



215en01

MODULE - I

Maximum Marks

12

Hours of Studies

25

Introduction to Business

We live in a business environment. It is an indispensable part of society. It satisfies our wants by providing variety of goods and services through wide networking of business activities. This module has been designed to enable the learners to be aware of the world of business, recognize its importance, objectives, understand the different types of business activities and new developments like e-commerce as well as appreciate the responsibilities of business towards different stakeholders.

Lesson 1 : Nature and Scope of Business

Lesson 2 : Industry & Commerce



1

NATURE AND SCOPE OF BUSINESS

When we look around us, we observe that most of the people are engaged in various activities. Teachers teach in the schools, farmers work in the fields, workers work in the factories, drivers drive vehicles, shopkeepers sell goods, doctors attend patients and so on. In this way, people are busy during the day and sometimes during the night throughout the year. Now the question arises as to why we all keep ourselves busy. The answer is to satisfy our wants. By doing so, we either discharge various obligations or earn money through which we can buy goods and avail services.

In this lesson let us learn more about various types of activities in which we all keep ourselves busy to satisfy our wants. We shall learn in detail about 'Business' as a human activity.



OBJECTIVES

After studying this lesson, you will be able to:

- define human activities;
- distinguish between economic and non-economic activities;
- define the term 'business';
- identify various characteristics of business;
- explain the objectives of business;
- explain the social responsibilities of business; and
- explain the types, causes and effects of pollution and role of business to reduce environmental pollution

1.1 HUMAN ACTIVITIES

Activities which human beings undertake are known as human activities. We can divide these activities into two categories:

- (i) Economic activities and (ii) Non-economic activities



(i) Economic activities

Activities, which are performed with an objective to earn money, are known as economic activities. For example, farmers grow crops to sell them, a factory or office employees work and get wages or salaries, a business person earns profit through buying and selling of goods or services, these activities are economic activities.



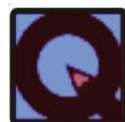
Human Activities

(ii) Non-economic activities

Activities, which are not performed to earn money but to get some satisfaction, are called non-economic activities. These activities are performed to discharge social obligation or for physical fitness or for recreation etc. People visiting places of worship, providing relief to the victims of flood and earthquake, engaging in sports activities, gardening, listening to radio or watching television are few examples of non-economic activities.

Difference between Economic and Non-Economic Activities

<i>Basis</i>	<i>Economic activities</i>	<i>Non-economic activities</i>
i. Purpose	Earning motive.	Social and Psychological motive.
ii. Outcome	Lead to creation of wealth and assets.	Lead to satisfaction and happiness.
iii. Expectation	People expect profits or money income.	People don't expect profits or money income.
iv. Consideration	They are guided by rational consideration as they involve the use of scarce economic resources such as land, labour, capital etc.	They are motivated by emotional and sentimental reasons. No economic consideration is involved.



INTEXT QUESTIONS 1.1

- I. State whether the following statements are true or false by writing 'T' against true statement and 'F' against false statement.
 - i. A doctor attending to patients in his/her clinic is engaged in an economic activity.

- ii. A mother stitching clothes for her children is engaged in an economic activity.
- iii. A tailor stitching clothes for his customers is engaged in an economic activity.
- iv. Distributing food to beggars outside the temple is a non-economic activity.
- v. Sachin Tendulkar playing cricket for the country is performing a non-economic activity.

II. State which of the following activities are economic and which are non-economic :-

- i. Playing football with friends.
- ii. Teaching in a school.
- iii. Attending to one's relative who is unwell.
- iv. Listening a radio.
- v. Selling fruits and vegetables in the local market.
- vi. Preparing food at home for family members.
- vii. Working in an office.

1.2 TYPES OF ECONOMIC ACTIVITIES

We know that economic activities are undertaken to earn money. Generally, people engage themselves in such activities on a regular basis and are said to be engaged in their occupation. Occupations may be classified into three broad categories.

(i) **Business:** Business refers to an occupation in which goods and services are produced and sold in return of money. It is carried out on a regular basis with the prime objective of making profit. Mining, manufacturing, trading, transporting, storing, banking, and insurance are examples of business activities.



Business

(ii) **Profession:** A person may not be an expert in every field. So, we require services of others who specialize in one field or other. For example, we need the services of doctors for our treatment, lawyers to get legal support etc. They are all engaged in profession.



Profession





Thus, profession refers to an occupation, which requires specialized knowledge and training to pursue it and primary objective of every profession is to provide service. A professional body regulates every profession. These professionals have a code of conduct developed by the concerned professional body.

