

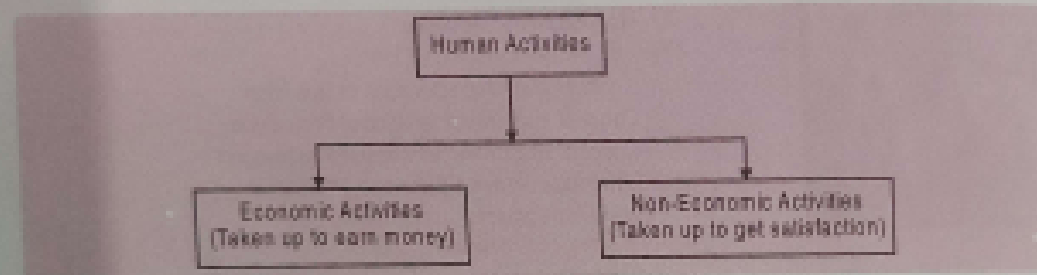
1.1 INTRODUCTION

Work is an essential part of human life. Work is done to satisfy human wants. With the expansion of science and technology, human activities have increased substantially. The activities performed by human beings to satisfy their wants are known as human activities. Some activities are undertaken to earn money, while some are taken up to achieve personal satisfaction.

TYPES OF HUMAN ACTIVITIES

All human beings engage themselves in some activities to satisfy their basic needs. For example, a farmer works in a field, a worker works in a factory, a professional (doctor, advocate, chartered accountant) are busy in their professions. Human activities, depending on wants, may broadly be classified into two categories:

1. Economic Activities
2. Non-economic Activities



Economic Activities

Economic activities refer to those activities which are undertaken to earn money or earn a living. For example, a worker working in a factory, a farmer attending to agriculture work, a doctor attending to patients. All these activities are undertaken to earn a living.

Economic activities are concerned with production of wealth, exchange and consumption of goods and services, which are not available free of cost.



A Manager in Office (Economic Activity)

Non-Economic Activities

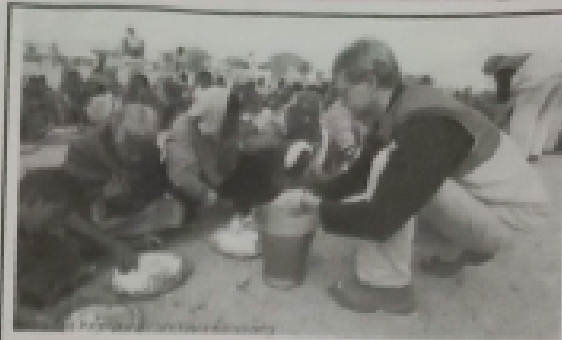
Non-economic activities refer to all those activities which are pursued for social, religious, cultural, psychological or sentimental reasons.

Non-economic activities have no economic motive and are performed for self satisfaction. These activities are voluntary in nature and are undertaken at the pleasure of the person pursuing them.

Basis for Classifying Economic and Non-economic Activities

- If the activities are performed to earn money or a living then these are economic activities.
- In case the activities are undertaken without the aim of earning money then these are non-economic activities.

Same activity can be economic as well as non-economic. For example, a doctor attending to a patient is an economic activity because doctor will charge fee for this work but when the same doctor is attending to his ailing daughter, this will become a non-economic activity. Similarly, a house wife preparing food at home is a non-economic activity and same person preparing food at a restaurant is an economic activity because this is done for a monetary gain.



**A Philanthropist Serving Food to Needy
(Non-Economic Activity)**

CASE STUDY-I (ECONOMIC AND NON-ECONOMIC ACTIVITIES)

- ✦ Mr. Ganesha is a lecturer at Punjab University, he gets ₹ 57,000 per month as remuneration for his work.
- ✦ Ms. Sushila is working as a doctor in a hospital. She also attends to patients in the evening at a clinic started by an NGO for the benefit of poor people. She does not charge any fee for this work and does it as a part of social service.
- ✦ Mr. Rohit is a Chef at a Restaurant and is paid a salary for his work while at home he cooks for the members of the family also.
- ✦ Ms. Suchitra, a school teacher, teaching her son at home.

