

## Chapter-18

# Business and commercial activities

Concept of business is not very new in India. Countries like Britain and America business is used from 700-800 year. The history of America and Britain which are considered advanced countries is not more than 700-800 years before. While Indian Traders used sea routes for their business and brought gold in exchange of their goods. India is producer and business country (Centre) so traders brought gold in exchange their goods and they made. Make and enriched temples that is way various pirates attracted towards India and came to India and tried to take all the gold. The temple of Somnath in Gujarat is the best example of it 'Malabar' of Dhakha, iron casting in India, golden ornaments and wonderful Indian architecture work was found in the India. India due to slavery of over business position became down day by day after independence our country improves its progress and image.

Men is busy to serve over family members. All these type economic activities is called business. We can divide these economical activities into two groups.

**(a) Non Economic Activities** - Activities which are not done for earning money like fulfilling social responsibilities, religious activities and activities for brotherhood is called non economic activities for example. A house wife makes food for family parent gives education to their children. If home wife is a teacher in any school for earning and gets salary is called economic activities. Working for society, public welfare free of cost are included in non economic activities.

**(b) Economic Activities** - All the activities which are done to earn money are called economic

activities. Economic activities are related to good services. Goods are produce in factory and these goods are sold to wholesalers and from wholesaler to the small business man and then to the customers. he earns salary or profit or commission etc. is called economic activities. For example- lawyer, chartered accountant and architect they provide services against fees.

We can divide economic activities into three groups.

**1. Profession**- Providing personal services on the basis of merit from your specific area of study and taking a charge of it against the services provided by you is called one's profession. For example doctor, advocate, C.A., architect etc. give their personal services and take fees in return.

**2. Job and Employment** - Providing services to an individual for their livelihood is called a job or employment. It is called job or employment to get work done by the person under the terms of the agreement or services rules employed with the employer or the remuneration received from the employer as salary or wages in returned for the services rendered. For example: Teaching in school, doctor or nurses in hospital, government or non government offices and as labour hands in factories or construction sites.

**3. Business** - Business is defined as an economic activity that involves the production and sale of goods and providing services. The main objective of appropriate business activities is to earn money by fulfilling the needs of society.

Therefore the word can be defined as follows:  
Under the business all the modes of human financial

rights are included which are used for the regular production and distribution of goods and social satisfaction which results in improved nature of life of society.

#### 4. Characteristics of business -

**(i) Human Economic Activities** - To earn money is valid. All the economic activities are done by a man. Such economic activities are not done by birds or animals. When the object is not to earn money is called non economic activities. For example religious saint or person who provides his free services and not getting any profit or money is non economic activities.

**(ii) Production of goods and Services** - A business in which it produces varieties of goods which are based on the satisfaction of the customers. It produces clothes, fridge, cars, cycles and provide services like banking, Insurance, communication etc.

**(iii) Regular Exchange of Goods and Services** - When business man provides goods and services regularly to the customers is called regular exchange of goods and service. If any person sells old TV or any device is not called business.

**(iv) Continuity in Business** - When the production goods and services are produced regularly is called business if any person provides goods or services not regular. It is not called business.

**(v) The Main Object of Business is to earn Profit** - The main object of all types of business is to earn profit. No businessman works without getting profit. All the goods produced and all the services are done with an objective of earning profit.

**(vi) Uncertainty of Return** - All business does not always result in profit. There is uncertainty of getting profit. Profit can be more or less or no profit. Results are uncertain, even business gets loss also.

**(vii) Legality** - All the business which are not legal as theft, black marketing, smuggling etc. These activities are illegal.

**(viii) Existence of Risk** - Risk means uncertainty of

return in the business risk can be huge or less or there is a chance of getting a loss in the business and it is called risk. And existence of risk is always there. More risk : More gain is the basic concept of business. We can't get profit without risk.

The main object of business is to earn profit. But choice or likeness of the customers change in the fashion strike in the factory; change in the method of production lock out; competition in the market, fire, accidents; natural calamities theft etc. are the factors which increase the rate of risk and reduce the profit.

**(ix) Means of Social Change** - Business can improve and change the living level of the people in the society. After second world war we saw many social and economical changes in the society due to industrial revolution.

**(x) Creation of Utility** - It is said "Mother of necessity is Invention", similarly business activities create utility of the goods. Among the people for example- Before the invention of mobile people used old method of communication but the invention of mobile increase the more utility of mobile in the society. It increases the demands of the mobiles and give more profit in the business.

**5. Objective of Business** - Human activities have certain objectives as economic, social, political or religious activities. The objective of business is to earn profit. Every businessman wants to earn profit more than the amount invested in the business. So in other words we can say that business only works to earn profit. But those firms which only work with the objective of earning profit can't survive in the long terms. In any business there is always an effort to earn more than what has been invested in the cost of that business. In other words, the aim of any business is to earn money than what has been initially invested. If profit is important for the success of a business, even then in today's competitive world of business if profit is only motive then business can not be run for a long term. But in today's world this is unanimously accepted. We know business is the

most important part of the society and has certain social responsibility also, towards the society. So we can say earning profit is not the main purpose of the business. But they must get the trust of the people so that they can run for long time and get progress.

