

Unit - I

Date ___/___/___

①

Saathi

Evolution of business

* The economic development of a country depends on the development of commerce and industry.

There have been different stages through which the development of trade and industry has passed.

* Evolution of business activity

Barter System

village economy

Introduction of money

Town economy

Industrial Revolution

Development of Engineering

Revolution in Iron making

Use of steam power in textile

Revolution in Transport

Development of coal mining

Rise of chemical industry

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1)

Barter System

Barter system is a system of exchange of goods for goods. The earlier system of producing or perceiving only for one's needs gave way to barter system.

With the increase in demand for more and more goods and surplus in one's own production, there was a search for those who wanted to exchange goods for goods. The family started producing more than their needs. At the later, some places were fixed where people used to come for exchanging their surplus product with others.

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Drawback of this system

- 1) Problem of bringing together persons who needed each other's goods.
- 2) No common yardstick for measuring the value of goods to be exchanged.

2)

Village Economy

People started settling at particular places and began to sow seeds and rearing cattle on the land which they shared with community. These tribes started producing the things which they required and it was a system of self sufficiency.

With the advent of private ownership of land and cattle, the tribe system splits into families. Some families started concentrating on occupation other than agriculture. All these developments led to a self reliant village economy.

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3) Introduction of Money

Find some common medium for exchange.

In the beginning, some commodities were used as a denominator for exchange. (Stone, shells, cattle, feathers etc. used for value. Gradually metal like iron, copper, bronze, silver and gold take to be more convenient as a medium of exchange.

The metal are weighed and stamped to fix their value.

4) Town Economy

The system of self sufficiency give way to division of labour. Instead of producing family needs people started meeting needs of the whole village. People started specialising in different products. certain places were being fixed for buying and selling goods.

There used to be weekly mandis or fairs where people come from nearby villages would come to sell and buy goods for their needs.

5) Industrial Revolution

'Industrial revolution' is used to describe a series of changes in the industrial field in England during the period between 1760 to 1850.

A number of invention took place in England which changed the entire technique of production.

The machinery were used for production, division of labour was introduced and the mode of transport were improved. Use of steam engine in place of labour helped to increase production.

