

Contents

CHAPTER 1	2
1 BUSINESS.....	2
1.1 Concept and Meaning of Business.....	2
1.2 Core Elements of Business	3
1.3 Core Concepts of Business	3
2 Features of Business	3
3 Stages of Development of Business	4
4 Features of Business	5
4.1 Human Activities	7
5 Objectives of Business	7
6 Business Employment and Profession	8
CHAPTER TWO	11
1 Classification of Business Activities.....	11
1.1 Industry	11
1.1.1 On the basis of nature of activity.....	12
1.1.2 On the Basis of Nature of Goods Produced	13
1.1.3 On the Basis of the Level of Investment	14
1.1.4 On the Basis of the Size of the Activity	14
1.1.5 On the Basis of Area of Operations.....	15
1.2 Exercise	15
2 Commerce	16
2.1 Trade	16
2.1.1 Internal Trade.....	17
2.1.2 External Trade	17
3 Internal Trade Vs External Trade	17
4 Benefits of International Trade.....	18

5.	Key Documents Used in External Trade.....	18
6.	Institutional & Organizational Support in India	18
7.	Aid to Trade.....	19
7.1	Exercise	21

CHAPTER 1

INTRODUCTION TO BUSINESS

1 BUSINESS

1.1 Concept and Meaning of Business

All human beings require different types of goods and services to satisfy their needs. Different goods and services can be purchased by visiting the stores or online. A business produces the goods and services and ends with the consumption by the consumers. Between production and consumption there are several steps. Production comes under industry and rest of the steps is part of commerce. To summarize business is a broad concept under which comes trade, industry and commerce.

Business: Business is derived from the word ‘busy’. Thus business means being busy. Any organized economic activity that engages in production, purchase, sale or distribution of goods & services. Business can be referred to the mechanism of exchanging of goods and services which of value to the humans and can generate profit by satisfying the human need, want and desires.

According to William Pride: “Business is the organized effort of individuals to produce and sell for a profit the goods and services that satisfies the need of society”

According to W.R.Lewis: “Business is any human activity directed towards producing or acquiring wealth through buying and selling goods.”

According to L.R.Dickesee;”Business refers to a form of activity conducted with an objective of earning profits for the benefit of those on whose behalf the activity is conducted.”

1.2 Core Elements of Business

The success of Business depends upon three core elements

Core Element	Description
Economic Element	This involves exchange of goods and services with intention to generate profit
Social Element	Satisfying market or social needs through an organized human effort
Systematic Element	Proper execution of Business planning, allocation resources and funds with proper management of and setting of SMART goals for the success of business.

1.3 Core Concepts of Business

Goods Vs Services: Goods are tangible products which can be touched, while services are intangible that cannot be touched physically.

Revenue Vs Profit: Revenue is the total money coming from the sales. Profit is the amount left after subtracting all the operating expenses.

Risk and Uncertainty: Changing consumer preferences, increased competition and economic factors are the uncertain conditions that the business owners face.

2 Features of Business

Economic Motive: The activities carried out to sustain financially and earn livelihood

Regularity and Continuity: The business transactions must be regular and continuous rather than being an isolated transaction.

Creation of Utility: Business creates utility for the society by procuring raw materials, finishing the goods, moving and storing the goods.

Mitigating the Risk: Making profit is never guaranteed. However business needs to take calculated risk to withstand the uncertain conditions.

3. Stages of Development of Business

Business has evolved based on social, legal and technological need shifting from basic survival to complex global network. Business has played a vital role since time immemorial. According to the archaeological studies the trading activities were carried out both through land and sea. Bulk of trade was carried out through the silk route and maritime trade. The trading was done to serve both the domestic and the international market. Various economic activities such as agriculture, domestication of animals. Weaving cotton, making clay pots, etc. Money was circulated freely which led to development of indigenous banking system to give credit facilities to the business. Since carrying huge sum of money while travelling long distances to carry out trade was risky which led to the use of intangible form of money which was known as “Hundi” & “Chitties”. The ease of doing business and free availability of loans led to balance of trade where exports exceeded the imports. Many travelers including Megasthenes, Al Beruni & Ibn Batuta praised Indian trading system. With the arrival of East India Company, under the British rule the Indian economy deteriorated. From being exporter of finished goods, India became exporter of raw materials and importer of finished goods. After gaining independence from British rule India inherited fragile economy, the financial system was weak, huge fiscal deficit, more allocation of budget money on defense the fiscal deficit gap started to broadening as a result India liberalized the economy in 1991. Post 1991 Indian economy has been growing as one of fastest economies of the world. The recent initiative of the government on “Make in India”, “Made in India”, “Skill India”, “Digital India” has helped the Indian economy with balance of trade.