Q.1. Teaching in a University by Mr. Ganesha refers to which type of human activity ?

Ans. Economic activity.

Q.2. What type of human activity Ms. Sushila is doing at the hospital ?

Ans. Economic activity, since she is getting a salary to earn a living.

Q.3. What type of activity Ms. Sushila is doing at the clinic run by an NGO and why ?

Ans. Non-economic activity, she is doing it as a social service and deriving mental satisfaction out of it.

Q.4. What type of human activity Mr. Rohit is doing at a restaurant ?

Ans. Economic Activity.

Q.5. Cooking at home by Mr. Rohit will be covered under what type of human activity and why ?

Ans. Non-economic activity, since he is doing it for love and affection of family.

Q.6. What type of human activity Mr. Suchetra is doing and why ?

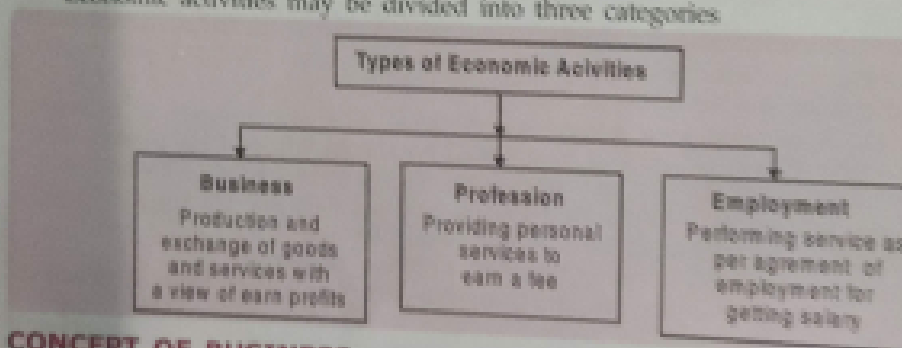
Ans. Non-economic activity, Suchetra is doing it for the welfare and concern for her son.

Economic Activities Vs. Non-Economic Activities

Basis	Economic Activities	Non-Economic Activities
1. Objective	The main objective is to earn money	The main objective is to get some sort of satisfaction
2. Expectation	Expectation is to earn money or profit	Expectation is to satisfy social, psychological, emotional needs.
3. Money Measurement	These activities are measured in money or money's worth	These activities are not measured in money
4. Duration	These are performed regularly during the working life of a person	These are performed during spare time or leisure, the period is limited
5. End Result	These activities produce goods and services	These activities satisfy mental or emotional needs
6. Examples	Worker working in a factory, doctor attending to patients or advocate attending the court.	A teacher teaching his own son, a lady cooking for the family, a doctor doing social service

1.2. TYPES OF ECONOMIC ACTIVITIES

Economic activities may be divided into three categories



CONCEPT OF BUSINESS

Business means keeping busy in economic activities. These activities aim to earn profit. The activities not connected with earning profit are not a part of business. For example, watching a television, playing a computer game are not undertaken to earn profit, so are not a part of business.

Definition of Business

(L.H. Haney, "Business may be defined as human activities directed towards providing or acquiring wealth through buying and selling goods")



A Jeweller at Work

Peterson and Plowman, "Business may be defined as an activity in which different persons exchange something of value whether goods or services, for mutual gain or profit."

Wheeler, "An institution organised and operated to provide goods and services to the society under the incentive of private gain".