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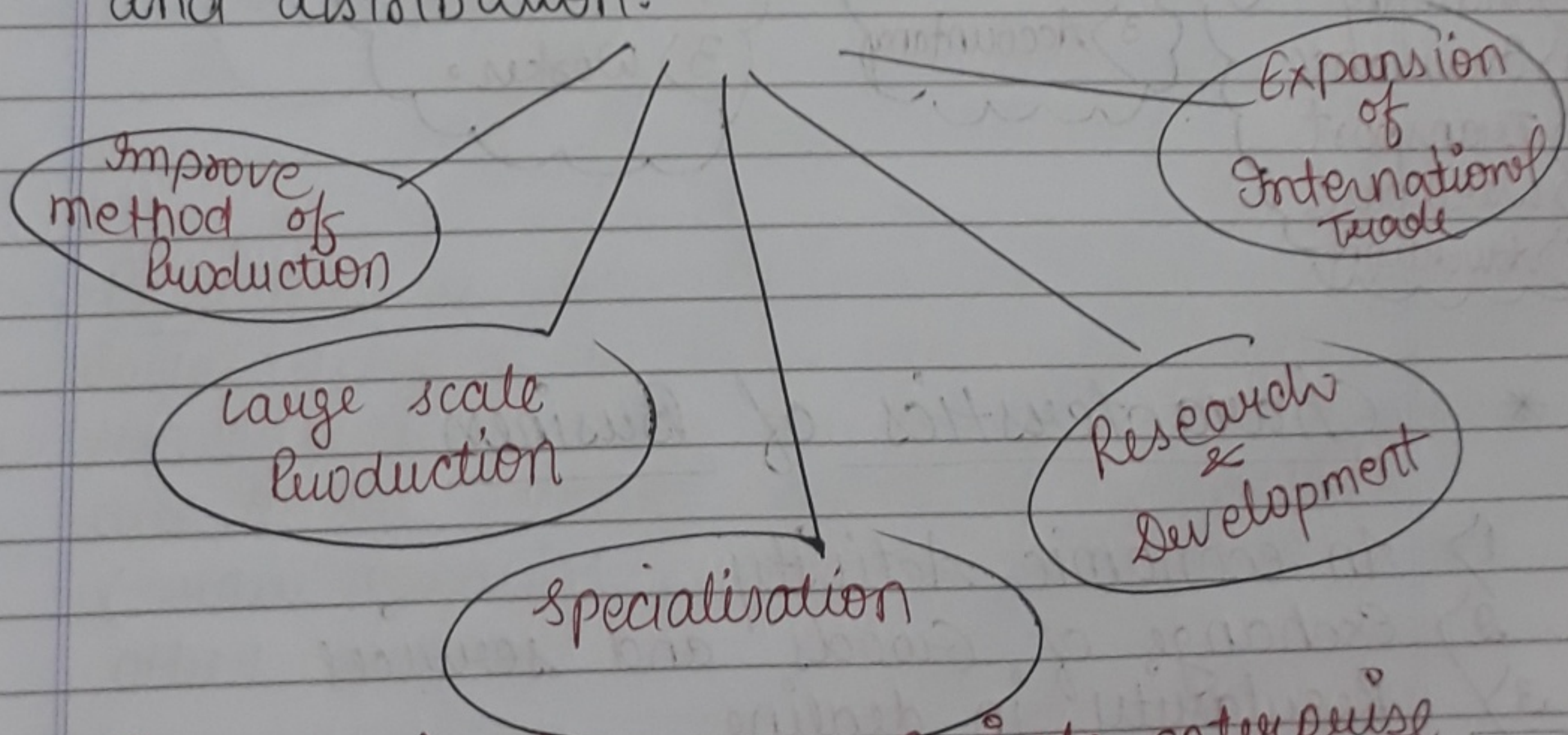
The use of machines required more capital investments and it led to the change in ownership from a sole proprietorship to a joint stock company.

* So-called industrial revolution comprised of six great change or developments all of which were inter-dependent.

These changes were

- a) Development of engineering
Industrial revolution brought about a change in engineering skills. Engineers were required to design machines for textile and coal mixing industries. The tool making for repairing ships and locomotives were also essential.
- b) Revolution in iron making
The casting of iron for manufacturing machines was other need of revolution. A sufficient quantity and goods of iron was need of time.
- c) Use of steam power in textile.
First steam power used in spinning. It creates a surplus of Yarn because man-made and traditional method of weaving could not cope with the situation.

- iv) Rise of chemical Industry
bleaching, dyeing, finishing and printing so that production could be accelerated to keep pace with the output of piece goods.
- v) Revolution in Transport
Horse driven carriage could not cope with the needs of large scale production. Moving of raw material and distribution of final goods will be possible only with better transport means.
- vi) Revolution in Communication and transport
There was a need of more and more market to sale. The discovery of new sea routes, opening of Suez canal, introduction of railways, steamships, aeroplanes, automobiles revolutionised transport system.
- vii) Advancement in Modern business
These changes have revolutionised production and distribution.