Stages of Development in Nutshell

- ✓ Self Sufficiency & Hunting Stag

There was no business, trade or market. Whatever was produced was consumed independently

- ✓ Barter System

There was exchange or swapping of goods e.g wheat for rice

- ✓ Invention of Money and Trading

The money in form of shell, salt, cattle which eventually led to minting of metal coins. Standard prices were set for commodity & trading was done through trade routes.

✓ Guild System

Traders organized themselves to guilds to protect their economic interest, regulate the trade quality and control prices within a specified town to keep out the outside competition. Towns flourished giving birth to merchant class.

✓ Age of Mercantilism and Growth of Global Trading Companies

Maritime trade or the trade through sea route grew, Nations began to adopt mercantilism where governments maximized exports, minimizing the imports and began accumulating precious metals. Dutch East India Company and British East India Company were the world's first public joint stock companies who began issuing shares on the stock exchanges.

✓ Industrial Revolution

The invention of steam engine completely revolutionized manufacturing. Production moved out of the homes to the factories. Business shifted from individual artisans to assembly line production. To distribute the huge surplus of goods business adopted branding and mass marketing strategies.

✓ Corporate and Management Professional Age

Instead of business being run by family salaried professionals were hired as managers. There was rise in multinational corporations and supply chain became more complex. The era saw specialized business education (MBA's)

✓ Digital and E-Commerce age

The birth of internet and mobile phones has redefined the speed and accessibility of business transactions. With the rise of E-commerce platforms such as Amazon, Alibaba, cloud computing and digital payments physical borders have disappeared.

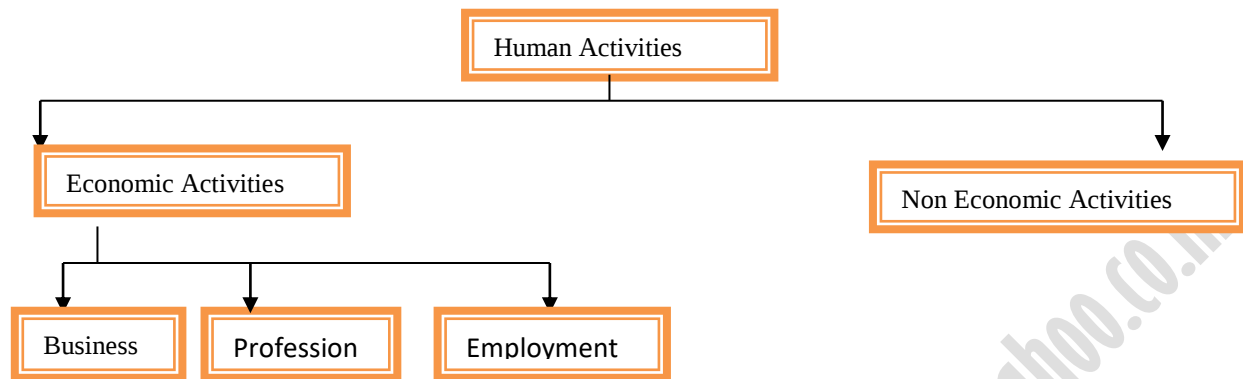
4. Features of Business

To distinguish business from other activities of society the nature of business are as follows:

- a. As Social Institution: It relies on society for the raw material, labour and provides goods as output to the society. It looks after the interest of various social groups such as consumers, employees and community. It operates under the laws of the society and ensures that the business has the trust of the society.
- b. As economic activity: Business is not driven by love, emotion or affection but it is purely an economic activity with the objective of earning livelihood or making profit.

