

# MODULE - I

Maximum Marks

12

Hours of Studies

25

## Introduction to Business

We live in a business environment. It is an indispensable part of society. It satisfies our wants by providing variety of goods and services through wide networking of business activities. This module has been designed to enable the learners to be aware of the world of business, recognize its importance, objectives, understand the different types of business activities and new developments like e-commerce as well as appreciate the responsibilities of business towards different stakeholders.

**Lesson 1 : Nature and Scope of Business**

**Lesson 2 : Industry & Commerce**

**1**

# NATURE AND SCOPE OF BUSINESS

When we look around us, we observe that most of the people are engaged in various activities. Teachers teach in the schools, farmers work in the fields, workers work in the factories, drivers drive vehicles, shopkeepers sell goods, doctors attend patients and so on. In this way, people are busy during the day and sometimes during the night throughout the year. Now the question arises as to why we all keep ourselves busy. The answer is to satisfy our wants. By doing so, we either discharge various obligations or earn money through which we can buy goods and avail services.

In this lesson let us learn more about various types of activities in which we all keep ourselves busy to satisfy our wants. We shall learn in detail about 'Business' as a human activity.



## OBJECTIVES

After studying this lesson, you will be able to:

- define human activities;
- distinguish between economic and non-economic activities;
- define the term 'business';
- identify various characteristics of business;
- explain the objectives of business;
- explain the social responsibilities of business; and
- explain the types, causes and effects of pollution and role of business to reduce environmental pollution

### 1.1 HUMAN ACTIVITIES

Activities which human beings undertake are known as human activities. We can divide these activities into two categories:

- (i) Economic activities and (ii) Non-economic activities



**(i) Economic activities**

Activities, which are performed with an objective to earn money, are known as economic activities. For example, farmers grow crops to sell them, a factory or office employees work and get wages or salaries, a business person earns profit through buying and selling of goods or services, these activities are economic activities.



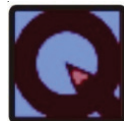
**Human Activities**

**(ii) Non-economic activities**

Activities, which are not performed to earn money but to get some satisfaction, are called non-economic activities. These activities are performed to discharge social obligation or for physical fitness or for recreation etc. People visiting places of worship, providing relief to the victims of flood and earthquake, engaging in sports activities, gardening, listening to radio or watching television are few examples of non-economic activities.

**Difference between Economic and Non-Economic Activities**

<i>Basis</i>	<i>Economic activities</i>	<i>Non-economic activities</i>
i. Purpose	Earning motive.	Social and Psychological motive.
ii. Outcome	Lead to creation of wealth and assets.	Lead to satisfaction and happiness.
iii. Expectation	People expect profits or money income.	People don't expect profits or money income.
iv. Consideration	They are guided by rational consideration as they involve the use of scarce economic resources such as land, labour, capital etc.	They are motivated by emotional and sentimental reasons. No economic consideration is involved.



**INTEXT QUESTIONS 1.1**

- I. State whether the following statements are true or false by writing 'T' against true statement and 'F' against false statement.
  - i. A doctor attending to patients in his/her clinic is engaged in an economic activity.

- ii. A mother stitching clothes for her children is engaged in an economic activity.
- iii. A tailor stitching clothes for his customers is engaged in an economic activity.
- iv. Distributing food to beggars outside the temple is a non-economic activity.
- v. Sachin Tendulkar playing cricket for the country is performing a non-economic activity.

II. State which of the following activities are economic and which are non-economic :-

- i. Playing football with friends.
- ii. Teaching in a school.
- iii. Attending to one's relative who is unwell.
- iv. Listening a radio.
- v. Selling fruits and vegetables in the local market.
- vi. Preparing food at home for family members.
- vii. Working in an office.

## 1.2 TYPES OF ECONOMIC ACTIVITIES

We know that economic activities are undertaken to earn money. Generally, people engage themselves in such activities on a regular basis and are said to be engaged in their occupation. Occupations may be classified into three broad categories.

(i) **Business:** Business refers to an occupation in which goods and services are produced and sold in return of money. It is carried out on a regular basis with the prime objective of making profit. Mining, manufacturing, trading, transporting, storing, banking, and insurance are examples of business activities.



(ii) **Profession:** A person may not be an expert in every field. So, we require services of others who specialize in one field or other. For example, we need the services of doctors for our treatment, lawyers to get legal support etc. They are all engaged in profession.





Thus, profession refers to an occupation, which requires specialized knowledge and training to pursue it and primary objective of every profession is to provide service. A professional body regulates every profession. These professionals have a code of conduct developed by the concerned professional body.

(iii) **Employment:** Employment refers to an occupation in which a person works regularly for another and gets wages/salary in return. Government servants, company executives, bank officials, factory workers are said to be in employment. In employment there are certain terms and conditions regarding work to be performed, hours of work, amount of wages/salary and other facilities, if any. The employer who offers employment normally decides these conditions. The person seeking a job must join the work only after being satisfied with the terms and conditions. The remuneration payable to an employee is fixed and is paid in the form of wage or salary.



**Employment**

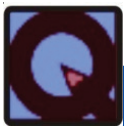
### Differences between Business, Profession and Employment

Basis of difference	Business	Profession	Employment
1. Nature of work	Supply of goods and services to the customers for money.	Specialized personal services for a fee with discretion to work.	Performing work according to the orders of the employer with no discretion.
2. Qualifications	No minimum qualifications required.	Education and training in a specific field is necessary.	Specialised knowledge not necessary in all cases.
3. Capital	Capital investment required according to the nature, size and scale of business.	Limited capital required for establishment.	No capital required.



**Notes**

4. Motivation	Earning profits from sale of goods and providing services to the customers.	Fixed professional fees for services rendered.	Fixed wage or salary.
5. Risk	There is risk of loss. Profits are uncertain.	Fixed income. Liability for negligence of duty.	Regular fixed wages or salaries, no risk.
6. Code of conduct	No specific code of conduct.	A rigid professional code of conduct to maintain high standards of profession.	Contractual terms and conditions of employment.