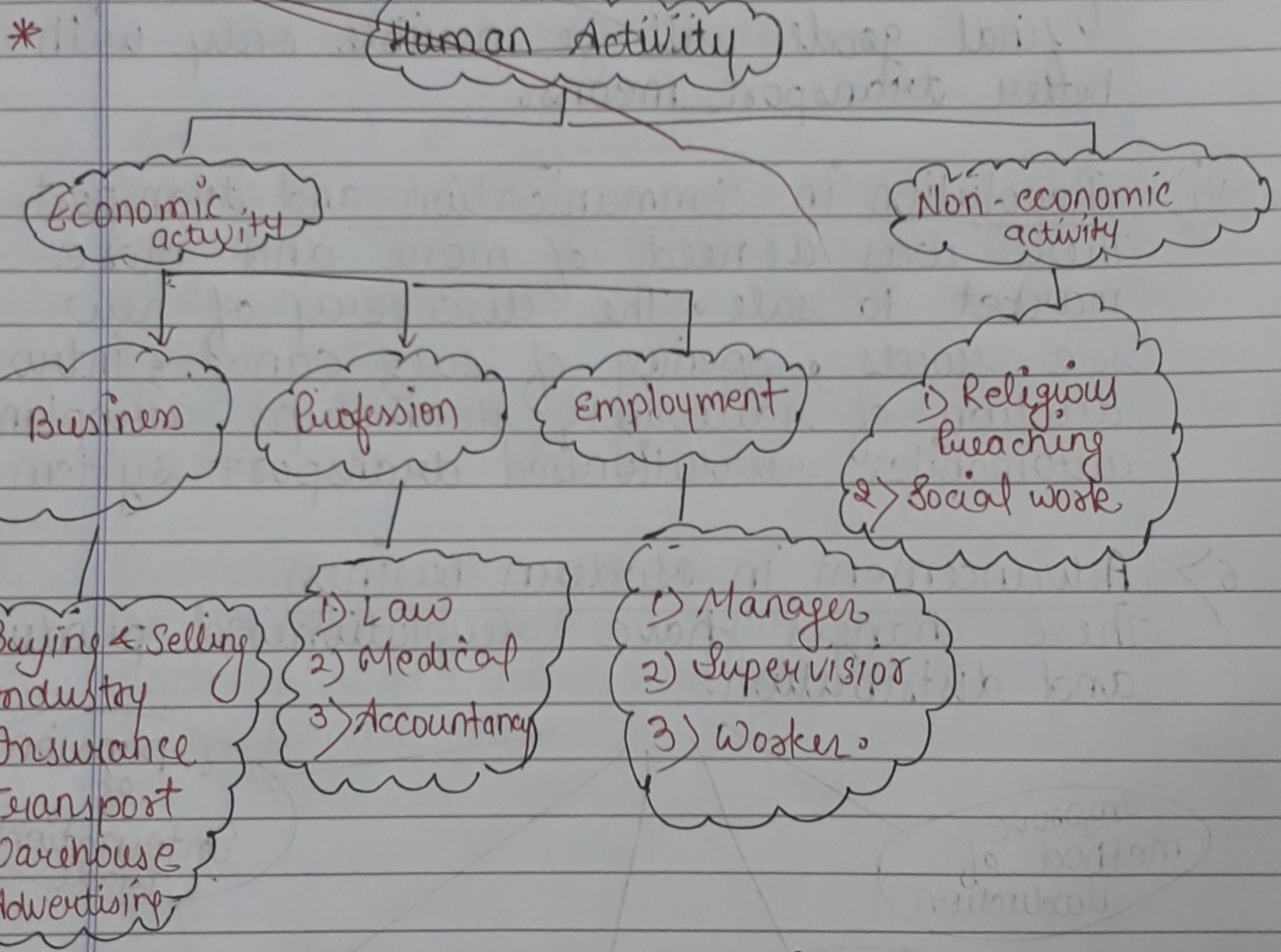
- viii) Growth in Public and Private enterprise

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* Business

* Business may be defined as an economic activity involving regular production or purchase and distribution of goods and services with the object of earning profit.

It include Buying and selling, industry, Insurance, transport, warehousing, advertising etc.