- c. **Production/Procurement:** Goods meant for consumption must either be produced or procured. If the goods are meant for self consumption then it is not business. For business there must be two parties-buyers & seller the goods should be transferred between buyer and seller for money or exchanged through barter system.
- d. **Dealing in goods & services:** Business deals with goods and services. The goods may be final goods meant for consumption by either customers or consumers or they may be producer goods such as machinery meant for further consumption. Business is also concerned with the services such as banking, insurance etc.
- e. **Continuity & Regularity:** A single transaction is not considered as business. Any activity which happens at regular interval is considered to be business. If a person sells his jewelry once is not considered as business however he repeatedly purchases and sells his jewelry is considered as business. How frequently the transaction happens depend on the nature of the business. A newspaper hawker sells his newspaper daily but a construction company takes years to build the housing society.
- f. **Profit Earning:** Profit earning is the basis of any business. If the business is not able to generate the profit then the business would shut down. It is the profit which drives the business to take financial risk and is essential for long term growth of any business.
- g. **Element of risk:** In every business there is possibility of incurring losses not only due to bad decisions but due to uncertain conditions and changing preferences of consumers, competition or economic changes. Losses due to such uncertain conditions can be termed as risk for the business owners. There are two types of risk(i) Risk whose probability can be calculated e.g. floods, fire theft etc.(ii) Risk whose probability cannot be calculated and they cannot be insured e.g. changing technology would render your technology as obsolete, changing fashion or fad.
- h. **Creation of Utility:** Business add value to the raw materials by changing their forms(form utility) store them until needed(time utility),or transporting them where they are required(place utility).
- i. All activities related to production may be called as “Industry”
- j. All activities related to exchange of goods and services may be called as “Commerce”

4.1 Human Activities



Human activities include whatever we do in our daily life. All human beings are engaged in some or the other activities since the time we get up in the morning till the time we go to sleep. Children go to school, elders go to office, and farmers go to field. A child going to school does not produce any economic benefits however going to office or farm produce economic benefits. Thus we can classify human activities into (a) economic (b) non economic

Economic activities: Activities taken by human beings to earn livelihood or earn money. Economic activity is concerned with production or exchange of goods and services. For example doctor working in a hospital, farmer working in a field.

Economic activities may further be classified as (i) business (ii) profession (iii) employment

Non Economic activities: Activities done by human beings out of love, affection, social or religious obligation or out of patriotism but not for the sake of earning money. Children going to school, social worker working for the underprivileged poor

5. Objectives of Business

Profit making is an important criteria for the business to be successful however profit earning is not the only criteria for the business to be successful. As said by Henry Ford “Business is not only money chasing but should also aim at serving the community”. Therefore serving the community is also important criteria for the business. According to some authors serving the community is the major objective of the business and this is the main justification for the existence of business as an important human activity. Therefore we can sum up that profit is the basic criteria for any business to stay in the competition but business should aim for something more for the survival and growth.

The objectives of the business can be categorized as:

- i. Economic Objectives:

To achieve economic goals is the primary objectives of the business. Some of the economic objectives are

- Earning satisfactory profits
- Exploring more markets and creating new customers
- Growth and expansion of the business
- Increase market share
- Maximum utilization of 4M's (Men, Machine, Material, Money)

ii. Social Objectives:

Business being part of society has some obligations towards the society. Some of the major social objectives are:

- Supply quality goods to the society
- Provide the goods and services to the society at reasonable prices
- Ensure there is no profiteering and unfair practices
- Ensure welfare activities for the society such as building public facilities and promoting economic sustainability

iii. Human Objectives

Business activities are carried out by employees. The efficiency of business depends on the motivation and ability of the employees. Therefore business must also have some human objectives to safeguard the interest of the employees. Some of the major human objectives are:

- Fair wages to the employees
- Good working conditions to the employees
- Job satisfaction to the employees
- Provide better growth, training & career opportunities to the employees

iv. National Objectives

- Create jobs and reduce the unemployment rate
- Pay taxes to the government to fund the public infrastructure and services
- Protect environment and local resources

6. Business Employment and Profession

You have analyzed the business, now let us differentiate between business, employment and profession