**INTEXT QUESTIONS 1.2**

- I. Fill in the blanks with suitable words :
- The economic activity in which one is engaged on a regular basis is called his/her \_\_\_\_\_.
  - A professional requires \_\_\_\_\_ and training in a particular field.
  - The occupation in which people work for others and earn fixed income is called \_\_\_\_\_.
  - A professional body regulates every profession by laying down the \_\_\_\_\_ for all professionals.
  - The terms and conditions of employment are decided by the \_\_\_\_\_.

II. Match the phrases in column A with those in column B:

**Column A**

**Column B**

- |   |                       |
|---|-----------------------|
| i. Primary objective of business            | (a) Special skill     |
| ii. Primary objective of profession         | (b) Making profit     |
| iii. Essential requirement for a profession | (c) Profession        |
| iv. Occupation of a Chartered Accountant    | (d) Providing service |



Notes

### 1.3 MEANING OF BUSINESS

You find a variety of goods available in the market. You buy those goods as and when you require them. Do you know how these goods come to the market? Who makes these goods and who brings them to the market? Actually, all these goods are produced at some specific places, then somebody brings these goods from the place of production to the place of distribution. Only then we are able to buy these goods and use them as per our requirement.



Business

Again you must have observed some people are engaged in activities like transportation of goods and passengers, banking, insurance, advertising, supply of electricity, telephone etc. These are all service activities and are performed by the people to earn their livelihood.

In all the above activities, be it production, distribution, purchase or sale of goods and services, monetary gain is expected in each case and also, they are performed on a continuous basis. Thus, business refers to any human activity undertaken on a regular basis with the object to earn profit through production, distribution, sale or purchase of goods and services.

**Business may be defined as “an activity involving regular production or purchase of goods and services for sale, transfer and exchange with an object of earning profit”.**

### 1.4 CHARACTERISTICS OF BUSINESS

The essential characteristics of business are as follows:

- (i) **Deals in goods and services:** People in business are engaged in production and distribution of goods and services. The goods may be consumer goods like bread, butter, milk, tea, etc. or capital goods like plant, machinery, equipments, etc. The services may be in the form of transportation, banking, insurance, warehousing, advertising and so on.
- (ii) **Sale or exchange of goods and services:** If a person produces or buys a product for self-consumption or for gifting it to another, he is not engaged in business. But when he produces or buys goods to sell it to somebody, he is engaged in business. Thus, in business the goods and services produced or purchased must be exchanged for money or for goods (under barter system) between the buyers and sellers. Without sale or exchange of goods the activities cannot be treated as business.

- (iii) **Regular exchange of goods and services:** The production or buying and selling activities must be carried out on a regular basis. Normally, an isolated transaction is not treated as business. For example, if Raju sold his old car to Hari, it is not considered as business, unless he continues to carry buying and selling of cars on a regular basis.
- (iv) **Requires investment:** Every business activity requires some amount of investment in terms of land, labour or capital. These resources are utilised to produce a variety of goods and services for distribution and consumption.
- (v) **Aims at earning profit:** Business activities are performed with the primary objective of earning income by way of profit. Without profit it is not possible to survive for a long period. Earning of profit is also required to grow and expand the business.
- (vi) **Involves risk and uncertainty of income:** We know that every business aims of earning profit. The businessman who invests the various resources expects a fair amount of return. But, in spite of his/her best efforts, the reward he/she gets is always uncertain. Sometimes he/she enjoys profits and also times may come when he suffers heavy losses. This happens because the future is unpredictable and businessperson has practically no control over certain factors that affects his/her earnings.

### 1.5 EVOLUTION OF BUSINESS

We all know that India has a very rich cultural heritage. However, it is not known to many that India was a well developed country in terms of its economy and business. Excavations, written records, literature and above all, India's immense wealth that attracted several foreigners to attack India are testimony to this fact. The Indian civilization was not only agriculture based but there was also flourishing trade and commerce both inside and outside the country. It had contributed immensely to the world of business in different fields. Indian business was unique, innovative, dynamic and qualitatively superior to many other countries of that time.

In the early days Indian economy was totally based on agriculture. People used to produce whatever they required for their self-consumption. There was no need for sale or exchange of goods. But later on, needs of the people increased and so did the production. People began to specialise in producing different items of luxury and daily use and did not have skills and time left for producing other items of their use. However, they were able to produce surplus items





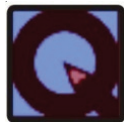


with increase in their efficiency. So, a system of exchanging surplus items with the items of need was evolved. This was the beginning of trade.

It is normally understood that India has progressed a great deal in the modern time, especially after independence, in the field of business and trade. India has become a strong country in terms of industrial growth so much so that we are able to produce almost all goods of our use indigenously. This however, does not mean that there was no growth and development in these fields in the past in India. In fact, India has a very rich heritage in trade and commerce, which can make any Indian feel proud of. People will be surprised to know that India began its journey in the field of trade and commerce as back as 5000 B.C. Historical evidence are there to prove that there were planned cities were available in India at that time and Indian textile, jewellery and perfumes used to be admired by the people all over the world. Indian traders were using currency for business since a long time. There used to be guilds to protect the interest of traders, artisans and producers. This is an indication of the complex development of trade and commerce in India. Apart from the strong network of internal trade routes, India had also established trade links with the Arabs and Central and South East Asia. India had been in the business of producing a number of metal items like brass and copper idols, vessels, ornaments and pieces of decoration. India used to export as well as import a number of items to and from different part of the world. It is also well known that the British first came to India as traders, which led to the establishment of their rule here.