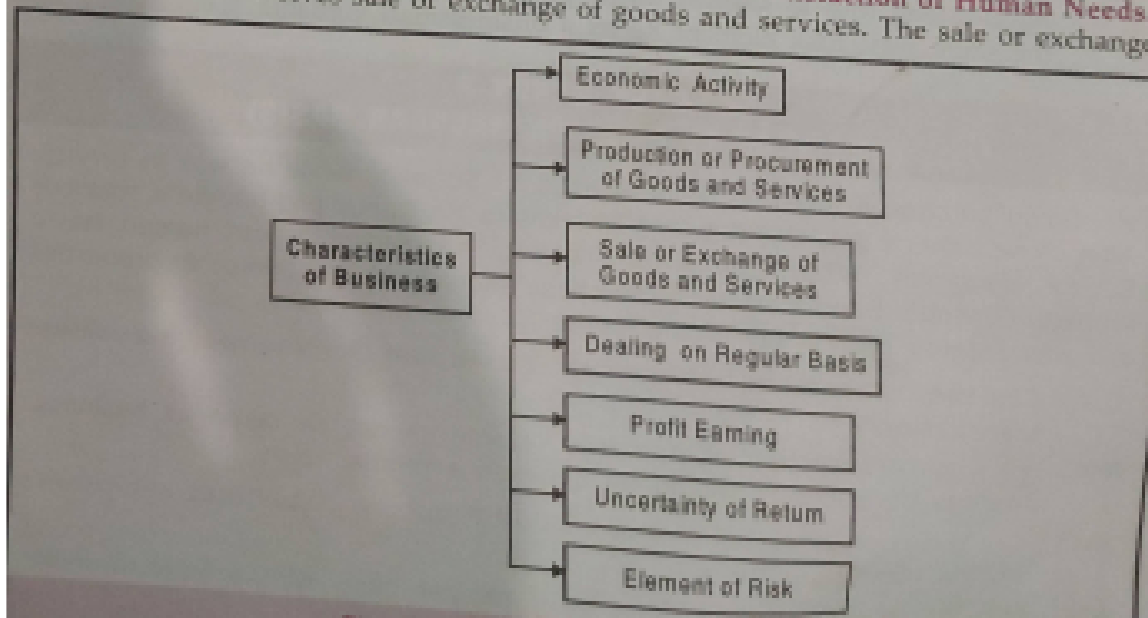
Discussing the definitions, business may be defined as:

Business refers to all those economic activities which are concerned with the production, purchase and sale of goods and services with the purpose of earning profit. The earning of profit is the reward for undertaking business activities. So business is the sum total of all those activities connected with manufacturing, trading, transport, banking, insurance, warehousing, advertising etc. which are undertaken to earn profit.

Characteristics of Business

Following are the main characteristics of business.

1. **Economic Activity.** Business is an economic activity which is undertaken with the object of earning money or livelihood and not because of love, affection, sympathy, or psychological satisfaction.
2. **Production or Procurement of Goods and Services.** Business either produces or procures goods and services for offering them to customers. The goods may be consumers' goods or producers' goods. Consumer goods may be for immediate consumption like foodstuffs or for future like clothes, furniture etc. Producers' goods are used for further production of goods like machinery, raw materials etc. The services may be in the form of banking, insurance, warehousing, transportation etc.
3. **Sale or Exchange of Goods and Services for the Satisfaction of Human Needs.** Business involves sale or exchange of goods and services. The sale or exchange



for a price is the basic feature of business. Purchase of goods or services for personal consumption is not business. The sale or exchange should be to earn profit only then it will be a business. A housewife cooking food at home for consumption is not business but cooking of food at restaurant for selling it to others for earning profit is business.

4. Dealing in Goods and Services on a Regular Basis. Dealing in goods and services becomes business only if undertaken on a regular basis. An isolated transaction does not become a business. The sale of an old car for buying a new one, is not business even if the old car is sold at a profit. If a person deals in purchase and sale of cars for earning profit, it will be called a business.

5. Profit Earning. The main purpose of a business activity is to earn profits. The hope of earning profits brings people into business. No business can survive for long without earning profits. This is why, a businessman makes all out efforts to earn more and more profit by increasing volume of sales or by reducing costs.

6. Uncertainty of Return. An important feature of business is, the uncertainty of return on investments made. It is not possible to predict how much profit a businessman will earn. There is no certainty that there would be profits also. There may be losses despite of best efforts of the businessman.

7. Element of risk. An element of risk is prevalent in business. Risk implies the uncertainty of reward or the possibilities of loss. Uncertainty is present in every economic activity, but it is more prevalent in business. The factors on which business depends, are never certain. There may be a shift in demand, strike by employees, floods, accident, fire, economic changes, etc. Though a businessman tries to forecast future possibilities but things may not happen in the same way. Risk element keeps a businessman vigilant.