Features	Business	Profession	Employment
Establishment	An individual or	Earn basic degree,	Signs employment

	group of individuals by fulfilling legal formalities can start business	training & become member of the professional body	contract with the employer
Qualification	No basic qualification is required	Professional knowledge and training in the relevant field is required	In some jobs certain specialized qualification is required else in other jobs no specialized degree is required.
Investment	Capital is required	To establish office some capital is required	Capital is not required
Nature of work	Production/exchange of goods or services	Specialized nature of personalized job for the clients	Perform the work given by employer under the service contract
Motive	Earn Profit	Charge fee but giving good service is key	Mainly to earn livelihood
Reward	Profit	Professional fee	Salary
Transfer of ownership	Business can be transferred	Cannot Transfer	Cannot Transfer
Risk	Risk of loss	Fee not enough to sustain	No risk. Monthly salary is given

Question 1 what is the difference between economic & non economic activity?

Question 2 what is Business?

Question 3 what is Profession?

Question 4 what is employment?

Question 5 Classify the following activities into business, profession and employment

- Selling vegetables
- A person working in retail store
- A doctor working in a hospital
- A lawyer has started his own practice
- Manufacturing of soaps

Question 6 State whether True or False

1. Sole objective of business is to earn profit
2. Profession is non economic activity

3. Employment is economic activity
4. There is no element of risk in business
5. Industry is not part of business activity
6. Mother teaching her son is an economic activity
7. Activities taken up for earning money are called economic activity
8. In case of employment ownership can be transferred
9. Any activity can be termed as business if taken up continuously or recurrently
10. Industry and commerce together constitute business activity

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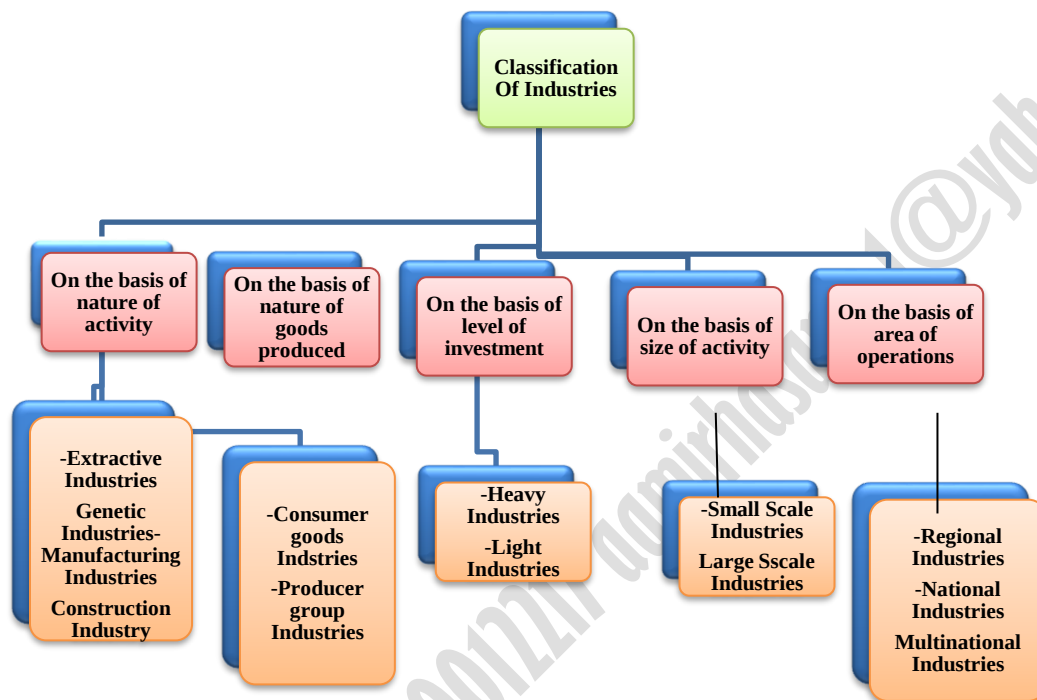
CHAPTER TWO

1 Classification of Business Activities

The business activities may be classified into-Industry & commerce. All the production activities come under Industry whereas exchange of goods and services comes under commerce.