India has also contributed to the world of trade and business in a number of ways. The numerical system of calculation used even in modern time, was developed in India. The joint family system and division of labour in business have evolved here, which are practised even today. The modern technique of customer focussed business has been an integral part of Indian business since long.

Thus, we can say that India has a rich heritage in trade and commerce which has contributed to its growth.

**INTEXT QUESTIONS 1.3**

- I. Rahul, a shopkeeper, is engaged in a number of activities, which he calls as business. Examine each of them and state whether do you agree with him or not.

Write 'Agree' or 'Disagree' against each statement:

- i. Rahul sold bread to customers in his shop.
- ii. He bought a pen to gift it to his younger sister.



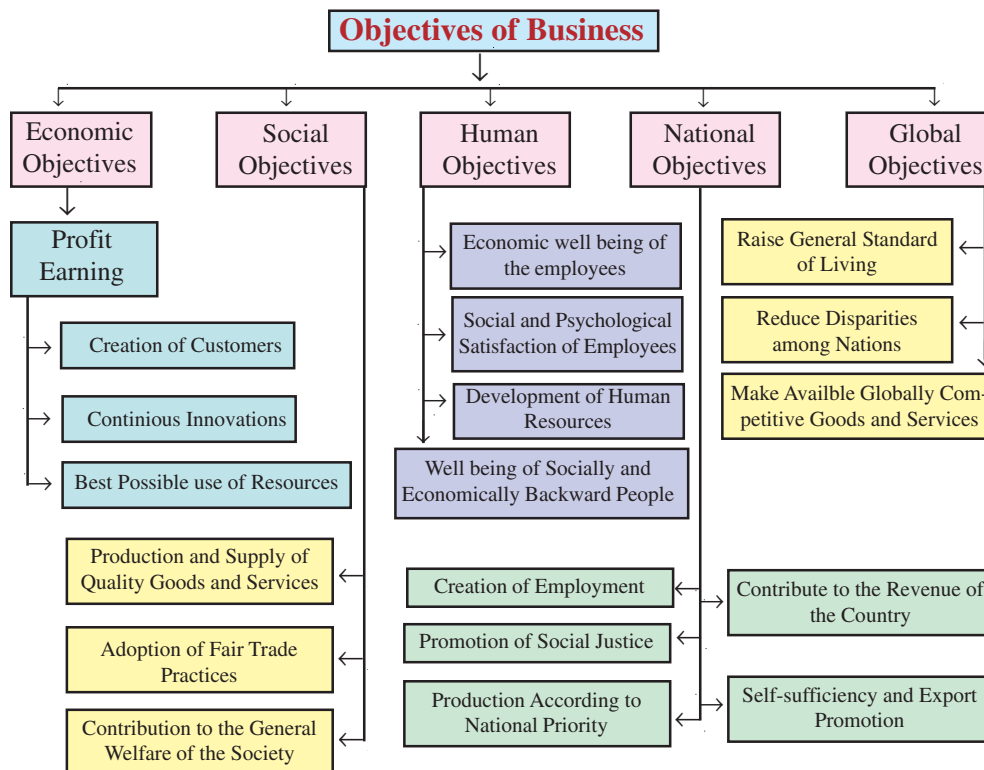
**Notes**

- iii. He sold his old television set to his neighbour for Rs. 3,000.
- iv. Rahul bought eggs from the poultry farm to sell to his customers.
- v. Rahul sells a packet of milk worth Rs. 10 to a customer for Rs. 12.
- vi. Rahul bought vegetables worth Rs. 30 for his family.
- vii. He distributed biscuits free of cost to poor children from his shop.

- II. Given below are some statements about business. Some are right and some are wrong. Write 'R' against right statements and 'W' against wrong statements:
- i. Business has no role to play in national integration as it only deals in goods and services.
  - ii. Business does not contribute to improvement in the standard of living of the people.
  - iii. Industrial research is carried out to develop new and innovative products.
  - iv. Business does not allow import of goods from foreign countries.
  - v. Business helps in reducing poverty by generating employment.
  - vi. Business creates a positive image of the country through display and sale of products in international trade fairs and exhibitions.

**1.6 CLASSIFICATION OF OBJECTIVES OF BUSINESS**

All the business activities are performed with some objectives. The objectives of business may be classified as –



**1.6.1 ECONOMIC OBJECTIVES**

Economic objectives of business refer to the objective of earning profit and also other objectives that are necessary to be pursued to achieve the profit objective, which includes creation of customers, regular innovations and best possible use of available resources.

**Profit Earning**

Profit is the lifeblood of business, without which no business can survive in a competitive market. Thus, profit making is the primary objective for which a business unit is brought into existence. Profits help businessmen not only to earn their living but also to expand their business activities by reinvesting a part of the profits.

In order to achieve this primary objective, certain other objectives are also necessary to be pursued by business, which are as follows:

**i) Creation of customers**

A business unit cannot survive unless there are customers to buy the products and services. Again a businessman can earn profits only when he/she provides quality goods and services at a reasonable price. For this it needs to attract more customers for its existing as well as new products. This is achieved with the help of various marketing activities.

**ii) Continuous innovations**

Business is highly dynamic and an enterprise can continue to be successful only by adopting itself to change in its environment. Innovation means changes, which bring about improvement in products, process of production and distribution of goods. Reduction in cost and increase in sales gives more profit to the businessman. Use of power-looms in place of handlooms, use of tractors in place of hand implements in farms etc. are the results of innovation.

**iii) Best possible use of resources**

As you know, to run any business you must have sufficient capital or funds. The amount of capital may be used to buy machinery and raw materials, to employ men and have cash to meet day-to-day expenses. Thus, business activities require various resources like men, materials, money and machines. This objective can be achieved by employing efficient workers, making full use of machines and minimizing wastage of raw materials.