* Characteristics of Business

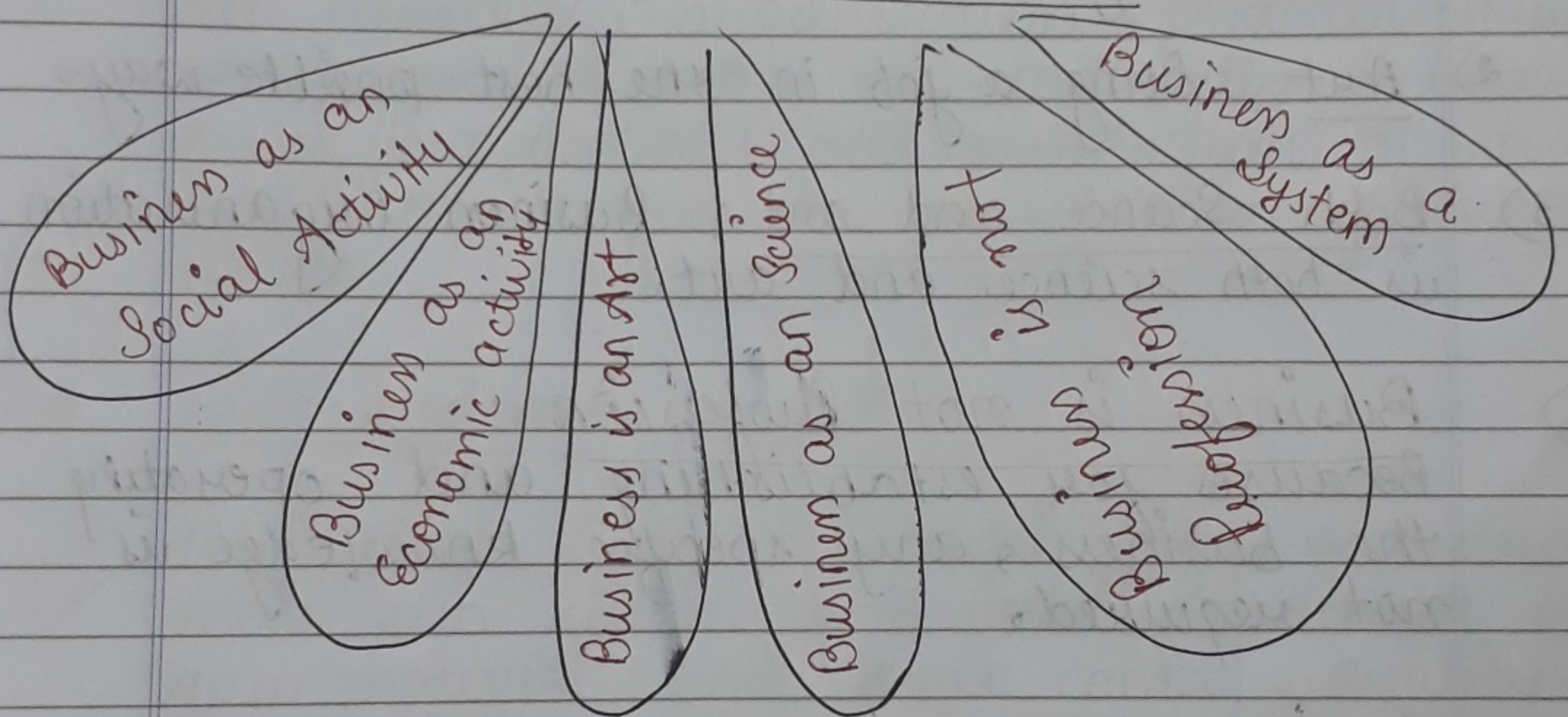
- 1) An economic Activity
- 2) Exchange of Goods and services
- 3) Regularity in dealing

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- 4) Profit Motive
 5) Element of Risk
 6) Creation of Utility → Utility is created in various ways →
- * Utility of place → Carrying goods from the place of production to the place of consumption.
 - * Utility of form → changing their size or form
 - * Utility of time → storing them in godowns
 - * Utility of ownership → sale and purchase.