1.1 Industry

Industry utilizes the natural resources to make them fit for the final consumption. Industry includes mechanical application as well as technical skills. Term refers to a specific group of companies or organization which share similar business and economic activities. For example Textile & Apparel includes processing of raw cotton, wool or synthetic fiber into clothing. Similarly Banking & Finance Industry for managing, investing and moving money. Hospital and tourism industry for accommodating guest via hotels, travel agencies and restaurants.



1.1.1 On the basis of nature of activity

(a). Extractive Industry

Industries involved in discovery and extraction of natural resources both from the surface and under the ground, water or air for example minerals, animals, plants etc. Industries include mining, fishing, quarrying. Extractive Industries are also known as exhaustive Industries because there is depletion of resources whenever an attempt is made to extract a resource.

(b). Genetic Industry

Industries associated with growing & breeding plants and animals with an attempt to make profit from the sale of their produce are known as Genetic Industries. For Example pisciculture,

apiculture, sericulture, poultry farming, horticulture etc. Unlike extractive Industry, genetic Industry grows & multiplies living stock with active care & scientific breeding.

©. Manufacturing Industry

The task of manufacturing Industry is to transform the raw materials and components into finished or semi finished goods. The products of extractive Industry become the raw material for Manufacturing Industry. Manufacturing Industry develops “**Form Utility**” to the products of extractive Industry. For example cement industry, fertilizer industry.

(d). Construction Industry

Construction Industry includes designing, building, maintaining & demolishing physical structures and infrastructure. Construction industries include building residential & commercial spaces. Building dams, bridges, airports, railways, oil refineries, power plants etc. They consume the products of manufacturing Industries such as bricks, cement & extractive Industries such as wood. The end product of construction Industry is immovable.

1.1.2 On the Basis of Nature of Goods Produced

(a). Consumer Goods Industries

The Consumer Goods Industries include industries which are involved in manufacturing and selling of products intended to be used directly by the consumers or households. The business directly involves the customers or Business to Customers. They include

- (i) Fast Moving Consumer Goods (FMCG). For example food, beverage, cosmetic Industries.
- (ii) Slow Moving Consumer Goods (SMCG), the products are long lasting and do not wear out quickly. For example home appliances, Furniture.
- (iii) Non cyclical (staples) the demand of such products remains stable regardless of economic health. For example food, medicine
- (iv) Cyclical the demand of such products fluctuates depending on the consumer confidence level and their disposable income.

(b) Producer Goods Industries

The Industries are the intermediary Industries which create goods and services to be used by other Industries which make the services and goods which can be used for consumption by final consumers. For example semiconductor Industry

1.1.3 On the Basis of the Level of Investment

(a) Heavy Industries

Characterized by large scale production, massive capital investment & high entry barrier. The products are sold to other industrial customers rather than to end user customers. The sales are mainly Business to Business (B 2 B). For example Shipbuilding and aerospace,

(b) Light Industries

They are less capital intensive, more labor intensive & consumer oriented than the heavy Industries focusing on smaller goods for end user consumers. They can be further divided into

i. Agriculture Based Light Industries

The materials are directly and indirectly sourced from agriculture. For example Food & Beverage, Paper & Wood Industry

ii. Non Agriculture Based Light Industries

The Industries depend on synthetic chemical materials rather than agriculture based raw materials. For example Consumer Electronics Industry

1.1.4 On the Basis of the Size of the Activity

(a) Small Scale Industry

Small Scale Industries operate with limited resources using smaller machinery & with few workers. The Small Scale Industry is labor intensive; they source raw materials locally to meet the demand of local population reducing the logistical cost. Being smaller in size the Small Scale Industry can quickly adapt to the changing market conditions to produce goods based on consumer preferences. Small Scale Industry is the second largest employer after agriculture. Small Scale Industry can help in migration of workers to big cities for the employment opportunities. For Example fruit pulp Industry, readymade garments Industry.

Enterprise Type	Investment In Plant & Machinery	Annual Turnover
Micro	Less than ₹ 1Crore	Less than ₹ 5 Crore
Small	Less than ₹ 10 Crore	Less than ₹ 50 Crore
Medium	Less than ₹ 50 Crore	Less than ₹ 250 Crore

(b) Large Scale Industry

Large Scale Industries refer to the Industries which operate on massive scale characterized by huge capital investments, extensive infrastructure, advance technology and massive workforce and the investment exceeds ₹10 Crore For Example Tata Motors, Maruti Suzuki, Reliance Industries..Large scale Industries act as economic anchors, providing direct jobs to thousand of people. Large Scale Industries generate massive exports helps in building large foreign reserves.