### INTEXT QUESTIONS 1.4

Given below are some statements relating to the economic objectives of business. Some statements are true and some are false. Identify the true statements:

- i. Creation of demand for goods is the primary objective of business.
- ii. Profits are expected to be earned by businessmen in proportion to the amount of capital invested in business.
- iii. It is not always necessary for businessmen to make the best possible use of materials.
- iv. Businessmen should use profits earned from the business only for their own living.
- v. Generation of employment is the primary economic objective of business.

### 1.6.2 SOCIAL OBJECTIVES

Social objectives are those objectives of business, which are desired to be achieved for the benefit of the society. No activity of the business should be aimed at giving any kind of trouble to the society. Social objectives of business include production and supply of quality goods and services, adoption of fair trade practices and contribution to the general welfare of society and provision of welfare amenities.

#### (i) Production and supply of quality goods and services

Since the business utilizes the various resources of the society, the society expects to get quality goods and services from the business. The objective of business should be to produce better quality goods and supply them at the right time and at a right price. They should charge the price according to the quality of the goods and services provided to the society.

#### (ii) Adoption of fair trade practices

In every society, activities such as hoarding, black-marketing and over-charging are considered undesirable. Besides, misleading advertisements often give a false impression about the quality of products. The business unit must not create artificial scarcity of essential goods or raise prices for the sake of earning more profits. All these activities earn a bad name and sometimes make the businessmen liable for penalty and even imprisonment under the law. Therefore, the objective of business should be to adopt fair trade practices for the welfare of the consumers as well as the society.



Notes

**(iii) Contribution to the general welfare of the society**

Business units should work for the general welfare and upliftment of the society. This is possible through running of schools and colleges for better education, opening of vocational training centres to train the people to earn their livelihood, establishing hospitals for medical facilities and providing recreational facilities for the general public like parks, sports complexes etc.

**INTEXT QUESTIONS 1.5**

State which of the following statements relating to social objectives of business are right and which are wrong?

- i. Social objective of business is based on the assumption that what is good for business is also good for society.
- ii. Production and supply of quality goods to the consumer is the social objective of business.
- iii. Creation of demand for the product is a social objective of business.
- iv. Establishment of sports complex for the public is the economic objective of business.
- v. Hoarding and black-marketing are considered desirable on the part of business.

**1.6.3 HUMAN OBJECTIVES**

Human objectives refer to the objectives aimed at the well-being as well as fulfillment of expectations of employees as also of people who are disabled, handicapped and deprived of proper education and training. The human objectives of business may thus include economic well-being of the employees, social and psychological satisfaction of employees and development of human resources.

**(i) Economic well being of the employees**

In business employees must be provided with fair remuneration and incentives for performance, benefits of provident fund, pension and other amenities like medical facilities, housing facilities etc. By this they feel more satisfied at work and contribute more for the business.

**(ii) Social and psychological satisfaction of employees**

It is the duty of business units to provide social and psychological satisfaction to their employees. This is possible by making the job interesting and challenging, putting the right person in the right job and reducing the monotony of work. Further, grievances of employees

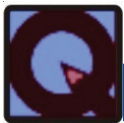
should be given prompt attention and their suggestions should be considered seriously when decisions are made. If employees are happy and satisfied they can put their best efforts in work.

### (iii) **Development of human resources**

Employees as human beings always want to grow professionally. Their growth requires proper training as well as development. Business can prosper if the people employed can improve their skills and develop their abilities and competencies in course of time. Thus, it is important that business should arrange training and development programmes for its employees.

### (iv) **Well being of socially and economically backward people**

Business units being inseparable parts of society should help backward classes and also people those are physically and mentally challenged. This can be done in many ways. For instance, vocational training programme may be arranged to improve the earning capacity of backward people in the community. Business units can also help and encourage meritorious students by awarding scholarships for higher studies.



## INTEXT QUESTIONS 1.6

Below are given some statements regarding human objectives of business. State which of them are “true” and which are “false”:

- i. Businessmen should pay proper remuneration which will motivate the workers for work.
- ii. Business units should provide social and psychological satisfaction to the employees.
- iii. Businessmen should not help disabled persons unless they are employed in business.
- iv. Business units should ignore the suggestions given by the employees while taking important decisions.
- v. Helping physically handicapped persons in the society is an economic objective of business.

### 1.6.4 NATIONAL OBJECTIVES

Being an important part of the national economy, every business must have the objective of fulfilling national goals and aspirations. The following are the national objectives of business.



**(i) Creation of employment**

One of the important national objectives of business is to create opportunities for gainful employment of people. This can be achieved by establishing new business units, expanding markets, widening distribution channels, etc.

**(ii) Promotion of social justice**

As a responsible citizen, a businessman is expected to provide equal opportunities to all persons with whom he/she deals. She/he is also expected to provide equal opportunities to all the employees to work and progress. Towards this objective special attention must be paid to weaker and backward sections of the society.

**(iii) Production according to national priority**

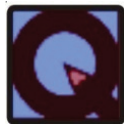
Business units should produce and supply goods in accordance with the priorities laid down in the plans and policies of the Government. One of the national objectives of business in our country should be to increase the production and supply of essential goods at reasonable prices.

**(iv) Contribute to the revenue of the country**

The business owners should pay their taxes and dues honestly and regularly. This will increase the revenue of the government, which can be used for the development of the nation.

**(v) Self-sufficiency and Export Promotion**

To help the country to become self-reliant, business units have the added responsibility of restricting import of goods. Besides, every business unit should aim at increasing exports and adding to the foreign exchange reserves of the country.

