

NEW HORIZON COLLEGE KASTURINAGAR

DEPARTMENT OF MANAGEMENT

I BBA – 'A' and 'B'

Business Organization and Environment

Faculty name: Mrs. Bharani.R

NOTES

UNIT- I

Chapter-1

Introduction to Business

Contents:

- a. Meaning of Business**
- b. Objectives of Business.**
- c. Classification of Business activities.**
- d. Advantages and Disadvantages of trade.**

Concept 1.

Meaning of Business:

Business may be understood as the organized efforts of enterprises to supply goods and services to consumers for a profit.

Concept 2:

Purpose of Business:

The purpose of business goes beyond earning profits. It gives importance to development of society by creating job opportunities, providing better quality of life and contributing to economic growth of the country.

Concept 3:

Objectives of business:

- a. **Profit:** It is the primary goal of any business enterprise. Profit enables a businessman for growth, expansion and survival.
- b. **Growth:** It is second important objective where the industry apart from earning profits contributes for the development of the society.
- c. **Employee satisfaction:** concern for the employees continue to be an important objective of business. To improve the quality of life of employees the concern should focus on providing good salaries, welfare facilities such as safety and security of jobs etc.
- d. **Quality products and services:** Organisations should focus on provide good quality products and services to the society which will enhance their image and profits.
- e. **Market leadership:** - To be global players any business industries should innovate products and enjoy the benefits of it.
- f. **Challenging.** Every business organization faces risks and challenges. It is the capability of the organization to enhance their strengths and reduce their weaknesses to face those challenges and be successful in the market.

Concept 4. Classification of business activities.

Business is classified into two:

- a. **Industry**
- b. **Commerce.**

Industry : It is a group of companies which manufactures similar products and similar services to similar consumers. Example: Software industry, textile industry.

Industry is further classified as:

- a. **Primary industry:** It is a industry which concentrates in production of goods and services with the help of nature. Example: agriculture, farming etc.
- B. **Genetic industry:** It is a industry which focuses in multiplication of species for purpose of sale. Example: poultry farming, cattle breeding etc.
- C. **Extractive industry:** It is a type of industry which concentrates on extraction of raw materials from beneath the surface of earth. Example: oil industry, coal industry, mining industry etc.
- D. **Construction industry:** It is the industry which focuses in construction of dam, road, canals and flyovers. It focuses on development of infrastructure.

E.Manufacturing industry: It is the industry which focuses on conversion of raw materials to finished products. Example: paper industry, sugar industry etc.

F.Service industry: This industry focuses on providing services to the consumers along with goods. These services include insurance, hotel services, aviation services,outsourcing etc.

2. Commerce: Commerce includes buying and selling of goods along with their distribution. Commerce is classified into two:

a. Trade

b.Aids to trade

Trade: Trade is an organized market for buying and selling of goods. It is classified into two:

a.Home trade

b.Foreign trade.

Home trade: Trade which happens within the boundaries of the country. Example: Sale which happens within India is called Home trade. It is further classified into two:

a. Wholesale trade

B.Retail Trade

Wholesale Trade: It is a trade which happens between Producers and retailers. The wholesalers buy large quantities from wholesalers and then sell in small quantities to retailers.

Retail trade: It is a trade which happens between Retailers and final consumers. They are in last link in the distribution channel. They buy in small quantities from retailers and sell it to final consumers.They are more important in distribution channel because they are in ultimate link with consumers.

Foreign trade: It is trade which happens between two or more countries. Example Export and Import.

It is classified into three:

Import trade.

Export trade.

Entrepot trade.

Import trade: It is buying of goods from other countries. Example India purchasing raw materials or goods from china.

Export Trade: It is selling of goods to other countries. Example India selling goods like coffee, vegetables etc to other countries.

Entrepot trade: It is importing of goods for the purpose of reselling or exporting to other countries.

Example: India purchases raw materials from Japan processes it or assembles it and resells it to USA.

Aids to trade:-

Trade or exchange of goods involves several hindrances which are removed by auxiliaries(supporting) known as aids to trade.

The various aids to trade are as follows:-

1. **Transportation:**
Trade faces hindrances with respect to place and this hindrance is removed with the help of transportation. There are several kinds of transport such as land, water and air.
2. **Trade:-** Business faces a personal hindrance where buyers and sellers cannot simultaneously meet and their hindrance is removed with the help of trade.
3. **Warehousing:** Trade faces a hindrance with respect to time and this obstacle is removed with the help of warehousing where goods are stored to meet the future demand of products on a seasonal basis.
4. **Insurance:-** Every business faces risk and this hindrance is removed with the help of insurance which protects the traders against financial loss resulting from fire ,theft etc.
5. **Banking:-** Commerce faces an hindrances with the respect to working capital finance and this hindrance is removed with the help of banking where the traders enjoy the loans provided by the banks and the banks safeguard the traders money and facilitate the payment of huge sum through cheques.
6. **Knowledge:-** Commerce develops an hindrance of knowledge that is removed with the help of advertisements and media.
7. **Technology:-** Commerce removes the hindrance that arises between the buyers and sellers with the help of technology where online trading acts as a medium of exchange.

Advantages of trade:-

a.Trade helps to increase international business.

b.Trade improves efficiency in production by technology and innovation and specialization.

c.Trade improves the standard of living among nations.

Disadvantages of trade:-

- Mass production leads to mass pollution.
- Trade may lead to concentration of power and wealth.