**A. Profit Objective** - The object of every business is to earn profit. The difference between output and investment is called profit. Profit, in business is assumed as important among all other factors of business.

1. It is only the source of the income for business.
2. It is essential to increase the financial sources in the business.
3. It is required for functioning of the business.
4. It is also the acceptance of the utility of the society.
5. It increases the prestige of business unit.

**B. Service Objective-** In the present scenerio providing service and satifying the wants of consumers are only sources of sucess for the business. In that why business taking service as their motive as compare to profit objective. As per peter drafer satifying customer is the only objectiveby this way satifying customer earning profit by providing services the objecitve of service. Following activities are done for services.

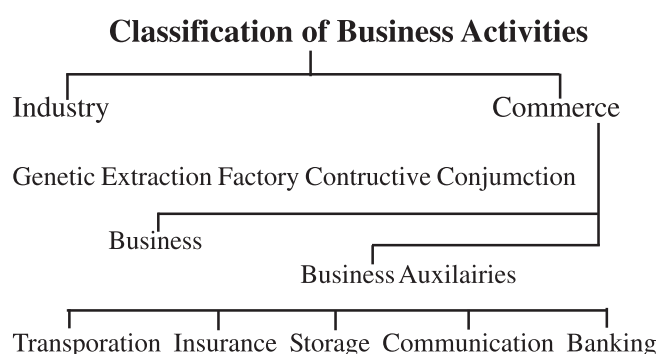
- (i) Providing goods as per need of the customer.
- (ii) Providing goods at right price puire.
- (iii) Providing services after sale of goods.
- (iv) Not providing manipulated advertisement.
- (v) Not doing profiteering and in appropriate behavior.
- (vi) Doing new propagation and publicity

**(3) Human objectives :** Business has to do various activities to fulfil human objectives so that there right can be saved. These activities are -

- (i) In consideration of national integration.
- (ii) Providing fair remuneration & working envirnoment.
- (iii) Making arrangements of labour welfare and social security.
- (iv) To solve the problem of labourers as soon as possible.

- (v) Providing opportunities of growth & development.
- (vi) Providing appropriate profit to the investors.
- (vii) Assurance of security towards envested.
- (viii) Providing favourable price to the producer of the good.
- (ix) Provide many opportunity of employment.
- (x) Humanitarin works towards workers & labourers.

**Area of Business** - Business is a very broad term. All the activities which are related to production distributing services included the area of business.



Classification of Business activities can be divided in to two groups (a) First group related to production of the industry. (b) And in the second group called commerce the sales and distribution related industry.

**I. Industry** - The intent of the business is to deal with the business activities by which the use of material resources required to produce goods fulfilled the requirement of the consumers. Industry uses natural resources and wake them available for uses. In this way the purpose of industrial activity is to able the object available in such a way in which it can be prove to the suitable the needs and purpose of the industry so that customer uses the goods to create the industrial utility so we can classified industry on the basis of the nature of the work.

**(a) Genetic Industry-** It includes those industries whiich are related to origin eg. agriculture, horticulture animal husbandry, poultry forestry/ fishry etc.

**(b) Extractive Industry** - In this category industries are incorporated which are related to the acquisition of various types of natural resources such as land; forest, water etc. By land we get iron, copper, minerals, coal, oil; gases etc. fishes from the ocean, by forest medicine, wood, gun, rubber etc.

**(c) Creation Industry** - In this category things are incorporated which make things useful and more comfortable for man/society eg. making roads, pools, dams, buildings. In this industry the product is permanent and they are constructed at a particular location.

**(d) Construction Industry** - In this category we include raw materials or semi finished goods. They are converted raw material into well furnished and useful. Things. eg. make sugar from the sugarcane, cloth from the fibre, furniture from the wood etc. Cement industry, paper industry, soap industry, jute industry are the example of it.

**(e) Combination Industry** - In this class/ industry useful things are created by adding small parts like computers, cars, watches. They are very useful and comfortable for the society.

## Industries and their Products

Genetic industry	Extra Active industry	Construction industry	Creative industry	Combination industry
Ariculture Horticulture Animal husbandry Fishery Poultry	Mineral Fishing Coal Metal	Road Bridge Dam Houses Making Furniture	Sugar Making paper making Cement Soap Jute	Computer Car Watch Scooter

**II. Commerce** - In this industrial activities are concerned the production of goods and to fulfil the needs. The work of commerce is to provide goods at right place, at appropriate time; quantity of the goods in right time. In this way commerce is concerned with distribution of goods and better services. There are many obstacles to reach the production from the producer to the consumers eg. obstacles are time, risk, financial information etc. The regular and continuous flow of goods/products to the consumers are included in commercial activities. Following are the features of commerce:

- Works to bring the production to producers.
- Commerce facilitates exchange of goods by removing the barriers in distribution.