1.1.5 On the Basis of Area of Operations

(a). Regional Industries

Regional Industries operate within specific geographical regions utilizing the local raw materials or traditional skills

(b). National Industries

The national Industries operate all across the country with centralized or de centralized operations. For Example large conglomerate with nationwide distribution and supply chain.

(c). Global Industries

Global Industries operate all across the globe with integrated world wide supply chain and distribution. The components are sourced from country where the assembly cost is minimum. Global Industries have to face competition from International conglomerate and global market fluctuations.

1.2 Exercise

- 1) What is the main difference between Business & Industry?
- 2) To which category of Industry the following activities belong?
 - I. Fishing in the sea
 - II. Raising coal from the mine
 - III. Weaving of cloth
 - IV. Construction of dam
 - V. Preparation of wooden furniture
 - VI. Cattle breeding
 - VII. Development of railway track
 - VIII. Producing rail engine

2. Commerce

You have learnt that business activities are classified into (a). Industry (b) Commerce. You have also learned that Industry is concerned with production of goods and services. Unless the goods and services are not available to those who need them may not fulfill the objectives of Industry. It means that the goods and services produced by the Industries should be made available to the consumers at right place, right time, right price and in right manner. This is made possible by commerce. Commerce ensures that the goods and services produced by the Industry are made available to the consumers. Commerce includes selling and exchange of goods and services. produced by Industry. At times the producers are often concentrated in specific areas and the consumers are scattered globally there is a communication and transaction gap and the producers and consumers cannot directly contact each other. **This is known of hindrance of person.** Similarly for buying a product or services the consumers should have the knowledge about the existence of that product or services. The lack of awareness or knowledge about availability, features, price and utility of product or services. The consumers would not be able to buy a product or services if they do not know if exist. **This is known as hindrance of knowledge or information.** At times the goods or services are produced in one geographic location but may not be consumed because the consumers are scattered globally. **This is hindrance of place.** Sometimes the goods are manufactured in anticipation of future demand rather than making the product for the current demand. Business faces challenges to preserve them till the time there comes the demand for such products. **This is known as hindrance of time.** Commerce eliminates all such hindrances and facilitates the exchange of goods and services between the producer and the consumer. We can say that commerce is concerned with sale and exchange of goods and services and ensures that there is smooth and uninterrupted flow of goods and services between buyers and sellers,. Commerce has two aspects (a).purchase of goods and services (b) smooth and uninterrupted flow of goods.

Thus commerce can be categorized into:

- (a) Trade-Sale and Purchase of goods and services
- (b) Aide to Trade-Activates related to smooth flow of goods and services

2.1 Trade

Trade includes exchange and selling of goods and services with the intention to earn profit. Trade facilitates to make the goods and services available to the persons who need them and are willing to pay for it. Trade establishes connection between the producers and the consumers and removes the hindrance of person. Specific regions have comparative advantage in producing scarce products which enables trade ro create a global network enhancing the economic growth. A person involved in trade is known as trader or the middleman. Trade can be classified into (i) Internal Trade (ii) External Trade

2.1.1. Internal Trade

Also known as Inland Trade, National Trade, Home Trade or Domestic Trade. When the trade or the buying or selling is conducted within the boundaries of a country then the trade is known as Internal Trade. Internal trade is free from custom duties and import tariffs. Internal trade drives the economy of the nation and is the key contributor of the GDP of the country. Usually the payment is made in the local currency of the country. On the basis of quantity of goods traded and the target buyer is classified into (a).Wholesale trade (b).Retail Trade.