(iii) **Employment:** Employment refers to an occupation in which a person works regularly for another and gets wages/salary in return. Government servants, company executives, bank officials, factory workers are said to be in employment. In employment there are certain terms and conditions regarding work to be performed, hours of work, amount of wages/salary and other facilities, if any. The employer who offers employment normally decides these conditions. The person seeking a job must join the work only after being satisfied with the terms and conditions. The remuneration payable to an employee is fixed and is paid in the form of wage or salary.



Employment

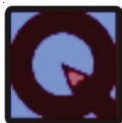
Differences between Business, Profession and Employment

Basis of difference	Business	Profession	Employment
1. Nature of work	Supply of goods and services to the customers for money.	Specialized personal services for a fee with discretion to work.	Performing work according to the orders of the employer with no discretion.
2. Qualifications	No minimum qualifications required.	Education and training in a specific field is necessary.	Specialised knowledge not necessary in all cases.
3. Capital	Capital investment required according to the nature, size and scale of business.	Limited capital required for establishment.	No capital required.



Notes

4. Motivation	Earning profits from sale of goods and providing services to the customers.	Fixed professional fees for services rendered.	Fixed wage or salary.
5. Risk	There is risk of loss. Profits are uncertain.	Fixed income. Liability for negligence of duty.	Regular fixed wages or salaries, no risk.
6. Code of conduct	No specific code of conduct.	A rigid professional code of conduct to maintain high standards of profession.	Contractual terms and conditions of employment.



INTEXT QUESTIONS 1.2

- I. Fill in the blanks with suitable words :
- i. The economic activity in which one is engaged on a regular basis is called his/her_____.
 - ii. A professional requires _____ and training in a particular field.
 - iii. The occupation in which people work for others and earn fixed income is called _____.
 - iv. A professional body regulates every profession by laying down the _____ for all professionals.
 - v. The terms and conditions of employment are decided by the _____.
- II. Match the phrases in column A with those in column B:

Column A

Column B

- | | |
|---|-----------------------|
| i. Primary objective of business | (a) Special skill |
| ii. Primary objective of profession | (b) Making profit |
| iii. Essential requirement for a profession | (c) Profession |
| iv. Occupation of a Chartered Accountant | (d) Providing service |



Notes

1.3 MEANING OF BUSINESS

You find a variety of goods available in the market. You buy those goods as and when you require them. Do you know how these goods come to the market? Who makes these goods and who brings them to the market? Actually, all these goods are produced at some specific places, then somebody brings these goods from the place of production to the place of distribution. Only then we are able to buy these goods and use them as per our requirement.



Business

Again you must have observed some people are engaged in activities like transportation of goods and passengers, banking, insurance, advertising, supply of electricity, telephone etc. These are all service activities and are performed by the people to earn their livelihood.

In all the above activities, be it production, distribution, purchase or sale of goods and services, monetary gain is expected in each case and also, they are performed on a continuous basis. Thus, business refers to any human activity undertaken on a regular basis with the object to earn profit through production, distribution, sale or purchase of goods and services.

Business may be defined as “an activity involving regular production or purchase of goods and services for sale, transfer and exchange with an object of earning profit”.

1.4 CHARACTERISTICS OF BUSINESS

The essential characteristics of business are as follows:

- (i) **Deals in goods and services:** People in business are engaged in production and distribution of goods and services. The goods may be consumer goods like bread, butter, milk, tea, etc. or capital goods like plant, machinery, equipments, etc. The services may be in the form of transportation, banking, insurance, warehousing, advertising and so on.
- (ii) **Sale or exchange of goods and services:** If a person produces or buys a product for self-consumption or for gifting it to another, he is not engaged in business. But when he produces or buys goods to sell it to somebody, he is engaged in business. Thus, in business the goods and services produced or purchased must be exchanged for money or for goods (under barter system) between the buyers and sellers. Without sale or exchange of goods the activities cannot be treated as business.