## Difference between business, Commerce and Industry

Base of Different	Trade	Commerce	Industry
Meaning	Purchase, sales, trade in exchange.	Trade and trades sub activities in commerce Sale and services.	Things and service production calls industry.
Object	Selling goods and services.	Things and services removes of the problem	Production things and services.
Scope	The area of business is limited, in which only the sale of goods is included in the sale.	In the commerce trade and trades sub activities include.	In the industry all type production activities include.
Utility	Rights utility is created	Time, place and right create	For utility made.
Mutual independence	Business base industry	Commerce base trade	Industry base commerce



(iii) Through commerce, time & place utilities are created.

(iv) Trade & auxiliary activities are included.

Therefore, commerce is one of the part of business. All activities related to commerce are divided in two parts- (a) Business - (b) Auxiliary activities of Business.

**(a) Business** - For the purpose of earning profit, sale and purchase of goods and services are called trade but in the competitive market the purpose of such purchase and the sale should be of mutual interest. So the meaning of business is sale and purchase of the goods for the mutual benefit of buyers and sellers. A person who is doing business is called business and business creates ownership.

#### **Charactersitics of Business -**

1. In Business sale and purchase of goods are include
2. The objective of business is to keep the mutual interest of selles and buyers.
3. In business goods and Services are sold direct and indirect manner.
4. Through business business utility are created.
5. Business as part of commerce.

**(b) Auxiliary activities of Business** - All those activities which help in sending all goods and services to from production to producers are included in supporting activities of business. These activities are transportation, storage, insurance, banking, cummunication advertisement etc. are completed through the medium of services. Wish these activities, there is creation of place and time utilies in business.

**II. Business Auxilaries** - All the work that helps the producers of goods and services to reach the consumer place are included in auxilaries of business. This work includes transportation, storage, insurance, banking, advertisement etc. All these actions create space and time utility in business.

Bank is that institution which does business of money and credit banks accept deposits of people of facilitate reduction in lending. Presently keeping customer convenince he also works as agent. Today net banking can operate from any location and customer can withdraw money and deposit money

from 24 hours banking ATM machine.

As Banking Regulation act 1949, Banks are those which do Banking works. Banking refer to depositing money from puscican loan to investment public which can be demand and can be withdrawn by cheque or draft.

#### **Bank Work -**

**A. Primary Task-** Banks are classified in to two tasks and every bank performs these tasks.

(a) Accepting Deposit (b) Giving Loans

**(a) Accepting Deposit** - The major task of bank is to accept deposit from people. They accept money from the people; save money and give interest in exchange of deposit to their depositers. Bank invest their money the for welfare of society and construction of society. Thus by this way banks develop the habit of saving in people and help the country to become economicaly strong. Through following account banks provides the facility of accepting the savings of public.

**(i) Fixed Deposit Account** - The money is deposited for a fixed period of time and the period of time for deposite money is determined by the client according his or her needs and banks gives interest to the client. Banks also provide security of the amount. Banks also provide loans against fixed deposit amount before due dates after deduction of certain amounts.

**(ii) Saving Bank Account-** This account is more useful for low and middle class people. A person can deposit small amount of the money in the bank can with draw it when he or she needs. He or she gets little amount of interest for it and it encourages saving habit in the public.

**(iii) Current Bank Account-** This account is mainly useful for the businessmen. The amount can be deposited or withdrawn many time on work day, it depends on the needs of the business men. So no interest is given on this ammount. Banks provide overdraft facilities to the businessman.

**(iv) Recurring Deposit Account-** This account is opened by those person who want to achieve certain

objectives in a certain period by deposit small saving regularly at fixed intervals. The duration of this account can be one to ten years.

**(v) Others Saving Account-** Commercial banks operated for various objects as home saving account; daily saving deposit scheme, monthly interest income deposit scheme, agriculture deposit scheme, saving scheme for teenagers.

**(b) Giving Loans -** The another main function of the bank is to give loans. Money which is deposited by the people for saving purpose; Bank gives loans from that deposit to the businessmen, industrialist and other persons who needs loans. Bank charges interest at higher rate then the interest paid to its depositers. Thus banks earns profits following lending facilities provided by business.

**(i) Cash Credit -** Under this the bank sets limit on borrowing for the applicant. Bank gives loans normal acceptance of merchants a bill. According to the merchant requirements the amount can be withdrawn till the time-limit determined and the interest is charged only on the withdrawn amount.

**(ii) Overdraft -** Traders who have saving account in the banks; banks provide loans more than the saving deposit is collect overdraft. This facility is given by the bank to the traders on the credit of the traders and for short periods and the needs of the traders.

**(iii) Loan and Advance -** This is normal way of giving loans by banks. Banks provide loans by suitable security and decide the rates and terms of the payment. If the amount is not paid within stipulated period then due amount is taken by selling of security by the banks. Rates of interest is decided by the objective of the loan, time period; security and the business of the receivers.

**(iv) Letter of Bills Exchange -** Under this method the bank pass fixed payment before the date of acceptance. For this work bank charges some amount which is equal to the interest for that period.

**(A) Agent Work -** Bank also do various works as agent for his customers.

**(i) Collection of Cheque/ Bills of Exchange -** The banks perform important function of depositing the cheques, bill of exchange draft, pledge letter, hundi to the customers accounts. Bank charges some amount for this work.