Feature	Wholesale Trade	Retail Trade
Definition	Buying goods in bulk from manufacturers& selling them in smaller lots to retailers	Buying goods from wholesalers and selling them directly to the final customers
Quantity	Large, bulk quantity	Small quantities suitable for single use
Capital Required	High capital investment	Low capital investment
Direct consumer contact	Little or no contact with the final customer	Direct contact with the final customer

2.1.2 External Trade

Also know as foreign trade or international trade. External trade involves exchange of goods and services across territories of different countries. It allows nations to expand their markets, access resources which are unavailable domestically and enhance economic growth. Based on the direction of the flow of goods, External trade can be classified into three categories

- (i) Import Trade: The purchase of goods or services from a foreign country to be brought into the domestic market. Example India purchasing crude oil from Saudi Arabia
- (ii) Export Trade: The sale of domestically produced goods or services to the foreign buyers. Example India exporting mangoes to Japan
- (iii)Entrepot Trade(Re-Export):Importing goods from one country not for domestic consumption but to process or pack them and export them to another country. Example Singapore importing raw materials, refining them, and exporting them to neighboring Asian countries.

3. Internal Trade Vs External Trade

Features	Internal Trade	External Trade
Border	Takes place within single country	Takes place between two countries
Currency	Uses domestic currency	Uses foreign currencies as agreed upon by parties
Risk Level	Low risk	High risk due to exchange rate fluctuations, political

		instability and distance
Foreign Exchange	No impact on national foreign reserve	Help to build or drain the country's foreign exchange
Mobility of factors	High labor and capital mobility factors	Restricted mobility of labor and capital across countries

4. Benefits of International Trade

(i) To Nations

- ✓ Earning foreign exchange reserve
- ✓ Optimum utilization of natural resources
- ✓ Promote industrial and economic growth
- ✓ Improve standard of living due to globalization

(ii) To Companies

- ✓ High profitability and economies of scale
- ✓ Growth prospects when domestic market is saturated
- ✓ Access to superior technology and raw materials.

5. Key Documents Used in External Trade

- a. Indent: An import order placed by the buyer specifying the details of goods, price, and terms of delivery.
- b. **Letter of Credit (LC):** A guarantee issued by the importer's bank promising payment to the exporter upon presentation of shipping documents.
- c. Bill of Lading: A receipt issued by the shipping company acknowledging the receipt of goods on board and serving as a title document.
- d. Mate's Receipt: A receipt given by the commanding officer (mate) of the ship to the exporter when goods are loaded onto the vessel.
- e. Certificate of Origin: A document specifying the country where the goods were actually produced; used to claim tariff concessions.

6. Institutional & Organizational Support in India

The Indian government has established specialized apex bodies to promote external trade

- i. Department of Commerce: Formulates overall foreign trade and EXIM policies.
- ii. Indian Trade Promotion Organization (ITPO): Organizes international trade fairs and exhibitions.
- iii. Export Promotion Councils (EPCs): Promote exports of specific product groups (e.g., Textiles, Chemicals).

- iv. Export Inspection Council (EIC): Controls the quality of goods prior to export.

7. Aid to Trade

Also known as Auxiliaries to Trade refers to the supportive services and activities that facilitate the smooth flow of supportive services and activities that facilitate the smooth flow of goods and services from producers to consumers. They eliminate various hindrances (like distance, time, finance, and risk) that arise during the buying and selling process. The activities coming under aids to trade may be classified into five categories⊗a) transportation,(b) warehousing,(c) insurance,(d) advertising, and (e)banking.

(a) Transportation

Most of the times all the goods are not consumed at the same place where they are produced. Therefore, goods need to be moved from the place of production to the place where they are in demand. The activity involving the movement of goods is called 'transportation'. Thus, transportation eliminates the hindrance of place and creates place utility to goods by making them available at the exact location where consumers need or wants to buy them.

Transportation can be of three types:

- ✓ Land transportation - road, rail
- ✓ Air transportation-aeroplane
- ✓ Water transportation-boat, ship

(b) Warehousing:

Once the goods are produced they may not be consumed immediately. This means there will be time gap between production and consumption. This is the hindrance of time. Therefore, goods once produced should be preserved properly till they are consumed. Particularly, perishable goods like milk, meat, vegetables, flowers, etc., should be preserved very carefully. Otherwise, they get spoiled and become useless. For this reason warehousing is recognized as yet another aid to trade. Warehousing refers to preservation of goods to make them available as and when needed by consumers. Thus, warehousing eliminates the hindrance of time and provides time utility to goods by adding economic value to the goods and services by making it available to the consumers exactly when they need or want them.