**INTEXT QUESTIONS 1.7**

Fill in the blanks with suitable word(s) from those given in brackets:

- i. To produce and distribute essential goods at a reasonable price is a/an \_\_\_\_\_ objective of business. (social, national, human)
- ii. To help the country to become self-reliant business units should aim at increasing \_\_\_\_\_. (export, import, prices)
- iii. Business units should pay taxes honestly and \_\_\_\_\_. (occasionally, frequently, regularly)
- iv. Business should provide equal opportunities to all its \_\_\_\_\_. (owners, employees, suppliers)



Notes

### 1.6.5 GLOBAL OBJECTIVES

Earlier India had a very restricted business relationship with other nations. There was a very rigid policy for import and export of goods and services. But, now-a-days due to liberal economic and export–import policy, restrictions on foreign investments have been largely abolished and duties on imported goods have been substantially reduced. This change has brought about increased competition in the market. Today because of globalisation the entire world has become a big market. Goods produced in one country are readily available in other countries. So, to face the competition in the global market every business has certain objectives in mind, which may be called the global objectives. Let us learn about them.

#### (i) **Raise general standard of living**

Growth of business activities across national borders makes available quality goods at reasonable prices all over the world. The people of one country get to use similar types of goods that people in other countries are using. This improves the standard of living of people.

#### (ii) **Reduce disparities among nations**

Business should help to reduce disparities among the rich and poor nations of the world by expanding its operation. By way of capital investment in developing as well as underdeveloped countries. It can foster their industrial and economic growth.

#### (iii) **Make available globally competitive goods and services**

Business should produce goods and services which are globally competitive and have huge demand in foreign markets. This will improve the image of the exporting country and also earn more foreign exchange for the country.

## 1.7 SOCIAL RESPONSIBILITY OF BUSINESS

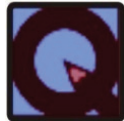
We all know that people engage in business to earn profit. However, profit making is not the sole function of business. It performs a number of social functions, as it is a part of the society. It takes care of those who are instrumental in securing its existence and survival like- the owners, investors, employees, consumers and government in particular and the society and community in general. So, every business must contribute in some way or the other for their benefit. For example, every business must ensure a satisfactory rate of return to investors, provide good salary, security and proper working condition to its employees, make available quality products at reasonable price to its consumers, maintain the environment properly etc.





However, while doing so two things need to be noted to view it as social responsibility of business. First, any such activity is not charity. It means that if any business donates some amount of money to any hospital or temple or school and college etc., it is not to be considered as discharge of social responsibility because charity does not imply fulfilling responsibility. Secondly, any such activity should not be such that it is good for somebody and bad for others. Suppose a businessman makes a lot of money by smuggling or by cheating customers, and then runs a hospital to treat poor patients at low prices his actions cannot be socially justified. Social responsibility implies that a businessman should not do anything harmful to the society in course of his business activities.

Thus, the concept of social responsibility discourages businessmen from adopting unfair means like black-marketing, hoarding, adulteration, tax evasion and cheating customers etc. to earn profit. Instead of this, it encourages them to earn profit through judicious management of the business, by providing better working and living conditions to its employees, providing better products, after sales-service, etc. to its customers and simultaneously to control pollution and conserve natural resources.

**INTEXT QUESTIONS 1.8**

Fill in the blanks with appropriate words.

- i. Every business operates within a \_\_\_\_\_.
- ii. Social responsibility of business refers to all such duties and \_\_\_\_\_ of business that are directed towards the welfare of society.
- iii. Giving good return to the investors by providing \_\_\_\_\_ goods at high price to consumers is not fulfilling social responsibility.
- iv. To avoid government regulations business houses should discharge their duty \_\_\_\_\_.
- v. The earnings of business depend upon the public \_\_\_\_\_ of its activities.
- vi. Today because of \_\_\_\_\_ the entire world has become a big market.
- vii. \_\_\_\_\_ implies that a businessman should not do anything harmful to the society in course of his business activities.
- viii. The concept of social responsibility \_\_\_\_\_ businessmen from adopting unfair means like black-marketing, hoarding, adulteration, tax evasion and cheating customers etc. to earn profit.

## 1.8 RESPONSIBILITY TOWARDS DIFFERENT INTEREST GROUPS(OBLIGATIONS OF BUSINESS)



Notes

After getting some idea about the concept and importance of social responsibility of business let us look into the various responsibilities that a business has towards different groups with whom it interacts. The business generally interacts with owners, investors, employees, suppliers, customers, competitors, government and society. They are called as interest groups because by each and every activity of business, the interest of these groups is affected directly or indirectly.

### (i) Responsibility towards owners and Investor

The primary responsibilities of business towards its owners are to:

- a. run the business efficiently;
- b. proper utilisation of capital and other resources;
- c. growth and appreciation of capital;
- d. regular and fair return on capital invested;
- e. ensuring safety of their investment;
- f. regular payment of interest; and
- g. timely repayment of principal amount.

### (ii) Responsibility towards Creditors

- a. to make payment timely;
- b. to ensure safety of credit allowed by them; and
- c. to follow norms of business as followed by others.

### (iii) Responsibility towards employees

The responsibilities of business towards its employees include:

- a. timely and regular payment of wages and salaries;
- b. proper working conditions and welfare amenities;
- d. opportunity for better career prospects;
- e. job security as well as social security like facilities of provident fund, group insurance, pension, retirement benefits etc;
- f. better living conditions like housing, transport, canteen, crèches etc; and
- g. timely training and development.

### (iv) Responsibility towards suppliers

The responsibilities of business towards the suppliers are:

- a. giving regular orders for purchase of goods;
- b. dealing on fair terms and conditions;
- c. availing reasonable credit period; and
- d. timely payment of dues.

**(v) Responsibility towards customers**

The responsibilities of business towards its customers:

- a. products and services must be able to take care of the needs of the customers;
- b. products and services must be qualitative;
- c. there must be regularity in supply of goods and services;
- d. price of the goods and services should be reasonable and affordable;
- e. all the advantages and disadvantages of the product as well as procedure to use the products must be informed to the customers;
- f. there must be proper after-sales service;
- g. grievances of the consumers, if any, must be settled quickly; and
- h. unfair means like under weighing the product, adulteration etc. must be avoided.