**(ii) Payment of Cheque/ Bills of Exchange -** Banks makes payment of cheque for its customer also accept bills for its customers and make payment.

**(iii) Payment as per Customer Order -** Banks make payment of insurance premium, house rent, interest, telephone bill etc. as per customer's order.

**(iv) Money Dispatch Facility-** Bank provide facility to send money from one place to another place on client request. This facility is provided by draft, by post and online banking by which money is transferred from one place to another.

**(v) Sale & Purchase of Securities -** Bank sells or purchase securities govt or semi govt securities for her clients.

**(vi) Working as Trustee and Manager -** On the demand / order of client bank manage and secure his property and act as the trustee and manager.

**(vii) Working as Agent -** On the demand and order of client banks provide passport, exchange of money and other facilities to her clients.

**(viii) Withdraw or Deposit facility by ATM for 24 Hours -** Today it is not compulsory to go to bank for deposit or to withdraw money, it can be done by ATM machine 24 hours. Bank provides credit card which can be used everywhere in our country by using ATM machine twenty four hours. He or she can deposit or withdraw money without giving any charge to the bank. No charge will be given to bank using debit card but some amount will be paid when we use credit card.

**General Useful Work -** Bank does extra general work for customers

**(i) To Provides Financial Position -** Bank gives provides financial position and credit of the clients to other businessmen which help the business.

**(ii) Bank Provides Lockers** - They provide lockers facilities to the clients which secure ornaments, important documents and securities etc.

**(iii) Bank Arrange Passenger's Cheque**- Bank issue passenger's cheque charging minimum charges. It decreases risk to take case/money during travelling. So it is very useful and secure during travelling.

**(iv) Bank Assumptions Work**- The Bank act as an under writer of the last loan letter of business establishments companies. That is if the shares are not purchased in the market. Then the it is purchase by the banks, bank take commission for this work.

**(v) Bank Act as Financial adviser** - Banks give financial advice to her clients and take small amount/charges for this work.

**(vi) Bank Arrange Clearing Houses**- Banks manage clearing houses to solve mutual payments.

**(vii) Bank Provides Public Loan Facilities**- Commercial bank as the representative of Central banks sells treasury bills, bonds which are issued by the government.

**(viii) Bank Helps in Foreign Business**- Commercial banks provides credit for foreign business which is very important in business.

**(ix) To Collect and Publish Financial Information**- Banks also work to publish information related to economic and business activities which is useful for businessmen, economists, politicians and scholars.

**(x) Other Auxiliaries Work**- Apart from above work, banks provides other auxiliary services like guarantee, letter of credit, gift, cheque etc.

**(xi) Creation of Credit** - Bank not only support businessmen but also help in creation of money. Through deposits, bills of exchange bank creates credit.

## Types of Banks-

As the economic development there is rise in money and credit demand. In this way various types of banks developed. The process of specialization stated in the banks for establishment of special

financial bank. As a result of it providing special work to the bank. According to the nature of work, banks are classified as follows-

**(a) Central Bank** - This bank shares the highest position in the country. It controls credit and also regulate it. It also control the country banking print money and act as the representation of the government. Reserve bank of India performs such duties in India.

**(b) Commercial Bank** - The bank which does the banking activities are called commercial banks. This bank performs the task of deposit the money, gives loans, sending the money, issuing cheque bill; collect or give payment according to cheque, issuing credit certificate etc. In India commercial banks work both in private and public section. Twenty seven business banks including the state bank of India group work in the public section in India.

**(c) Co-operative Bank** - In India co-operative banks specially work to meet the requirement of agriculture credit. This bank work on the principle of co-operative. In India the structure of co-operative bank all three dimensional - State co-operative bank; on the state level, Central co-operative bank; on the dist. level, primary co-operative agriculture; credit committees on the village level. Long term credit in agriculture is provided by the central and development banks on state level and primary land development banks are established on dist level.

**(d) Industrial Development Bank** - These banks provide as long term and term for the development of infrastructure of industries. These banks provide guidance for the technical management and marketing; After independence in India many development banks are set up. At national level national industrial policy 1948. Indian co-operative development bank 1964. Indian industrial credit and reconstruction banks 1955 and at state level state financial co-operative banks are established.

**(e) Regional Rural Bank** - These banks were established in India for arrangement of supply of credit with rural banks, rural gram bank was

established on Oct 2, 1975. At present more than 14,000 branches of 196 Regional Rural banks in 516 districts are active in our country.

**(f) Export Import Bank** - These banks are established to promote foreign business. It provides export-import credit facilities in India. It was established in January 1982 in India.

**(g) Investment Bank** - The task of these banks are to collect and invest small saving and get the benefit. In India LIC, Union Trust of India, Mutual Funds are working as Investment bank.

**(h) Saving Bank** - Separate saving banks have been set up in western country to encourage small saving of the general category. Commercial banks do this work in India.

