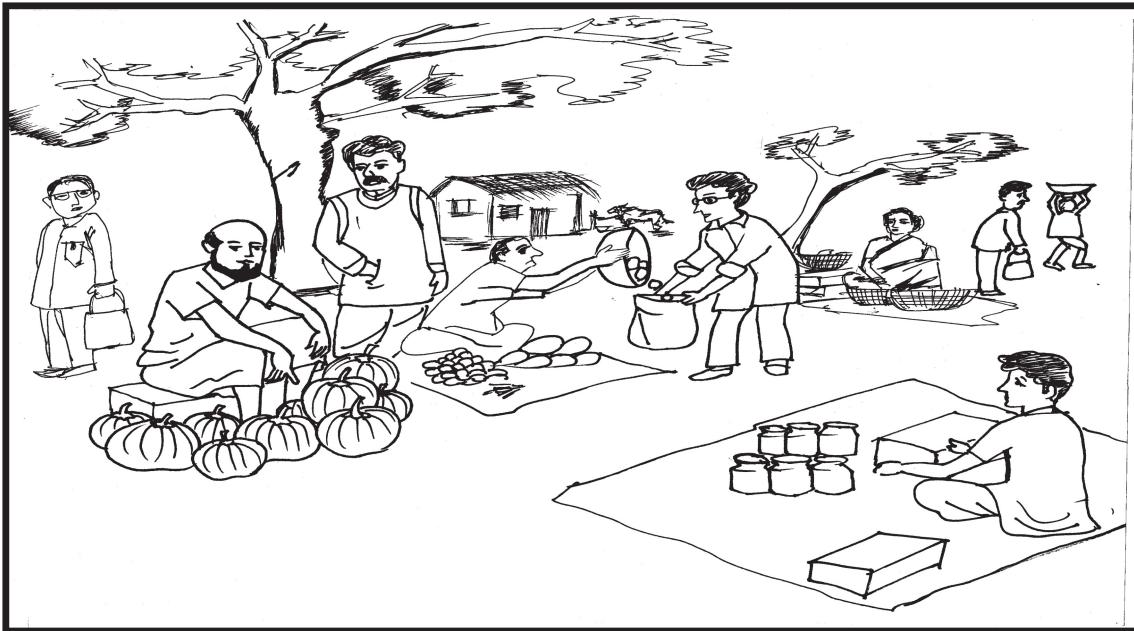
They display goods in busy street corners or on pavements and sell them to the consumers.

#### **Market sellers (shandy sellers)** :

Weekly markets take place at villages or towns once in a



**Foot path seller**



### **Market sellers (shandy sellers)**

week. Different traders take their goods to these markets and sell them to the consumers. Another speciality of these weekly markets is that the surrounding villagers bring the goods which they have grown or produced and sell them, eg. vegetables, eggs, butter, agricultural implements, blankets etc.., With the money they get, they buy their requirements. At some places yearly fairs take place and here too the traders gather and sell the products to the consumers.

**Wholesale Trade :** Wholesale traders buy goods in large quantity from producers and sell them to the retailers in small quantities. Generally, they deal with one or two types of goods. They help the retailers in many ways such as supplying goods to the retailers in small quantities. Whenever required, they provide credit facility to the retailers. They advertise for goods on behalf of the retailers. They supply market trends to the retailers. They do not keep high margin of profit. They render some services to the producers such as market trends, and advertise on behalf of the producers. They also provide storage facility for goods.

**Foreign Trade :** The trade between two countries is called foreign trade. Foreign trade can be classified into three types. They are: Imports, Exports and Entrepot trade.

Imports refer to a country buying goods from other countries for its use.

Exports refer to a country selling its goods to other countries for their use.

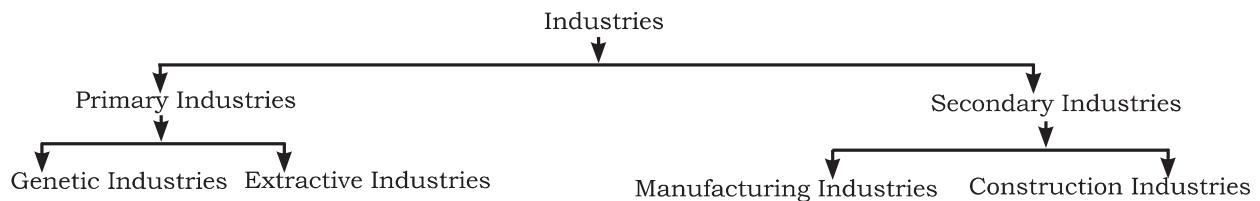
Entrepot Trade refers to buying of goods from one country with a view to sell it to other countries. Singapore and Middle East countries are the best examples for entrepot trade. Now a days many countries carry out entrepot trade.