**(vi) Responsibility towards competitors**

The responsibilities of business towards its competitors are not to :

- a. offer exceptionally high sales commission to distributors, agents etc;
- b. offer to customers heavy discounts and /or free products in every sale; and
- c. defame competitors through false or ambiguous advertisements.

**(vii) Responsibility towards government**

The various responsibilities of business towards government are:

- a. setting up units as per guidelines of government;
- b. payment of fees, duties and taxes regularly as well as honestly;
- c. not to indulge in monopolistic and restrictive trade practices;
- d. conforming to pollution control norms set up by the government; and
- h. not to indulge in corruption through bribing and other unlawful activities.

**(viii) Responsibility towards society (community)**

A society consists of individuals, groups, organizations, families etc. They all are the members of the society. They interact with each other and are also dependent on each other in the performance of almost all activities. There exists a relationship among them, which may be direct or indirect. Business, being a part of the society, also maintains its relationship with all other members of the society. Thus, it has certain responsibilities towards society, which may be as follows:

- a. to help the weaker and backward sections of the society;
- b. to preserve and promote social and cultural values;
- c. to generate employment;
- d. to protect the environment;
- e. to conserve natural resources and wildlife;

- f. to promote sports and culture; and
- g. to provide assistance in the field of developmental research on education, medical science, technology etc.



### INTEXT QUESTIONS 1.9

Following are the various responsibilities of business towards the different interest groups as discussed above. State which responsibility relates to which particular group.

- i. Protection of environment.
- ii. Better living conditions like housing, transport, canteen, crèches etc.
- iii. Promotion of sports and culture.
- iv. Opportunity for better career prospects
- v. Regular supply of goods and services
- vi. Proper working conditions and welfare amenities
- vii. Goods and services at reasonable and affordable price.
- viii. Prompt after sales services.
- ix. Conservation of natural resources and wildlife.

## 1.9 ENVIRONMENTAL POLLUTION AND ROLE OF BUSINESS

To preserve the society it is important to protect the environment. And, therefore, every business must take measures to protect the environment rather than damaging it. In this section let us learn more about different types of environmental pollution and role of business. Environmental pollution refers to contamination of environment by various substances that have adverse effects on living and non-living matters.

Environmental pollution is of three types:

- i. Air Pollution
- ii. Water Pollution
- iii. Land Pollution

### (i) Air Pollution

As we know the air we breathe contains several gases, dust particles etc. Our body mechanism helps us in filtering the unwanted ones and retaining those required for our survival. This is also true in case of other natural things like forests, river etc. Thus, air pollution refers to the presence of any unwanted gases, dust particles etc. in the air, that can cause damage to people as well as nature.



**Air Pollution**





### Causes of Air Pollution

Let us know how air gets polluted. Some of the common causes of air pollution are:

- a. Emission of fumes from vehicles.
- b. Emission of smoke, dust and chemicals from manufacturing plants.
- c. Emission of gases and dust arising from atomic plants
- d. Emission of smoke from oil refineries, burning of trees and plants in forests, burning of coal etc.

### Impact of Air Pollution

Air pollution has a lot of impact on our surroundings and on us. Some of them are-

- Presence of gases in air, which are not required by human beings, animals and birds, creates serious health problems. It can create diseases like asthma, cough and cold, blindness, hearing loss, skin disease etc. It also causes genetic disorders. In the long run and in extreme cases it can also be fatal.
- Air Pollution creates smog in the winter, which is caused by smoke and dust when they mix with fog. It reduces natural visibility and irritates the eyes and respiratory tract.
- Ozone layer is a protective layer of gases around our earth, which protects us from harmful ultraviolet rays that come from the sun. It gets depleted because of air pollution and thereby causes gene mutation, genetic defects and skin cancer.
- The temperature of the earth increases due to air pollution. This is because whatever heat our earth receives from the sun is not radiated to the atmosphere due to the excessive presence of gases like carbon dioxide, methane, nitrous oxide etc.
- Air pollution causes acid rain which means excessive presence of various poisonous gases like sulphur dioxide, nitrogen oxide etc. in the rainwater. This causes lot of damage to vegetation, trees and marine life, buildings and monuments etc.

Environment is also polluted through excessive noise, known as **Noise Pollution**. Noise simply means an unwanted sound that causes irritation. It is caused by modern machines and gadgets such as rail engines, loud speakers, generators, aeroplanes, vehicles, machineries, telephones, televisions etc. It initially distorts communication process, but prolonged exposure to noise pollution can cause loss of hearing, headache, irritation, high blood pressure, neurological or psychological disorders etc.



Notes

### (ii) Water Pollution

Have you seen river Yamuna in Delhi? Are you aware about the Clean Ganga project? These two questions almost immediately remind us about the extent to which the water of our rivers has been polluted. Water pollution refers to contamination of water due to presence of unwanted and harmful substances thus, making water unfit for use.



Water Pollution

### Causes of Water Pollution

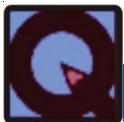
The various reasons of water pollution are:

- Drainage of human excreta into rivers, canals etc.
- Improper sanitation and sewage system.
- Dumping of wastes and effluents by various industrial units into the rivers and canals.
- Drainage of toxic substances like chemicals and fertilizers used in cultivation, into streams and rivers.
- Dumping of garbage, dead bodies and almost everything used in rituals into the nearby water sources by households.

### Effects of Water Pollution

The effects of water pollution are:

- It can create health hazards among human beings, animals and birds resulting into diseases like typhoid, jaundice, cholera, gastroenteritis etc.
- It can endanger lives of various aquatic species.
- It can lead to scarcity of drinking water as the water of rivers and canals as well as underground water gets polluted.