- (iii) **Regular exchange of goods and services:** The production or buying and selling activities must be carried out on a regular basis. Normally, an isolated transaction is not treated as business. For example, if Raju sold his old car to Hari, it is not considered as business, unless he continues to carry buying and selling of cars on a regular basis.
- (iv) **Requires investment:** Every business activity requires some amount of investment in terms of land, labour or capital. These resources are utilised to produce a variety of goods and services for distribution and consumption.
- (v) **Aims at earning profit:** Business activities are performed with the primary objective of earning income by way of profit. Without profit it is not possible to survive for a long period. Earning of profit is also required to grow and expand the business.
- (vi) **Involves risk and uncertainty of income:** We know that every business aims of earning profit. The businessman who invests the various resources expects a fair amount of return. But, inspite of his/her best efforts, the reward he/she gets is always uncertain. Sometimes he/she enjoys profits and also times may come when he suffers heavy losses. This happens because the future is unpredictable and businessperson has practically no control over certain factors that affects his/her earnings.

1.5 EVOLUTION OF BUSINESS

We all know that India has a very rich cultural heritage. However, it is not known to many that India was a well developed country in terms of its economy and business. Excavations, written records, literature and above all, India's immense wealth that attracted several foreigners to attack India are testimony to this fact. The Indian civilization was not only agriculture based but there was also flourishing trade and commerce both inside and outside the country. It had contributed immensely to the world of business in different fields. Indian business was unique, innovative, dynamic and qualitatively superior to many other countries of that time.

In the early days Indian economy was totally based on agriculture. People used to produce whatever they required for their self-consumption. There was no need for sale or exchange of goods. But later on, needs of the people increased and so did the production. People began to specialise in producing different items of luxury and daily use and did not have skills and time left for producing other items of their use. However, they were able to produce surplus items



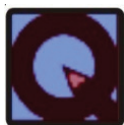


with increase in their efficiency. So, a system of exchanging surplus items with the items of need was evolved. This was the beginning of trade.

It is normally understood that India has progressed a great deal in the modern time, especially after independence, in the field of business and trade. India has become a strong country in terms of industrial growth so much so that we are able to produce almost all goods of our use indigenously. This however, does not mean that there was no growth and development in these fields in the past in India. In fact, India has a very rich heritage in trade and commerce, which can make any Indian feel proud of. People will be surprised to know that India began its journey in the field of trade and commerce as back as 5000 B.C. Historical evidence are there to prove that there were planned cities were available in India at that time and Indian textile, jewellery and perfumes used to be admired by the people all over the world. Indian traders were using currency for business since a long time. There used to be guilds to protect the interest of traders, artisans and producers. This is an indication of the complex development of trade and commerce in India. Apart from the strong network of internal trade routes, India had also established trade links with the Arabs and Central and South East Asia. India had been in the business of producing a number of metal items like brass and copper idols, vessels, ornaments and pieces of decoration. India used to export as well as import a number of items to and from different part of the world. It is also well known that the British first came to India as traders, which led to the establishment of their rule here.

India has also contributed to the world of trade and business in a number of ways. The numerical system of calculation used even in modern time, was developed in India. The joint family system and division of labour in business have evolved here, which are practised even today. The modern technique of customer focussed business has been an integral part of Indian business since long.

Thus, we can say that India has a rich heritage in trade and commerce which has contributed to its growth.

**INTEXT QUESTIONS 1.3**

- I. Rahul, a shopkeeper, is engaged in a number of activities, which he calls as business. Examine each of them and state whether do you agree with him or not.

Write 'Agree' or 'Disagree' against each statement:

- i. Rahul sold bread to customers in his shop.
- ii. He bought a pen to gift it to his younger sister.