**(i) International Bank** - After world war II in order to improve the economic condition and for the fast growth. These banks are established as international development bank in 1944. They are called world bank. It has two auxiliaries-

- (1) International development association
- (2) International financial co-operation

**(j) Indigeneous Bankers** - Indigeneoous Bankers are found in all parts of India. They make financial arrangements for agriculture and business. They are also called Mahajan, Sahukar, Sarraf.

**Major Document of Banks-** Normally major documents are used in the banks- Cheque, bank draft and pay order (Banks cheque)

**1. Cheque-** It is a written document order in which a certain amount is given to a certain person or to a particular account number by the bank. According to section -6. Indian exchange act declaration act 1881, "Cheque is the exchange letter written on particular bank and it can't be paid any other way other than explicit demand".

#### Essential Elements of Cheque-

- (i) It is always in written order; not oral.
- (ii) It is written by customer to its banker.
- (iii) There is no condition in cheque.

(iv) Payment is paid by fixed amount as written in the cheque.

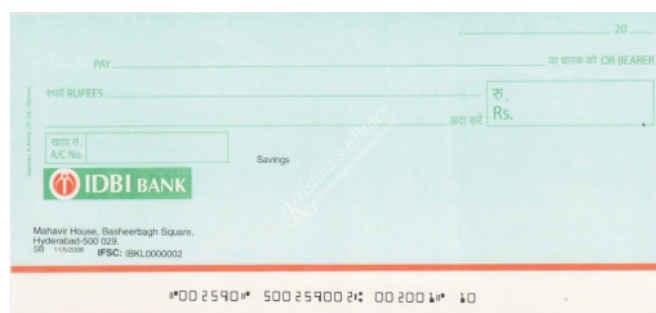
(v) The payment of the cheque will be only for the particular person or institution whose name is written on the cheque. The date of the payment will be decided by the client.

(vi) The cheque should be signed and should be verified by the bank from his copy available.

(vii) Account number and the date should be mentioned on the cheque.

(viii) Cheque must be used in printed format prescribed by the bank.

(ix) Date and account number must be mentioned on the cheque.



#### Parties to the Cheque-

**(a) Drawer-** he is the person who has account in the bank and he has rights to issue the cheque to another person.

**(b) Payee-** Bank is always payee on which customer writes the cheque.

**(c) Recipient-** he is one whose name is written on the cheque. Drawer himself can write his name on the cheque. If the cheque is sold then the carrier is the recipient. In this way a person who is authorised to get the payment of the cheque from the bank is called recipient.

**2. Bank Draft** - According to section 85 (a) of the party transaction deed act. It is the written order by the branding of the bank to the another branch of the same bank in which written amount will be paid on demand made by the person.



Bank draft is a simple, safe economical remedy for transmitting money from one place to another place, in exchange bank gets commission for this work.

### Parties to the Bank Draft-

**(a) Issuer bank-** Issuer of draft is known as issuer bank. It charges a certain commission for making draft. Through draft issuer bank orders the other bank to make payment of it.

**(b) Buyer -** A person who wants to make draft is called buyer, for this he has to fill draft amount in the prescribed form and pay commission for it.

**(c) Recipient-** A draft which is written in favour of the person or an organisation is called recipient of draft and bank is responsible to pay the draft.

**(d) Research Bank-** The bank to whom Issuer bank orders to make payment is called Research bank.



**3. Pay Order (Bank Cheque) -** Banker cheque is issued to the local customer to pay the bank. It is applied by buyer in the prescribed form and deposited to the bank and paid the respective commission and amount. All the rules and regulations of bank draft are applied on pay order also. The commission on pay order is less as compared to bank draft.

### 4. Insurance-

In India various types of risk work covered in ancient time. Kings and business men covered the risk of the persons who were working under them. During working hours if any person became handicapped or died or he became very old, employer gave them financial support and looked after properly. So the employee felt safe in that period and did his

work seriously. It was the ancient form of insurance.

Every person wants safety prosperity and happy life. We want protection from disaster, adversity or unhappy life. So he tries to reduce or control rainy days but many times is not able to reduce or control them. Due to these disasters he gets loss and upset in life. If the head of the family or an earning member died or due to fire in the house or shop or accidental death or any other ups and downs in the business, he got financial loss. In this way we can say life is full of risk and ups and downs. The need to reduce or control risks causes the necessity of insurance.

The principle of insurance is based on 'mutual trust' and understanding. If there is no mutual trust between insured person and insurance agent, importance of insurance becomes null and void or useless.

**Definition of Insurance-** Many learned persons define insurance as

According to Sir Vilium Bevreej 'Collective bearing of risk of a person is called insurance'.

According to honorable justice Sir Tindal 'insurance is a contract in which after mishappening of a person or any disaster, insurance company has to pay a certain amount to the insured person'.

To study the definition of insurance many learned persons give a conclusion that insurance is a contract in which insurance company gives a certain amount as a result of loss of any mishappening with an insured person.

### Characteristics of Insurance-

**1. Insurance is a Contract -** Insurance is a contract between insurance company and insured person in which insurance company has to pay a certain amount after loss or mishappening with an insured person.

**2. Source of compensation-** It is the effective and the best source to compensate the insured person when he suffering from financial loss. The principle

of insurance is not applicable or human life because human life cannot be compensated by money.