7) Consumer satisfaction

⇒ Nature of Business



1) Business as an Social Activity

Social activity is one which is related with the creatures living in society. Business exist due to the factors provided by society. (raw material, man power, capital and other sources)

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2) Business as an Economic Activity
 Economic activity is an activity which is performed to earn money.
 Business produce goods and services and in exchange of some consideration, transfer them to consumer & earn money.

3) Business as Science and Art.

1) Science Science means a systematic knowledge of subject which establishes a relationship between cause & effect.
division of labour → Principle.

2) Art Doing a job in the best possible way.

3) Both Science and art → Business Organisation is both science and art.

4) Business is not Profession
 Because for establishing and operating the business, any specific knowledge is not required.

5) Business as a System

System is a group of many sub system.
 Business is a main activity, sub activities are sales, purchase, production, distribution, marketing, research, finance etc.

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⇒ Objective of system

- 1) Proper Utilisation of Resources to achieve maximum and efficient utilisation of various limited resources.
- 2) Knowledge of Inefficient Element to get information about inefficient and ineffective unit of system.

⇒ Meaning of business system

The business system is a combination of all resources, organisation, and institutions which are directly or indirectly related to be production and distribution of goods and services for the satisfaction of human needs.

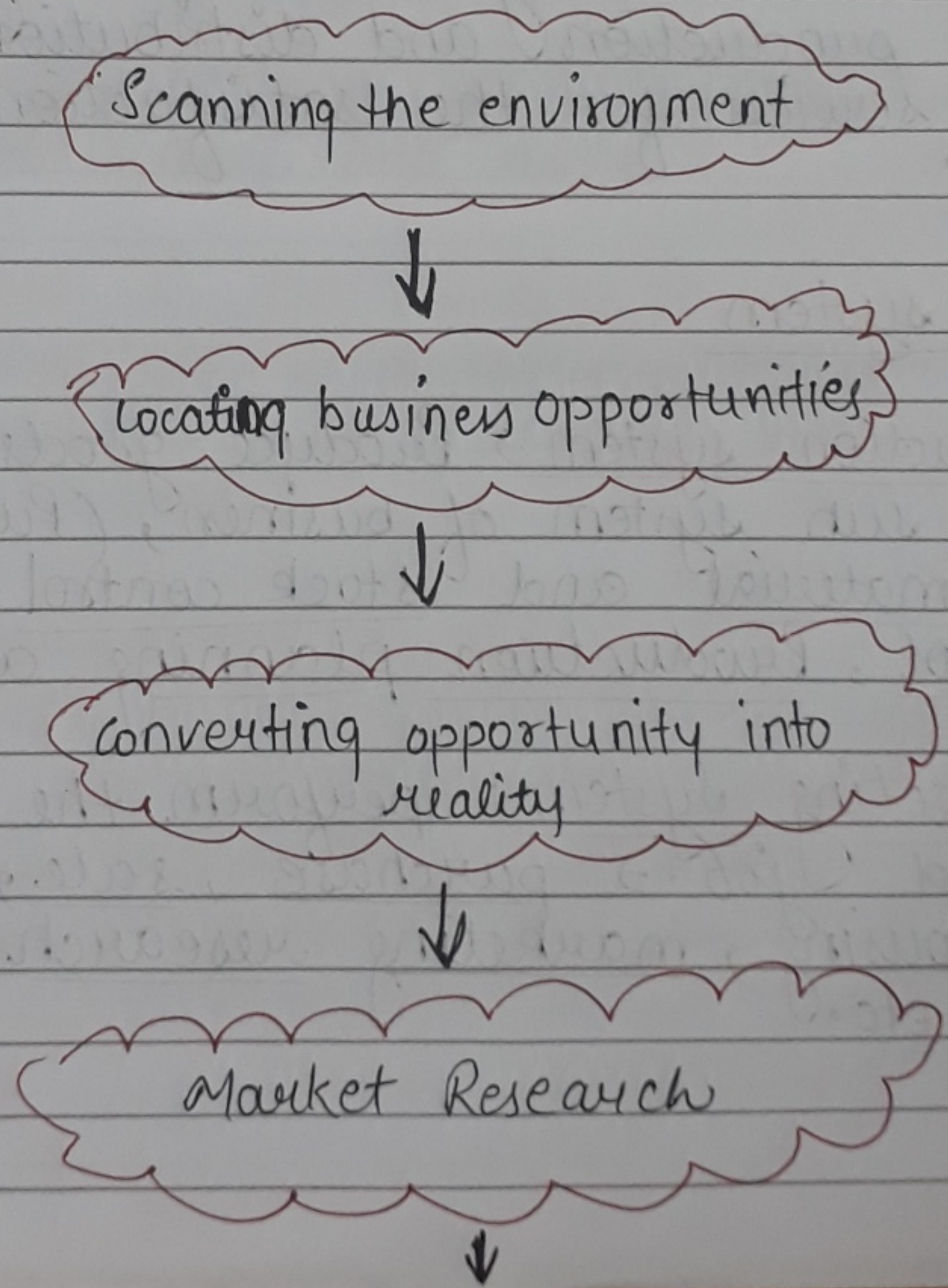
* Sub system

- 1) Production system → Produce goods and services, main sub system of business, (Purchase of raw material and stock control, quality control, production planning and control).
- 2) Marketing system → perform the marketing related job → purchase, sale, transport, warehousing, marketing research, advertisement etc.

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- 3> Finance System provide required funds to business. Estimation of fund, selection of source of finance.
- 4> Personnel system perform job related to employees. Estimation of manpower, selection, training and developments.
- 5> Research and development system This system search for new products, new techniques of production.

* Launching of New business Enterprise

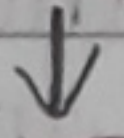


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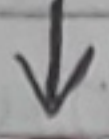
Developing a business plan



Techno-economic feasibility



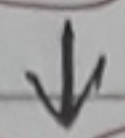