**Need for foreign Trade :** No country in the world is self sufficient in all the natural resources. Some countries have plenty of natural resources. Using the available natural resources they produce more goods than they require and the excess is exported to other countries. In the same way some countries have deficit of some natural resources and depend on other countries for their requirement and import them. Thus there is a great need for foreign trade. The need for foreign trade is increasing day by day. It also helps to foster friendship among the countries.

## Industries

Industry is an economic activity. It is concerned with production of goods, extraction of minerals and also providing some services. Industries may be classified into two main types. They are : Primary Industries and Secondary Industries.

The following chart shows the further classification of Industries.



### Primary Industries

These industries produce goods by using the natural resources. e.g. - agriculture, fishing dairy farming, mining etc. These industries are further divided as : genetic industries and extractive industries.

**Genetic industries** : These industries are engaged in reproduction of different crops, plants and animals. They help to increase the wealth of a nation. e.g. - horticulture, dairy farming, poultry farming, etc.

**Extractive Industries** : They are engaged in extracting different raw materials and ores from the earth. (It is also called non-renewable industry) e.g. - Extraction of ores, drilling of oil wells etc.,

## **Secondary Industries**

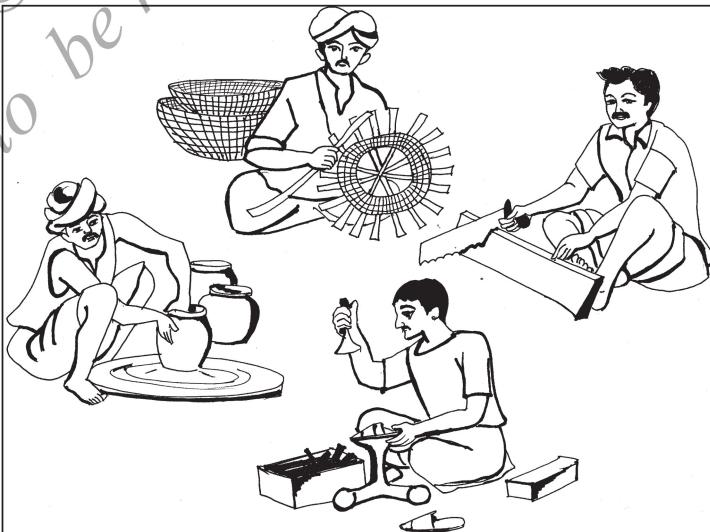
They are labour oriented industries. They are further divided into Manufacturing industries and Construction industries.

**Manufacturing Industries** : These industries are engaged in converting raw materials or semi finished products into finished products. They are mainly labour oriented and supply finished products to consumers, e.g. - Converting iron ore into steel, Sugar out of sugarcane etc.,

**Construction Industries** : They are engaged in construction of roads, canals, bridges etc. These industries help in the quick development of economic activities like - transport and communication etc.

## **Cottage and small scale Industries**

Cottage industries are also called household industries. They are carried out by craftsmen in their own houses with the help of family members or apprentices (persons who like to learn work). They are mainly concentrated in the villages and produce goods mainly for the local markets. Carpentry, smithy, carpet weaving, pottery, blanket making, stone carving etc. are some examples.



**Cottage Industries**

**Small scale industries** These are organized on a small scale in a

particular place (sheds). They use electric power and some machines. They employ labourers and adopt modern techniques. Chemical industry, manufacture of engineering goods, shoes, bicycles, fans, radios, sewing machine , soaps, garments are some examples for small scale industry. The goods are manufactured both for local and external market.

### **Services for smooth conduct of business.**

For the smooth conduct of business the auxilliaries to trade came into existence. They are also called aids to trade or services to trade. There are some hindrance to transport goods from the producers to the consumers. The important hindrances are hindrance of place, hindrance of risk of loss, hindrance of time, hindrance of finance, hindrances of knowledge etc. To over come these hindrances the following aids to trade have come into being.