**3. Based on certain principles-** Certain principles are followed by insurance company to insured a person. insurance is mainly based on principle of mutual trust, principle of benefit of insurance, principle of co-operation, principle of insurance and the amount of premium.

**4. Insurance for pure risk-** The main principle of insurance is to cover pure risks. The meaning of pure risk means a covers only the possibility of loss for example- financial loss from death, accident, fire accident etc. It never covers possibility of profit.

**5. Feeling of cooperation-** insurance develops the feeling of one for all and all for one. It develops the feeling of mutual support and trust.

**6. Science and Art-** In insurance the principle of possibility is a main factor. The amount of premium is decided due to loss by using various mathematical methods and statistical calculation. So it is science.

To develop awareness among the people for possibility of loss and business or any disaster or any mishappening, insurance can reduce the possibility of loss and support insured person so it is an Art.

**7. Difference between insurance and gambling-** insurance is a arrangement to compensate the insured person. There is no chance of profit in it. While in gambling there is a chance of getting profit also.

Insurance covers risks and protects insured person. But in the gambling there is a chance to get profit or loss. insurance company gives a certain amount to cover risk to insured person and that amount is not a donation. But that amount is paid in exchange of premium paid by the insured person. Thus it is not a donation.

**8. Insured amount is paid after the events-** In insurance, insured amount is paid after completing insured period or any mishappening or getting loss to insured person or to nominee or successor. In this

way insurance amount is paid after the maturity or insured period or death or a person or accident.

**9. Insurance is a process-** Insurance is a process to develop stability by the insurance company so instead of in stability insurance establishes stability, in insured person.

**10. Develop saving Habit-** Insurance develops the habit of saving because a insured person has to pay the premium in time.

**11. Insurance Covers various elements-** Insurance covers various elements as insurance agents, insurance policies and their condition, premium etc.

**12. Insurance Covers Broader Field-** Area of insurance is very broad. In which it includes death, theft, accident, fire accident, group insurance, agriculture insurance, medical insurance etc.

**Usefulness of Insurance -** Life is full of uncertainty and risks. So the importance of insurance becomes more important. Insurance is very essential for all the categories of the society. So govt of India provides better facilities and less premium for a common man. Following are the usefulnesses of insurance.

**(a) Useful in person and family sense-**

- (i) Economic security from risk.
- (ii) Development of saving and investment.
- (iii) Method of work efficiencies.
- (iv) Planning of requirement in the future.
- (v) Rebate in taxes.
- (vi) Social security.

**(b) Usefulness from Business and Financial Point of View-**

- (i) Saving from risk.
- (ii) Capital and investment benefits.
- (iii) Promotion of foreign traders.
- (iv) Economic stability
- (v) To promote innovation and research

**(c) Usefulness from Social Point of View**

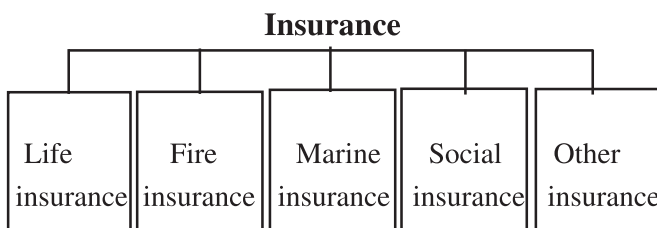
- (i) Stability and prosperity in family life.
- (ii) Division of risk.

- (iii) Employment opportunity
- (iv) Promotion of education
- (v) Tax rebate
- (vi) Contribution in the expansion of the infrastructure.

#### (d) National Point of View

- (i) Income in national saving.
- (ii) Helpful in foreign trades.
- (iii) Increase the social welfare of the client/employees
- (iv) Help to control or reduce inflation.
- (v) To increase national income.
- (vi) Better utilization of the money.

**Types of Insurance-** Today the area of the insurance is very broad. All the risk areas are secured today. India is a developing country and is trying to become advanced country. Countries which are more developed are having various types of insurances to cover risks. Insurance is divided on the basis of the nature of the insurance.



#### Glossary-

- (i) Insurance Agent-** A person or an institution who takes premium from the insured person and promises to compensate the risk.
- (ii) Insured Person-** A person who pays the premium to the insurance agent and has right to cover risks and will get compensation in exchange of risks.
- (iii) Subject Matter of Insurance-** The property or the life which is insured is called subject matter of insurance.
- (iv) Insured Money-** The maximum amount which is insured in exchange of risks will be paid to the employee after the completion of the insurance period

or after the death happened it will be paid to successor.

**(v) Premium-** Premium is the amount which is paid by the employee to the insurance agent in exchange of covering the risks.

**4. Storage-** Storage is very important in business activities. By collecting and storing the goods will not only increase the possibility of profit in the business but the safety of goods is also kept in the mind. Besides this, availability of the goods in time is also assured.