Preparation of feasibility report



Accumulating resources



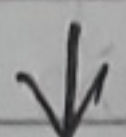
Financial preparation



Generating funds



Legal issues



Organising production



Marketing of products



Managing entrepreneur

Process of launching a business enterprise

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1) Scanning the environment :-> refers to the efforts an entrepreneur uses for examining the external and internal environment before making a decision to start an enterprise.

2) Locating business opportunities -> Opportunities for potential entrepreneurs are unlimited. Entrepreneurial opportunities will continue to exist for individual willing to take the risk.

* Two major characteristics of business opportunity

1) Good and wide market scope -> gap between present or likely demand and supply.

2) An attractive, acceptable and reliable returns on investment.

3) Converting opportunity into reality

The entrepreneur plan systematically to convert the opportunities into reality in the following manner.

1) Creativity and innovative ideas, product, services

2) By acquiring technical and required skill

3) By collecting necessary information

4) By ~~evaluating~~ evaluating business opportunities through swot analysis.

4) Market research

It involve gathering information about a particular market followed by an analysis of that information to access the buying behaviour, price and preference and to identifying the competitors.

- 5) Developing a business plan
The entrepreneur has to prepare expected needs and projected results of a new business. It is a road map for a successful enterprise.
- 6) Techno-economic feasibility
The success of enterprise depends upon the entrepreneur doing the right thing at the right time. Starting a new business is very challenging and rewarding task. It requires an analysis of the project in depth.
- 7) Preparation of feasibility report
The main purpose of the report is to provide information that is required for the project appraisal. This report would enable the financing agencies to evaluate through project before extending financial assistance. It contains financial background information about industry and enterprise, product characteristics, market position and trends etc.
- 8) Accumulating resources
An entrepreneur operates in a competitive environment. In order to complete effectively he must allocate resources efficiently. Three kind of resources are available to the entrepreneur. They are human, material and financial.

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9) Financial Preparation : It focus on

- Preparation of financial statements balance sheet, Income Statement, cash flow statement.
- Preparation of operating budget.