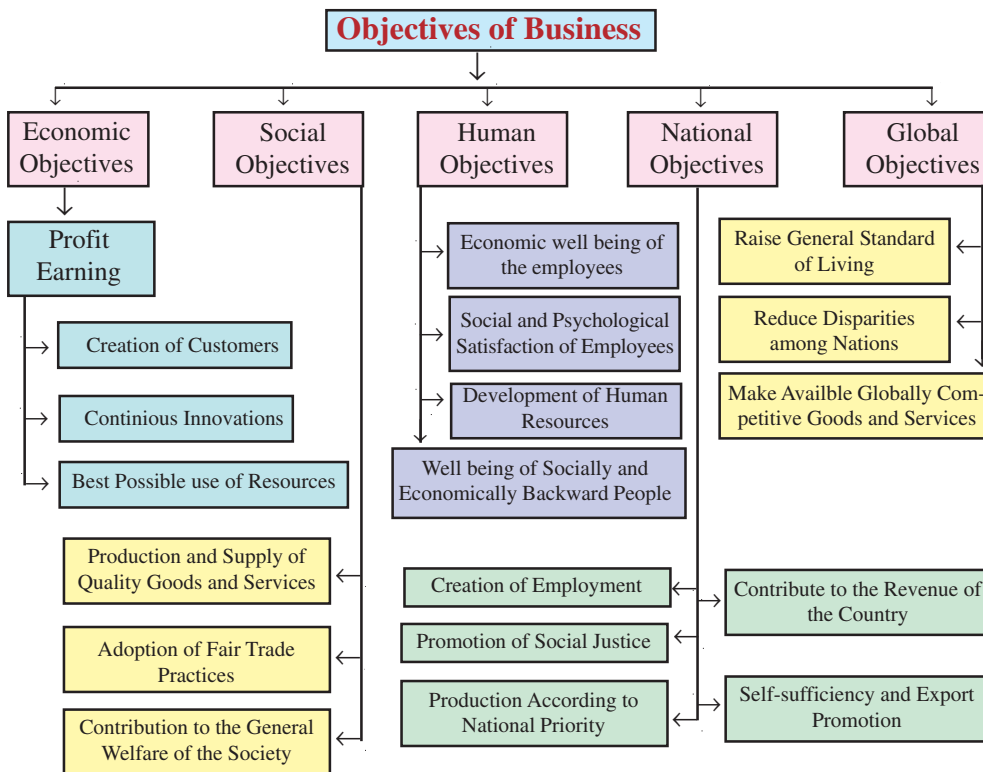
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- iii. He sold his old television set to his neighbour for Rs. 3,000.
- iv. Rahul bought eggs from the poultry farm to sell to his customers.
- v. Rahul sells a packet of milk worth Rs. 10 to a customer for Rs. 12.
- vi. Rahul bought vegetables worth Rs. 30 for his family.
- vii. He distributed biscuits free of cost to poor children from his shop.

- II. Given below are some statements about business. Some are right and some are wrong. Write 'R' against right statements and 'W' against wrong statements:
- i. Business has no role to play in national integration as it only deals in goods and services.
 - ii. Business does not contribute to improvement in the standard of living of the people.
 - iii. Industrial research is carried out to develop new and innovative products.
 - iv. Business does not allow import of goods from foreign countries.
 - v. Business helps in reducing poverty by generating employment.
 - vi. Business creates a positive image of the country through display and sale of products in international trade fairs and exhibitions.

1.6 CLASSIFICATION OF OBJECTIVES OF BUSINESS

All the business activities are performed with some objectives. The objectives of business may be classified as –





1.6.1 ECONOMIC OBJECTIVES

Economic objectives of business refer to the objective of earning profit and also other objectives that are necessary to be pursued to achieve the profit objective, which includes creation of customers, regular innovations and best possible use of available resources.

Profit Earning

Profit is the lifeblood of business, without which no business can survive in a competitive market. Thus, profit making is the primary objective for which a business unit is brought into existence. Profits help businessmen not only to earn their living but also to expand their business activities by reinvesting a part of the profits.

In order to achieve this primary objective, certain other objectives are also necessary to be pursued by business, which are as follows:

i) Creation of customers

A business unit cannot survive unless there are customers to buy the products and services. Again a businessman can earn profits only when he/she provides quality goods and services at a reasonable price. For this it needs to attract more customers for its existing as well as new products. This is achieved with the help of various marketing activities.

ii) Continuous innovations

Business is highly dynamic and an enterprise can continue to be successful only by adopting itself to change in its environment. Innovation means changes, which bring about improvement in products, process of production and distribution of goods. Reduction in cost and increase in sales gives more profit to the businessman. Use of power-looms in place of handlooms, use of tractors in place of hand implements in farms etc. are the results of innovation.

iii) Best possible use of resources

As you know, to run any business you must have sufficient capital or funds. The amount of capital may be used to buy machinery and raw materials, to employ men and have cash to meet day-to-day expenses. Thus, business activities require various resources like men, materials, money and machines. This objective can be achieved by employing efficient workers, making full use of machines and minimizing wastage of raw materials.



INTEXT QUESTIONS 1.4

Given below are some statements relating to the economic objectives of business. Some statements are true and some are false. Identify the true statements:

- i. Creation of demand for goods is the primary objective of business.
- ii. Profits are expected to be earned by businessmen in proportion to the amount of capital invested in business.
- iii. It is not always necessary for businessmen to make the best possible use of materials.
- iv. Businessmen should use profits earned from the business only for their own living.
- v. Generation of employment is the primary economic objective of business.