**5. Transportation -** All production can't be used at the production centers. So goods/production are transferred to the required place. The work related to transfer of goods from one place to another place is called transportation. Transportation is based on services related to goods also related to transportation of man and material through rail, air, sea and roads. These services are very important in competitive market. Transportation removes the barriers related to the places. We have to develop better transportation facility according to economic condition. For this we need better roads and increase the routes of the rails. In our country we have few harbours so we have to increase the number of harbours and provide better facilities there. So government and industrialists must be active to support and develop effective and better transportation facilities. Transportation is called life line of the business. In agriculture, manufacturing and construction area we get less profit due to poor transportation so it must be improved.

Transportation can be divided into

- (i) Land Transport -
- (ii) Air Transport -
- (iii) Water Transport -

**6. Communication-** Communication is two way process in which feeling or opinion or messages are transmitted to a person or a group with intention of

giving information. Today computer or internet becomes the constant, best and cheapest source of communication. Computer and internet are very important because they communicate various types of activities and information but it is necessary that message which is sent will not change its meaning. At the same time according to the importance of the message, the remittance at the appropriate time also falls under the main purpose of communication.

**Means of Communication-** It is the divided into (A) Postal Services (B) Quick Communication Devices

**(A) Postal Services** - Post office along with providing services of sending information to distant areas, it also provides service of commodity dispatch as well as money remittance. Postal services are divided into three parts:

**(a) News Dispatch-** Post office for news dispatch provide various services:

**(i) Post Cards-** Due to absence of confidential nature and little news, post card the cheapest and the easiest way of news dispatch. Its cost is only 50 P. and is available at any post office.

**(ii) Printed Post Cards-** This type of post card is used by business organization for the purpose of advertisement. Contest post card also comes in the same category which can be brought from post office. As per norms attached ticket on it.

**(iii) Inland letter-** Inland letter provides more space for news which is confidential also.

**(iv) Envelope-** Post office provides envelope in which confidential and detailed news or information are communicated. Today its cost is Rs 5/- if it has more than 20 gm weight extra charges will have to be paid. Business organisations and many persons use printed address on envelopes. Very confidential letters; legal documents are safe when they are sent by registered letter. Speed post is used for quick delivery and its cost is minimum Rs 25/-.

**(b) Commodity Dispatch-** Light weight and valuable things weighed 20 kg can be dispatched through post office. This can be sent by both registered or unregistered way. The charges depend on the weight of the commodity. This commodity can be insured by paying extra amount.

**(c) Money Remittance-** Post office provides the facilities to send money by money order; postal order and insurance paper.

**(B) Quick Communication Devices-**

**(1) Telegram-** Until sometime ago messages were sent through telegram from one place to another. Place and it is the single and quick communication. The charges of the urgent telegram is double as simple telegram. But due to advance technology this facility has been stopped.

**(2) Telephone-** By using this facility we can easily call a person nationally or internationally. The telecommunication companies take charges and provide this facilities. Today any person at any place can talk. Today internet website, e-mail etc. are the new revolutions in communication field.

**(3) Fax-** It is the small device which is connected with the telephone line by which written, printed and diagram; messages are sent with the help of the telephone line. These are received by the fax machine where they are sent.

**(4) Internet-** In the modern age internet is very important device. Today it is the best option to fulfil the all kind of needs. Internet always helps to write a letter, to talk with a person or relative or to buy books. It is the network that consists of private, public academic business and government network. It has the global scope and linked by electronic wireless and optical network. The internet carries a vast range of information resource series. It connects computers from different places or countries with the help of modem. Today many companies develop their own website and are available in internet.

**4.1 What is Website** - A website is the collection of related web pages and information. We can receive



any information from the storage information directly at any time where website is a medium. If we want any information we write the name of the chapter or site and receive that information as we want to know the information related to environment then we have to see link or type <http://www.envi.com> and the information is available on the monitor.

**5. E-mail-** E-mail is more popular in these days and everyone is familiar with the E-mail. This facility is also available in website. Through this any message can be sent anywhere in the world or can be received from any place. For this it is not necessary to have the same address of the website. We can send or receive information by using different websites . Some websites as yahoo, Google provides free facilities in the world or take no charges for their services. So many countries in the world are using its services. Books which are not easily available in the library, to buy to sell magazine is done by this facility.

**6. Video Conferencing-** It is the technology that is used in different location to hold face to face meeting without having to move to single location. Website which provides on line conversation in facility. We can open the site with the help of mouse. We can send messages, opinion etc. Two or more persons can use this facility. It also provides the face to face conversation facility on monitor or TV screen.

## **(7) Computer - Information Technology**

**1. Introduction-** Before 55 years ago we never thought about computer information technology and its development today man is dependent on it. In the absence of computer we feel dissatisfied. Computers provide all types of information which we need. In this way from computer we get all types of information related to past or present or future, at home within seconds.

Today scientists, develop information technology by which we can know the information about aeroplane satellite, weather information, causes of disease and how to control, advance technology

doing operations by the doctors etc. To sell or buy the goods is done easily by E-commerce in future. There is no need to move from one place to another to do the work because the work is done by computer. Today computer, CD Rom, multimedia, electronic publication, internet, online magazines, E-mail, homepage, bulletin board system digital video disc are more popular among the people. Today library services are computerised (In the library) and provided quickly.