**Hindrance of place- Transportation:** To over come the hindrance of place the services of transportation are used. Road transport, Railways, water transport and air transport are different media. These media help to reach the goods from producers to the traders and from traders to the consumers.

**Financial services – Banks:** In the distribution of goods from the producers to the consumers there is the hindrance or problem of finance. The supply of finance is required at all stages. Money is required to exchange media. These problems are solved by banks. Banks provide finance to the traders and serve to conduct the business smoothly.

**Hindrance of Loss - Insurance companies :** While moving goods from the producers to the consumers or while the goods are stored in warehouses, There is a problem of damage or destruction. To overcome this hindrance insurance facilities are available. The insurance companies help business by making goods the loss incurred by fire or water or that caused by natural calamities and thus help for the smooth conduct of business.

**Hindrance of Time - Storage :** The production of goods and their consumption take place at different times. To supply goods to consumers when ever they required them, they have to be stored. For

this purpose there are warehouses. These warehouses are scientifically constructed and many warehouses have cold storage facilities also.

**Hindrance of Knowledge- Advertisement :** While distributing goods to the consumers, the knowledge about the goods has to be given to the consumers. Even when new goods are introduced into the market knowledge about them is also required or knowledge about alternatives is also to be given to the consumers. For all these proposes advertising services are very useful.

## **Business Ethics**

We are under the impression that earning profit is the main objective of business. But it is not so, The objective should be to include reasonable profit and to enable the business to cover the cost. Trade and commerce are perhaps the older traditional occupations. Traders supply goods to the consumers. They supply essential commodities. They are supposed to keep marginal profit to cover the cost of business. By doing so ethical principles in the business are followed. But it is unfortunate that greed and profiteering have entered into business. To earn more profits, some anti social practices are followed, and some of them are-adulteration, charging excess or abnormal rates, using false weights and measures, creating artificial scarcity by hoarding the goods and carrying out black marketing etc. These are unethical business practices. By such acts people suffer untold miseries. Such unethical practices should be avoided. In our country the Government has introduced Public Distribution System to avoid such practices. (Supplying essential commodities through fair price shops). To maintain the standard of goods and essential commodities the government has opened an institution - Bureau of Indian standards. ISI and AGMARK marks are printed on goods and commodities to certify their quality etc... Every industrial product must have a seal on its cover pack, the quantity, the date of manufacture, date of expiry, Maximum retail price (MRP). It is a legal mandatory provision. Government has also opened Janatha bazaars, consumer co-operative societies etc. to supply essential commodities to the people. Despite these measures, business becomes public cheating, in the absence of business ethics.

It cannot be imposed forcefully. It should come from within. Every businessmen should inculcate the principle of public welfare in the goal of business.

## **EXERCISES**

### **I Fill in the blanks with appropriate words :**

- 1 The best example for Entrepot trade is \_\_\_\_\_.
- 2 Cottage industries are mainly concentrated in \_\_\_\_\_.
- 3 The manufacture of chemicals is carried out in \_\_\_\_\_ industries.
- 4 The sole objective of business should be earning \_\_\_\_\_ profit.
- 5 To safeguard the quality of goods \_\_\_\_\_ institution has been started.

### **II Answer each of the following questions in two to four sentences :**

- 6 Which are the different types of mobile shops ?
- 7 Who are wholesalers?
- 8 Name the three types of foreign trade.
- 9 Mention the important goods produced by cottage and small scale industries.
- 10 Which organizations overcome the hindrance of place and risk ?
- 11 Mention the antisocial activities of traders to earn more profit.
- 12 What are the steps taken by the government to overcome the anti-social practices in business ?

### **III Answer each of the following questions in eight to ten sentences :**

- 13 What are the economic objectives of business ?
- 14 What are the social objectives of business ?
- 15 Mention the services rendered by retail traders.
- 16 List out the different retail traders and write two/three sentences on each of them.
- 17 Explain briefly the two types of Industries.
- 18 What is the need of foreign trade to a country ?

### **IV Activity :**

19. Visit weekly market near your place and learn how buying and selling is carried on there.

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