1.6.2 SOCIAL OBJECTIVES

Social objectives are those objectives of business, which are desired to be achieved for the benefit of the society. No activity of the business should be aimed at giving any kind of trouble to the society. Social objectives of business include production and supply of quality goods and services, adoption of fair trade practices and contribution to the general welfare of society and provision of welfare amenities.

(i) Production and supply of quality goods and services

Since the business utilizes the various resources of the society, the society expects to get quality goods and services from the business. The objective of business should be to produce better quality goods and supply them at the right time and at a right price. They should charge the price according to the quality of the goods and services provided to the society.

(ii) Adoption of fair trade practices

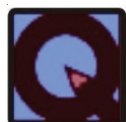
In every society, activities such as hoarding, black-marketing and over-charging are considered undesirable. Besides, misleading advertisements often give a false impression about the quality of products. The business unit must not create artificial scarcity of essential goods or raise prices for the sake of earning more profits. All these activities earn a bad name and sometimes make the businessmen liable for penalty and even imprisonment under the law. Therefore, the objective of business should be to adopt fair trade practices for the welfare of the consumers as well as the society.

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**(iii) Contribution to the general welfare of the society**

Business units should work for the general welfare and upliftment of the society. This is possible through running of schools and colleges for better education, opening of vocational training centres to train the people to earn their livelihood, establishing hospitals for medical facilities and providing recreational facilities for the general public like parks, sports complexes etc.

**INTEXT QUESTIONS 1.5**

State which of the following statements relating to social objectives of business are right and which are wrong?

- i. Social objective of business is based on the assumption that what is good for business is also good for society.
- ii. Production and supply of quality goods to the consumer is the social objective of business.
- iii. Creation of demand for the product is a social objective of business.
- iv. Establishment of sports complex for the public is the economic objective of business.
- v. Hoarding and black-marketing are considered desirable on the part of business.

1.6.3 HUMAN OBJECTIVES

Human objectives refer to the objectives aimed at the well-being as well as fulfillment of expectations of employees as also of people who are disabled, handicapped and deprived of proper education and training. The human objectives of business may thus include economic well-being of the employees, social and psychological satisfaction of employees and development of human resources.

(i) Economic well being of the employees

In business employees must be provided with fair remuneration and incentives for performance, benefits of provident fund, pension and other amenities like medical facilities, housing facilities etc. By this they feel more satisfied at work and contribute more for the business.

(ii) Social and psychological satisfaction of employees

It is the duty of business units to provide social and psychological satisfaction to their employees. This is possible by making the job interesting and challenging, putting the right person in the right job and reducing the monotony of work. Further, grievances of employees



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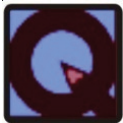
should be given prompt attention and their suggestions should be considered seriously when decisions are made. If employees are happy and satisfied they can put their best efforts in work.

(iii) **Development of human resources**

Employees as human beings always want to grow professionally. Their growth requires proper training as well as development. Business can prosper if the people employed can improve their skills and develop their abilities and competencies in course of time. Thus, it is important that business should arrange training and development programmes for its employees.

(iv) **Well being of socially and economically backward people**

Business units being inseparable parts of society should help backward classes and also people those are physically and mentally challenged. This can be done in many ways. For instance, vocational training programme may be arranged to improve the earning capacity of backward people in the community. Business units can also help and encourage meritorious students by awarding scholarships for higher studies.



INTEXT QUESTIONS 1.6

Below are given some statements regarding human objectives of business. State which of them are “true” and which are “false”:

- i. Businessmen should pay proper remuneration which will motivate the workers for work.
- ii. Business units should provide social and psychological satisfaction to the employees.
- iii. Businessmen should not help disabled persons unless they are employed in business.
- iv. Business units should ignore the suggestions given by the employees while taking important decisions.
- v. Helping physically handicapped persons in the society is an economic objective of business.

1.6.4 NATIONAL OBJECTIVES

Being an important part of the national economy, every business must have the objective of fulfilling national goals and aspirations. The following are the national objectives of business.



(i) Creation of employment

One of the important national objectives of business is to create opportunities for gainful employment of people. This can be achieved by establishing new business units, expanding markets, widening distribution channels, etc.

(ii) Promotion of social justice

As a responsible citizen, a businessman is expected to provide equal opportunities to all persons with whom he/she deals. She/he is also expected to provide equal opportunities to all the employees to work and progress. Towards this objective special attention must be paid to weaker and backward sections of the society.