**2. CD Rom-** In this technology we can read the information and we can't change this information. Thousand pages of information can be collected in this disc. Today many books, dictionaries, magazines are available in it which can be read and taken points from it. Besides this we can read more than one CD at a time on computer with the help of CD tower

**3. Multimedia-** Multimedia, we can see, send or receive various information with the help of multimedia. Printing, radiom telegraph, television are the devices used in the past. But today television satellite, taperecorder, VCD, CD, and are used to send or receive information quickly.

Multimedia is used for study material - Diagram, scene, animation, simulation or mutual connectivity or interactivity with the help of computers. By using it users connect and they can create a new thing.

**(A) Service Area-** We divide service area in major three parts :

**(a) Business Service-** This service includes banking insurance, transportation and communication services which have been discussed earlier.

**(b) Social Service-** These services are provided voluntarily for social purpose for example- To uplift the living standard of the weaker section of the society and to provide better education and food facility for the weaker section of the children. It will improve health conditions and promote cleanliness in the society. Generally these services are provided by the voluntary organizations and they take some charges

or amount for it. Some NGO's and government agencies also provide health; education and cleanliness services.

**(c) Personal Service-** The personal time is the age of tough competition or we may say a person who provides better services will survive the market. Needs and demands are different for the customers. So there is no formalities of the services are required. So services are dependent on the demands and needs of the customers as travelling; tourism, entertainment etc.

### Important Points-

1. Human activities are divided into two groups. (1) Economic activities (2) Non- economic activities
2. Economic activities can be divided in three groups. (1) Profit (2) Service and (3) Business
3. Economic activities which are related to production of goods and distribution and their object is satisfaction of customer is known as business.
4. To satisfy various categories of society - Profit objective, service objectives and human objective are the main objective of business.
5. Business activities can be divided into two groups. First group related to production activities and second group related to their distribution activities.
6. Production of goods with the help of physical resources for satisfying essential human needs is called industry.
7. With the regular flow of goods and services without any barrier between producer and consumer are included in commerce. They can be divided in two groups as- (1) Business and (2) Subsidiary activities.

### Objective Type Questions

1. The purpose of business should be-
  - (a) Earning maximum profit
  - (b) Providing service

(c) welfare of the employees of the organization

(d) To earn profit by social service and satisfaction of customers

2. meaning of business is-

- (a) Production of goods
- (b) Sale-purchases of goods
- (c) Advertisement of goods
- (d) Any economic activity

3. Business includes-

- (a) Production of goods
- (b) Distribution of services
- (c) Distribution of goods
- (d) Production of goods & services

4. Which is not true from following-

- (a) Business means sales and purchases of goods
- (b) Commerce is part of business
- (c) Business is part of industry
- (d) Activities facilitating business are called auxiliaries

5. In ancient times, the temples were decorated with gold in India because-

- (a) This tradition was used at the time
- (b) The trader of India sold foreign goods earned golden coin.
- (c) To devotees have a golden temple
- (d) The golden temple looked beautiful in seeing

6. Main work of banks are

- (a) To give loan
- (b) To accept deposit
- (c) To accept deposit and provide loan
- (d) To support business

7. The principle of identity is not applied to-

- (a) Sea insurance
- (b) Car insurance
- (c) Life insurance
- (d) Fire insurance

8. Investment element is found-

- (a) Sea insurance

- (b) Life insurance
- (c) Fire insurance
- (d) Crop insurance

9. What is the meaning of ultimate word trust is in the insurance contract

- (a) Trust in the terms of the insurance letter
- (b) Insured having trust in insurance company
- (c) Trust between insurance agent and insured person
- (d) Disclosure of all material fact by insured

10. Which of the following tools is the resources to send printed picture and send message in-

- (a) Telephone
- (b) Telegram
- (c) Telex
- (d) Fax

### Very Short Question

1. Define- Business
  2. Define- Profession
  3. Following activities are related to which group of industry
- | Activity                    | Industry |
|-----------------------------|----------|
| * Catch the fish from sea - | .....    |
| * Clothing wearing -        | .....    |
| * Animal husbandry -        | .....    |
| * Construction of dam -     | .....    |
4. By which sub-sidary activity can be controlled related to distance.
  5. By which sub-sidary activity can be removed risk.

### Short Type Question

1. Give any four characteristics of business.
2. What activities are included in commerce?
3. How business differ from commerce?
4. Explain types of industries.
5. Give any four activities of business objective.
6. Give any four activities of human objective.
7. How many types of transportation are there?

### Essay Type Question

1. Define the meaning of business and explain its

characteristics.

2. Explain the objectives of business. Explain in detail.
3. Write an essay on the area of business.
4. Explain difference between business, commerce and industry.
5. What do you mean by industry?
6. Give brief description of different types of banks.
7. What is cheque and give necessary elements of cheque?
8. Describe all sources of communication.

### Answer of Objective Questions

1. (d) 2. (b) 3. (d) 4. (c) 5. (b)  
6. (c) 7. (c) 8. (b) 9. (c) 10. (d)