CASE STUDY-2 (BUSINESS IS DONE ON REGULAR BASIS)

Mr. David purchased a flat at Delhi at a Cost ₹ 50 lakhs while he was in service. After some time he sold this flat for ₹ 70 lakhs to Mr. Roney and bought a spacious flat for his family. After retiring from service he started a firm named David Property Consultant and started the purchase and sale of flats and other properties and was earning profits out of the same.

Q.1. Can the transaction between Mr. David and Mr. Roney is a business transaction ?

Ans. No, single transaction of purchase or sale cannot be taken as business. Business transactions should be done on a regular basis.

Q.2. Can the transactions between David Property Consultant and others be treated as business ?

Ans. Yes, the transactions are done on a regular basis with a view to make profits.

6. **Following Services Rules.** An employee is required to obey the service rules prescribed for his job. Any violation of service rules may render an employee to face punishment.

Difference between Business, Profession and Employment

Basis	Business	Profession	Employment
1. Nature of Work	It involves production and exchange of goods and services.	Providing specialised personal service.	Performing the work assigned by the employer.
2. Qualifications	No specific qualifications are required.	Specialised qualifications prescribed for the profession will be required.	Qualifications are linked to the nature of work to be undertaken.
3. Mode of Establishment	Legal formalities, if required will be performed.	Membership of a professional body is needed.	Appointment will be sufficient to take up the job.
4. Capital Investment	Investments are needed as per the nature and scale of operations.	Some investments are needed to set up office.	No investment is required.
5. Reward or Return	Profit is the reward for business.	Professional fee is charged from the clients for service.	Salary or wage is the reward for service.
6. Risk	It is faced by lot of risks.	Risk is limited.	There is no risk.
7. Code of Conduct	It may follow the code of conduct devised by business or trade associations.	Following of code of conduct of professional body is essential.	Only rules and regulations related to the job are followed.
8. Motive	Profit earning is the motive.	Service of society and earning of income or fees is the motive.	Earning of salary or wage is the motive.
9. Transfer of Interest	Transfer possible with some formalities	Not Possible	Not possible

ENHANCE YOUR KNOWLEDGE - 1

VERY SHORT ANSWER QUESTIONS

Q.1. Classify human activities

Ans. (i) Economic activities (ii) Non-economic activities

Q.2. Define economic activities.

Ans. Economic activities refer to activities undertaken to earn a living.

Q.3. Mention main economic activities.

Ans. (i) Business (ii) Profession (iii) Employment.

Q.4. What is meant by non-economic activities ?

Ans. Non-economic activities refer to those activities which are pursued for social, religious, cultural, psychological or sentimental reasons.

Q.5. Name two non-economic activities.

Ans. (i) A person attending a religious function.
(ii) A social worker attending to a patient.

Q.6. Name the human activity when a farmer is working in the field.

Ans. Economic activity.

Q.7. Name the type of activity undertaken when a teacher is teaching his daughter at home.

Ans. Non-economic activity.

Q.8. What is the main aim of economic activities ?

Ans. To earn money.

Q.9. What is the end result of non-economic activities ?

Ans. To satisfy mental or emotional needs.

Q.10. Romi cooks food at home for family and Sharan cooks food and sells it to a restaurant. Identify the activities by both persons.

Ans. Romi is undertaking non-economic activity while Sharan is undertaking economic activity.

Q.11. Define Business.

Ans. Business refers to all those activities which are concerned with production, purchase and sale of goods and services with the aim to earn profit.

Q.12. What is the main aim behind business activities ?

Ans. The main aim behind business activities is to earn profit.

Q.13. Mention any two characteristics of business.

Ans. (i) Profit earning (ii) Element of risk.

Q.14. Business activities are undertaken under uncertainties, which characteristic of business is highlighted in this statement ?

Ans. Risk element.

Q.15. Why is business considered an economic activity ?

Ans. Business is considered an economic activity because it is carried to earn money or a living.

Q.16. Balu produces goods for his personal consumption, will it be called business ?

Ans. No, it is not business since it does not involve sale or exchange of goods for earning profit.

Q.17. What is the modern concept of business ?

Ans. Profit earning through consumer satisfaction.

Q.18. Can a single transaction of sale or purchase of goods be termed as business?

Ans. No, business requires regularity of transactions.