10) Generating fund
Entrepreneur can obtain sources of fund from the following →

- Personal sources
- By issue of shares
- By raising loans from commercial banks and financial companies.
- IDBI, IFCI, ICICI

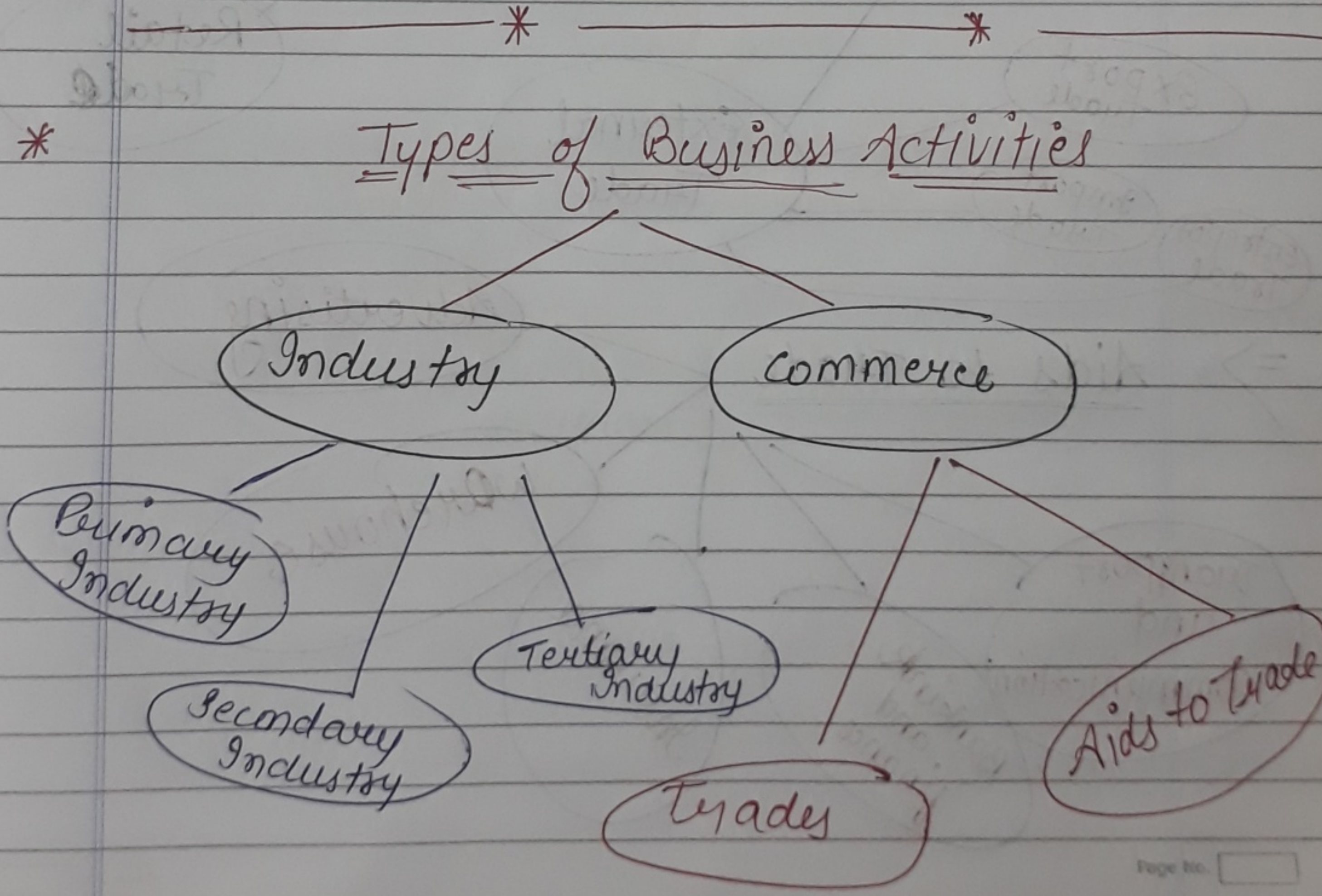
11) Legal issue
Entrepreneur should have some knowledge about certain legal concept that have implications for the business venture mostly related to