### INTEXT QUESTIONS 1.10

- Fill in the blanks with appropriate words from the text
  - Our behaviour should not be \_\_\_\_\_ to others.
  - Desirable acts and conduct of the people are recognised and \_\_\_\_\_ in the society.
  - Business ethics do not permit the business to sell \_\_\_\_\_ goods.
  - Social values form the \_\_\_\_\_ for social responsibilities.
  - Paying taxes to the government honestly and regularly is guided by \_\_\_\_\_.

**II. Match the followings****Column A**

- i. Environmental Pollution
- ii. Air Pollution
- iii. Water Pollution
- iv. Smog
- c. Aeroplanes

**Column B**

- a) Mixture of smoke, dust and fog.
- b) Responsible for noise pollution
- c) Presence of unwanted substances in the atmosphere causing inconvenience.
- d) Imbalance in the proportion of gases and dust particles in air
- e) Contamination of water due to excessive presence of harmful substances.

**(iii) Land Pollution**

Land Pollution refers to dumping of useless, unwanted as well as hazardous substances on the land that degrades the quality of soil we use. Our land gets polluted because of the human carelessness towards the soil.

**Land Pollution****Causes of Land Pollution**

The main causes of land pollution are:

- a. Excessive use of fertilizers, chemicals and pesticides in cultivation.
- b. Disposal of solid waste of industries, mines and quarries.
- c. Disposal of solid waste from construction of roads, buildings etc.
- d. Effluents of some plants which are not absorbed by soil.
- e. Excessive use of plastic bags, which are non-biodegradable.
- f. Dumping of non-composable wastes from households, hotels and hospitals as well as from industries. These may include combustible items like plastic, cloth, wood etc., and non combustible items like metal, glass, ceramics, cement etc.

**Effects of Land Pollution**

Land Pollution has the following harmful effects:

- a. Reduces the area of cultivable land.
- b. Causes health hazards as it contaminates the sources of food.
- c. Causes damage to the landscape.
- d. Leads to water and air pollution.

**1.10 ROLE OF BUSINESS IN ENVIRONMENTAL POLLUTION**

From the above discussion on environmental pollution, one thing can clearly

be seen that, it is business that mainly contributes to all type of pollution -air, noise, water and land. Business causes pollution in the following ways:

- (a) Emission of gas and smoke from manufacturing plants.
- (b) Use of machines, vehicles etc. contributing to noise pollution;.
- (c) Deforestation due to acquisition of forest lands for setting up plants.
- (d) Growth of urbanization and industrialization.
- (e) Disposal of wastes and effluents into rivers and canals.
- (f) Disposal of solid wastes in the open space.
- (g) Mining and quarrying activities.
- (h) Increasing use of transport.

Business can help in three ways to control environmental pollution- Preventive, Curative and Awareness.

### (i) **Preventive Role**

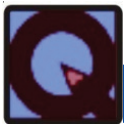
It means business should take all steps so that no further damage is done to the environment. For this, business must follow the regulations laid down by government to control pollution. Businessmen should come forward to play a major role in preventing further damage done to the environment by human beings.

### (ii) **Curative Role**

It means business should rectify whatever damage has been done to the environment. In addition, if it is not possible to prevent pollution then simultaneous curative measures can be taken. For example, planting of trees (a forestation programme) can substantially reduce air pollution near the industrial area.

### (iii) **Awareness Role**

It means making people (both the employees as well as the general public) aware about the causes and consequences of environmental pollution so that they voluntarily try to protect rather than damage the environment. For example, business can undertake public awareness programmes. Now-a-days, we find that some business houses have taken the responsibility to develop and maintain parks and gardens in cities and towns, which shows that they care for the environment.



## INTEXT QUESTIONS 1.11

- I. Which of the following statements are true and which are false?
  - i. Excessive use of fertilizer, chemicals and pesticides in cultivation causes air pollution.
  - ii. Excessive use of plastic bags causes land pollution.







- iii. Plantation near industrial areas helps reduce water pollution.
  - iv. Land pollution increases the quantum of cultivable land in our country.
  - v. Business houses should make the people aware about the causes and consequences of environmental pollution.
- II. Multiple Choice Questions
- i. Which of the following activity is a non-economic activity?
    - (a) Selling bread to a customer.
    - (b) Selling old television to a neighbour.
    - (c) Gifting a pen to a friend.
    - (d) Purchase books for resale.
  - ii. Which of the following is not an occupation?
    - (a) Business
    - (b) Profession
    - (c) Employment
    - (d) Going for Morning Walks.
  - iii. Which of the following is not a characteristics of Business?
    - (a) Dealing in goods-in-trade.
    - (b) A father teaching his son.
    - (c) Involves risk and uncertainty of income.
    - (d) Aims at earning profits.
  - iv. Economic objectives of a business do not include.
    - (a) Creation of customers
    - (b) Continuous innovations
    - (c) Generation of employment
    - (d) Best possible use of resources.
  - v. Social objectives of business include.
    - (a) Contribution to the general welfare of the society.
    - (b) Best possible use of economic resources.
    - (c) Creation of customers.
    - (d) Profit generation.

**WHAT YOU HAVE LEARNT**

Activities which human beings undertake are known as human activities. They are of two types – economic activities and non-economic activities. Activities undertaken to earn money are called economic activities. Activities undertaken with social and psychological motive are called non-economic activities.

- Economic activities undertaken on a regular basis to earn one's livelihood is called occupations. Occupation can be of three types: (i) Profession (ii) Employment and (iii) Business.
- Profession is an occupation requiring specialised knowledge and training. A professional has to follow certain code of conduct framed by a professional body. The primary objective of every profession is to provide service.