⊗ Banking and Finance

Banking facilitates the flow of goods by removing the hindrance of finance and credit. Now-a-days we cannot think of business without banks. To start the business or to run it smoothly we require money. Banks supply money. A bank is an organization which accepts deposits of money

from the public, withdrawal on demand or otherwise, and lends the same to those who need it. Banks also provide many services required for the business activity.

(d) Insurance

The goods may be destroyed while in production process, or in transit due to accidents, or in storage due to fire or theft, etc. The businessmen would like to cover these risks. Insurance companies come to their rescue in this regard. They undertake to compensate the loss suffered due to such risks. For this purpose, the business has to take an 'insurance policy' and pay a certain amount regularly, called 'premium'. Thus, insurance eliminates the hindrance of risk.

(e) Advertising

Exchange of goods is possible only when the consumers have the knowledge about the existence of a product. This is the hindrance of knowledge. This hindrance is eliminated through advertising. Through advertisement, producers communicate all information about their goods to the prospective consumer and create in them a strong desire to buy the product. Thus, advertising facilitates the flow of goods between producers and consumers by bringing the knowledge about the products to the consumers. Advertising is done through TV, radio, newspapers, magazines, hoardings, wall posters, etc.

(f) Communication

Enables producers, traders, and consumers to exchange vital market information, place orders, and coordinate logistics via email, phones, and the internet. It reduces any obstacle or disturbance that blocks or prevent the clear and accurate exchange of message between sender & receiver

Aid to Trade	Hindrance Removed	How it Helps the Business
Transport	Hindrance of Place	Moves raw materials to factories and finished goods to markets across different geographical locations, creating place utility.
Warehousing	Hindrance of Time	Bridges the time gap between production and consumption. It allows goods to be stored safely until market demand arises
Banking & Finance	Hindrance of Finance	Provides the necessary capital, loans, overdrafts, and credit facilities needed to run business operations and manage daily payments
Insurance	Hindrance of Risk	Protects the business against

		unexpected losses or damage to property, stock, or transit caused by fire, theft, or natural disasters
Communication	Hindrance of Information	Enables producers, traders, and consumers to exchange vital market information, place orders, and coordinate logistics via email, phones, and the internet
Advertising	Hindrance of Knowledge	Spreads awareness about the availability, features, usage, and prices of products to target consumers, driving market demand.

7.1 Exercise

1. What is the difference between commerce and industry?
2. What is the difference between internal trade and external trade?
3. How is trade different from commerce?
4. What is an Import-Export Code (IEC)? How is it obtained?
5. Differentiate between a Bill of Lading and a Bill of Entry.
6. Write short notes on Mate's Receipt.
7. State any three benefits of international business to a nation
8. Explain the step-by-step procedure involved in executing an export trade.
9. Distinguish between Internal Trade and International Trade.
10. A list of hindrances are given below. State the names of the business activities which eliminate them.

Hindrance	Name of Business Activity
Hindrance of distance	
Hindrance of time	
Hindrance of risk	
Hindrance of finance	
Hindrance of knowledge	
Hindrance of person	

Aroma Exports Ltd., based in India, signed a contract to export organic spices to a gourmet chain in Germany. The German importer insisted on strict quality baselines. Aroma Exports hired an independent agency which issued an Inspection Certificate certifying the quality. However, during maritime transit, the ship encountered a severe storm, causing sea-water seepage into the cargo hold, completely destroying the spices. The German importer is now refusing to pay, and the shipping line points to their standard liability exemptions.

Question

1. Which document acts as proof that Aroma Exports fulfilled its preliminary quality mandate?
2. What standard international financial instrument could protect Aroma Exports from payment refusal?

Zion Tech Ltd., a successful domestic electronics manufacturer, wishes to scale globally to exploit economies of scale. However, the management is hesitant due to strict import quotas in their target Western markets, wildly fluctuating foreign exchange rates, and completely unknown localized buyer preferences. Furthermore, their domestic currency has just undergone devaluation.

Question

1. Identify and explain the explicit trade barriers Zion Tech Ltd. faces in this scenario.
2. How will the devaluation of the domestic currency impact Zion Tech's export competitiveness?