- Inception of venture
- Ongoing venture
- Growth and Continuity of venture

12) Organising Production
Once the entrepreneur arranges the funds, he has to organise the production. Organising production refers to making arrangements for purchase of machinery, appointment of workers lay out of plants, process and planning etc.

13) Marketing of Product
 Marketing includes 4 P's -> Product, Price, Promotion and Place. Marketing is a comprehensive term and includes all set of activities necessary to direct and facilitate the flow of goods and services for products to consume in the process of distribution.

14) Managing Entrepreneur
 It is the most crucial task for the future success of business. It is a great challenge to business the activities of the organisation and manage the growth. It requires both the technical skills and ability on the part of entrepreneurs.



Date ___/___/___

=> Primary Industry

Extractive Industry

Genetic Industry

=> Secondary Industry

Manufacturing Industries

Construction Industries

=> Tertiary Industry

=> Trade

Internal Trade

Wholesale Trade

Retail Trade

External Trade

Export Trade

Import Trade

Entrepot Trade

=> Aids to Trade

Advertising

Warehouse

Insurance

Transport and Communication

Banking and finance

Date ___/___/___

- * Industry : sector where raw material ~~into~~ gets converted into useful products.
- * Primary Industry Production directly through natural resources water, air & land.
- 1) Extractive Industry These industries extract or draw out product from natural resources.
- 2) Genetic Industry Involved in the activities of rearing & breeding of living organism. bird, plant, animals.
- * Secondary Industry This industry is concerned with converting raw material into finished products.
- 1) Manufacturing industry → converted raw material into finished goods.
- 2) Construction industry → concerned with the construction of building, dam, roads.
- * Tertiary Industry → concerned with providing those service which facilitate a flow of goods and services.

⇒ COMMERCE

Refers to all those activities which help directly or indirectly in the distribution of goods to the ultimate consumer.

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1) Trade It include buying and selling of goods and services. It is a link between manufacturer and the consumer.

* Internal trade buying or selling goods within geographical boundaries of a country. known as home trade or domestic trade.

1) Wholesale 2) Retail

* External trade buying or selling of goods beyond the geographical limit of the country.

1) Export Trade 2) Import Trade 3) Entrepot Trade

⇒ AIDS TO TRADE

Activities which help to smooth flow of trade are known as aids of trade.

- Transport & Communication
- Banking and finance
- Insurance
- Warehousing
- Advertising

(19) Comparison of Business, Profession, Employment

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(Saathi)

<u>Basic</u>	<u>Business</u>	<u>Profession</u>	<u>Employment</u>
<u>Mode of Establishment</u>	Entrepreneur's decision & other legal formalities, if necessary	Membership of a professional body and certificate of practice	Appointment letter and service agreement
<u>Nature of work</u>	Provision of Goods and services to the Public	Rendering of personalised, expert services	Performing work as per service contract or rules of service
<u>Qualification</u>	No minimum Qualification	Expertise & Training in a specific field	Qualification and training prescribed by the employer
<u>Return Reward</u>	Profit earned	Professional fee	Salary or wages
<u>Capital Investment</u>	Required as per size & Nature of business	Limited Capital needed	No capital required
<u>Risk</u>	Profit are uncertain & IRREGULAR, Risk is present	Fee is generally regular and certain, some risk	Fixed and regular pay, No risk
<u>Transfer of interest</u>	Transfer possible with some formality	Not Possible	Not Possible
<u>Code of Conduct</u>	No code of conduct is prescribed	Professional code of conduct is followed	Norms of behaviour laid down by the employer are to be followed

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