(iii) Production according to national priority

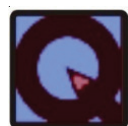
Business units should produce and supply goods in accordance with the priorities laid down in the plans and policies of the Government. One of the national objectives of business in our country should be to increase the production and supply of essential goods at reasonable prices.

(iv) Contribute to the revenue of the country

The business owners should pay their taxes and dues honestly and regularly. This will increase the revenue of the government, which can be used for the development of the nation.

(v) Self-sufficiency and Export Promotion

To help the country to become self-reliant, business units have the added responsibility of restricting import of goods. Besides, every business unit should aim at increasing exports and adding to the foreign exchange reserves of the country.



INTEXT QUESTIONS 1.7

Fill in the blanks with suitable word(s) from those given in brackets:

- i. To produce and distribute essential goods at a reasonable price is a/an _____ objective of business. (social, national, human)
- ii. To help the country to become self-reliant business units should aim at increasing _____. (export, import, prices)
- iii. Business units should pay taxes honestly and _____. (occasionally, frequently, regularly)
- iv. Business should provide equal opportunities to all its _____. (owners, employees, suppliers)



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1.6.5 GLOBAL OBJECTIVES

Earlier India had a very restricted business relationship with other nations. There was a very rigid policy for import and export of goods and services. But, now-a-days due to liberal economic and export–import policy, restrictions on foreign investments have been largely abolished and duties on imported goods have been substantially reduced. This change has brought about increased competition in the market. Today because of globalisation the entire world has become a big market. Goods produced in one country are readily available in other countries. So, to face the competition in the global market every business has certain objectives in mind, which may be called the global objectives. Let us learn about them.

(i) **Raise general standard of living**

Growth of business activities across national borders makes available quality goods at reasonable prices all over the world. The people of one country get to use similar types of goods that people in other countries are using. This improves the standard of living of people.

(ii) **Reduce disparities among nations**

Business should help to reduce disparities among the rich and poor nations of the world by expanding its operation. By way of capital investment in developing as well as underdeveloped countries. It can foster their industrial and economic growth.

(iii) **Make available globally competitive goods and services**

Business should produce goods and services which are globally competitive and have huge demand in foreign markets. This will improve the image of the exporting country and also earn more foreign exchange for the country.

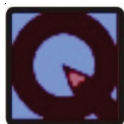
1.7 SOCIAL RESPONSIBILITY OF BUSINESS

We all know that people engage in business to earn profit. However, profit making is not the sole function of business. It performs a number of social functions, as it is a part of the society. It takes care of those who are instrumental in securing its existence and survival like- the owners, investors, employees, consumers and government in particular and the society and community in general. So, every business must contribute in some way or the other for their benefit. For example, every business must ensure a satisfactory rate of return to investors, provide good salary, security and proper working condition to its employees, make available quality products at reasonable price to its consumers, maintain the environment properly etc.



However, while doing so two things need to be noted to view it as social responsibility of business. First, any such activity is not charity. It means that if any business donates some amount of money to any hospital or temple or school and college etc., it is not to be considered as discharge of social responsibility because charity does not imply fulfilling responsibility. Secondly, any such activity should not be such that it is good for somebody and bad for others. Suppose a businessman makes a lot of money by smuggling or by cheating customers, and then runs a hospital to treat poor patients at low prices his actions cannot be socially justified. Social responsibility implies that a businessman should not do anything harmful to the society in course of his business activities.

Thus, the concept of social responsibility discourages businessmen from adopting unfair means like black-marketing, hoarding, adulteration, tax evasion and cheating customers etc. to earn profit. Instead of this, it encourages them to earn profit through judicious management of the business, by providing better working and living conditions to its employees, providing better products, after sales-service, etc. to its customers and simultaneously to control pollution and conserve natural resources.

**INTEXT QUESTIONS 1.8**

Fill in the blanks with appropriate words.

- i. Every business operates within a _____.
- ii. Social responsibility of business refers to all such duties and _____ of business that are directed towards the welfare of society.
- iii. Giving good return to the investors by providing _____ goods at high price to consumers is not fulfilling social responsibility.
- iv. To avoid government regulations business houses should discharge their duty _____.
- v. The earnings of business depend upon the public _____ of its activities.
- vi. Today because of _____ the entire world has become a big market.
- vii. _____ implies that a businessman should not do anything harmful to the society in course of his business activities.
- viii. The concept of social responsibility _____ businessmen from adopting unfair means like black-marketing, hoarding, adulteration, tax evasion and cheating customers etc. to earn profit.