- Employment is an occupation in which a person works regularly for another in return for a fixed income. He has to follow the terms and conditions of employment as decided by the employer.
- Business is an activity involving regular production or purchase of goods and services for sale, transfer and exchange with the object of earning profit.
- The characteristics of business include sale or exchange of goods and services on a regular basis. It involves investment of money with the objective of earning profit but there may be risk and uncertainty of return.
- Anything that the business organization wants to achieve over a specified period of time is called business objective.
- Types of Business objectives:
  - Social Objectives
  - Economic Objectives
  - Human Objectives
  - National Objectives
  - Global Objectives
- Social responsibility of business refers to all duties and obligations of business directed towards the welfare of society.
- Understanding social responsibilities properly is essential for businessmen as:
  - it creates a goodwill for the business among the public.
  - it fosters long-term survival and growth of business.
  - it provides satisfaction to the employees which is directly related to productivity.
  - Consumers have become conscious about their rights.
- Every business is a part of society and the business is responsible towards each segment of the society, which may be called as various interest groups. These interest groups consist of owners, investors, employees, suppliers, customers, competitors, government and society.
- Social values may indicate good and desirable business conduct in the best interest of society.
- Business ethics suggest ways and means to conduct the business affairs according to morally justified principles.
- Environmental pollution refers to contamination of environment by substances that have adverse effects on living and non-living matter.
- Environmental pollution is of three types:
  - i. Air Pollution,
  - ii. Water Pollution, and
  - iii. Land Pollution





- Every business has three types of roles to play for the control of environmental pollution  
→ Preventive, curative and awareness roles.

**TERMINAL EXERCISE**

1. Give two examples each of economic and non-economic activities.
2. Distinguish between Economic and Non-economic activities on the basis of
  - (i) Purpose
  - (ii) Outcome
3. What is meant by an occupation?
4. Explain any two characteristics of employment.
5. Explain any two characteristics of profession.
6. Define the term 'business'.
7. Why do we call a person doing carpentry as engaged in a vocation?
8. A cobbler making shoes for himself is not engaged in business, why?
9. Describe the main characteristics of business.
10. What is meant by business? Describe any two characteristics of business.
11. How is business different from profession? Answer in about 60 words.
12. Discuss the broad categories of business activities, giving examples?
13. Explain the three types of occupations people are generally engaged in.
14. If there is no regularity in dealings, an activity cannot be called business. Do you agree? Give reasons in support of your answer.
15. Despite uncertainty of return, why is a businessman willing to invest money in the business?
16. Profit earning is the main objective of business. Explain.
17. Explain the economic objectives of business.
18. Enumerate the social objectives of business.
19. Explain the importance of national objectives of business.
20. Enumerate and explain the human objectives of business.
21. Explain the global objectives of business.
22. What is meant by social responsibilities of business?
23. Prepare a list of the interest groups with whom business interacts in its day-to-day activities.
24. Why should business be responsible to the society? Give any three reasons.
25. State the responsibilities of business towards customers.
26. In what way should the business be responsible to the government?
27. Define environmental pollution and state the types of environmental pollution.

28. Explain the various causes of air pollution.
29. State three important impacts of air pollution.
30. What are the effects of water pollution?
31. How does business pollute the environment? State any five points.
32. Describe the role of business in preventing environmental pollution.
33. Enumerate the important events that influenced Indian business during the British rule.
34. India has contributed significantly to the world of business. Describe any four contributions to support this statement.



**ANSWER TO INTEXT QUESTIONS**

- 1.1** I. (i) T, (ii) F, (iii) T,  
(iv) T, (v) F
- II. (i) Non-economic, (ii) Economic,  
(iii) Non-economic, (iv) Non-economic  
(v) Economic, (vi) Non-economic,  
(vii) Economic
- 1.2** I. (i) Occupation, (ii) Specialized knowledge,  
(iii) Employment, (iv) Code of conduct, (v) Employer
- II. (i) b, (ii) d, (iii) a, (iv) c
- 1.3** I. (i) Agree, (ii) Disagree, (iii) Disagree,  
(iv) Agree, (v) Agree, (vi) Disagree,  
(vii) Disagree
- II. (i) W, (ii) W, (iii) R,  
(iv) W, (v) R, (vi) R
- 1.4** (i) False, (ii) True, (iii) False, (iv) False, (v) False
- 1.5** (i) Wrong, (ii) Right, (iii) Wrong, (iv) Wrong, (v) Wrong
- 1.6** (i) True, (ii) True, (iii) False, (iv) False, (v) False
- 1.7** (i) Social, (ii) Export, (iii) Regularly, (iv) Employees.
- 1.8** (i) Society, (ii) Obligations, (iii) Inferior, (iv) Voluntarily,  
(v) Image, (vi) Globalization, (vii) Social responsibility,  
(viii) Discourages
- 1.9** Society : i, iii, ix  
Employees : ii, iv, vi  
Customers : v, vii, viii



## MODULE - I

### Introduction to Business



Notes

## Nature and Scope of Business

- 1.10** I. (i) harmful, (ii) appreciated, (iii) adulterated,  
(iv) base, (v) business ethics
- II. (i) c, (ii) d, (iii) e, (iv) a, (v) b
- 1.11** I. (i) False, (ii) True, (iii) False, (iv) False, (v) True
- II. (i) c, (ii) d, (iii) b, (iv) c, (v) a

### ACTIVITIES FOR YOU

- Find out from ten working people around you what they do to earn a living. Classify these under Business, Profession and Employment.
- Talk to a shopkeeper or any other businessman and find out
  - The type of goods or services they deal in;
  - The resources they invest, like land, labour and capital etc.
  - The risk and uncertainties they face in earning profit.
- Collect information from books, magazines and newspapers about the important items of export and import in India presently. Also find out the names of at least five ports used for foreign trade in our country.
- Find out from a shop-keeper or any other businessman of your locality about what are their objectives of running the business. Classify these objectives on the basis of the different types of objectives you have learnt about in this lesson.
- Identify any two responsibilities which should be discharged by the shopkeepers of your locality, for the welfare of the society.
- Is your environment polluted? If yes, then make a list of the causes of such pollution. What action would you like to suggest preventing environmental pollution?