1.8 RESPONSIBILITY TOWARDS DIFFERENT INTEREST GROUPS(OBLIGATIONS OF BUSINESS)

After getting some idea about the concept and importance of social responsibility of business let us look into the various responsibilities that a business has towards different groups with whom it interacts. The business generally interacts with owners, investors, employees, suppliers, customers, competitors, government and society. They are called as interest groups because by each and every activity of business, the interest of these groups is affected directly or indirectly.

(i) Responsibility towards owners and Investor

The primary responsibilities of business towards its owners are to:

- a. run the business efficiently;
- b. proper utilisation of capital and other resources;
- c. growth and appreciation of capital;
- d. regular and fair return on capital invested;
- e. ensuring safety of their investment;
- f. regular payment of interest; and
- g. timely repayment of principal amount.

(ii) Responsibility towards Creditors

- a. to make payment timely;
- b. to ensure safety of credit allowed by them; and
- c. to follow norms of business as followed by others.

(iii) Responsibility towards employees

The responsibilities of business towards its employees include:

- a. timely and regular payment of wages and salaries;
- b. proper working conditions and welfare amenities;
- d. opportunity for better career prospects;
- e. job security as well as social security like facilities of provident fund, group insurance, pension, retirement benefits etc;
- f. better living conditions like housing, transport, canteen, crèches etc; and
- g. timely training and development.

(iv) Responsibility towards suppliers

The responsibilities of business towards the suppliers are:

- a. giving regular orders for purchase of goods;
- b. dealing on fair terms and conditions;
- c. availing reasonable credit period; and
- d. timely payment of dues.

**(v) Responsibility towards customers**

The responsibilities of business towards its customers:

- a. products and services must be able to take care of the needs of the customers;
- b. products and services must be qualitative;
- c. there must be regularity in supply of goods and services;
- d. price of the goods and services should be reasonable and affordable;
- e. all the advantages and disadvantages of the product as well as procedure to use the products must be informed to the customers;
- f. there must be proper after-sales service;
- g. grievances of the consumers, if any, must be settled quickly; and
- h. unfair means like under weighing the product, adulteration etc. must be avoided.

(vi) Responsibility towards competitors

The responsibilities of business towards its competitors are not to :

- a. offer exceptionally high sales commission to distributors, agents etc;
- b. offer to customers heavy discounts and /or free products in every sale; and
- c. defame competitors through false or ambiguous advertisements.

(vii) Responsibility towards government

The various responsibilities of business towards government are:

- a. setting up units as per guidelines of government;
- b. payment of fees, duties and taxes regularly as well as honestly;
- c. not to indulge in monopolistic and restrictive trade practices;
- d. conforming to pollution control norms set up by the government; and
- h. not to indulge in corruption through bribing and other unlawful activities.

(viii) Responsibility towards society (community)

A society consists of individuals, groups, organizations, families etc. They all are the members of the society. They interact with each other and are also dependent on each other in the performance of almost all activities. There exists a relationship among them, which may be direct or indirect. Business, being a part of the society, also maintains its relationship with all other members of the society. Thus, it has certain responsibilities towards society, which may be as follows:

- a. to help the weaker and backward sections of the society;
- b. to preserve and promote social and cultural values;
- c. to generate employment;
- d. to protect the environment;
- e. to conserve natural resources and wildlife;

- f. to promote sports and culture; and
- g. to provide assistance in the field of developmental research on education, medical science, technology etc.



INTEXT QUESTIONS 1.9

Following are the various responsibilities of business towards the different interest groups as discussed above. State which responsibility relates to which particular group.

- i. Protection of environment.
- ii. Better living conditions like housing, transport, canteen, crèches etc.
- iii. Promotion of sports and culture.
- iv. Opportunity for better career prospects
- v. Regular supply of goods and services
- vi. Proper working conditions and welfare amenities
- vii. Goods and services at reasonable and affordable price.
- viii. Prompt after sales services.
- ix. Conservation of natural resources and wildlife.

1.9 ENVIRONMENTAL POLLUTION AND ROLE OF BUSINESS

To preserve the society it is important to protect the environment. And, therefore, every business must take measures to protect the environment rather than damaging it. In this section let us learn more about different types of environmental pollution and role of business. Environmental pollution refers to contamination of environment by various substances that have adverse effects on living and non-living matters.

Environmental pollution is of three types:

- i. Air Pollution
- ii. Water Pollution
- iii. Land Pollution

(i) Air Pollution

As we know the air we breathe contains several gases, dust particles etc. Our body mechanism helps us in filtering the unwanted ones and retaining those required for our survival. This is also true in case of other natural things like forests, river etc. Thus, air pollution refers to the presence of any unwanted gases, dust particles etc. in the air, that can cause damage to people as well as nature.



Air Pollution





Causes of Air Pollution

Let us know how air gets polluted. Some of the common causes of air pollution are:

- a. Emission of fumes from vehicles.
- b. Emission of smoke, dust and chemicals from manufacturing plants.
- c. Emission of gases and dust arising from atomic plants
- d. Emission of smoke from oil refineries, burning of trees and plants in forests, burning of coal etc.

Impact of Air Pollution

Air pollution has a lot of impact on our surroundings and on us. Some of them are-

- Presence of gases in air, which are not required by human beings, animals and birds, creates serious health problems. It can create diseases like asthma, cough and cold, blindness, hearing loss, skin disease etc. It also causes genetic disorders. In the long run and in extreme cases it can also be fatal.
- Air Pollution creates smog in the winter, which is caused by smoke and dust when they mix with fog. It reduces natural visibility and irritates the eyes and respiratory tract.
- Ozone layer is a protective layer of gases around our earth, which protects us from harmful ultraviolet rays that come from the sun. It gets depleted because of air pollution and thereby causes gene mutation, genetic defects and skin cancer.
- The temperature of the earth increases due to air pollution. This is because whatever heat our earth receives from the sun is not radiated to the atmosphere due to the excessive presence of gases like carbon dioxide, methane, nitrous oxide etc.
- Air pollution causes acid rain which means excessive presence of various poisonous gases like sulphur dioxide, nitrogen oxide etc. in the rainwater. This causes lot of damage to vegetation, trees and marine life, buildings and monuments etc.

Environment is also polluted through excessive noise, known as **Noise Pollution**. Noise simply means an unwanted sound that causes irritation. It is caused by modern machines and gadgets such as rail engines, loud speakers, generators, aeroplanes, vehicles, machineries, telephones, televisions etc. It initially distorts communication process, but prolonged exposure to noise pollution can cause loss of hearing, headache, irritation, high blood pressure, neurological or psychological disorders etc.



Notes

(ii) Water Pollution

Have you seen river Yamuna in Delhi? Are you aware about the Clean Ganga project? These two questions almost immediately remind us about the extent to which the water of our rivers has been polluted. Water pollution refers to contamination of water due to presence of unwanted and harmful substances thus, making water unfit for use.



Water Pollution

Causes of Water Pollution

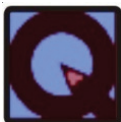
The various reasons of water pollution are:

- Drainage of human excreta into rivers, canals etc.
- Improper sanitation and sewage system.
- Dumping of wastes and effluents by various industrial units into the rivers and canals.
- Drainage of toxic substances like chemicals and fertilizers used in cultivation, into streams and rivers.
- Dumping of garbage, dead bodies and almost everything used in rituals into the nearby water sources by households.

Effects of Water Pollution

The effects of water pollution are:

- It can create health hazards among human beings, animals and birds resulting into diseases like typhoid, jaundice, cholera, gastroenteritis etc.
- It can endanger lives of various aquatic species.
- It can lead to scarcity of drinking water as the water of rivers and canals as well as underground water gets polluted.



INTEXT QUESTIONS 1.10

- Fill in the blanks with appropriate words from the text
 - Our behaviour should not be _____ to others.
 - Desirable acts and conduct of the people are recognised and _____ in the society.
 - Business ethics do not permit the business to sell _____ goods.
 - Social values form the _____ for social responsibilities.
 - Paying taxes to the government honestly and regularly is guided by _____.

**II. Match the followings****Column A**

- i. Environmental Pollution
- ii. Air Pollution
- iii. Water Pollution
- iv. Smog
- c. Aeroplanes

Column B

- a) Mixture of smoke, dust and fog.
- b) Responsible for noise pollution
- c) Presence of unwanted substances in the atmosphere causing inconvenience.
- d) Imbalance in the proportion of gases and dust particles in air
- e) Contamination of water due to excessive presence of harmful substances.

(iii) Land Pollution

Land Pollution refers to dumping of useless, unwanted as well as hazardous substances on the land that degrades the quality of soil we use. Our land gets polluted because of the human carelessness towards the soil.

**Land Pollution****Causes of Land Pollution**

The main causes of land pollution are:

- a. Excessive use of fertilizers, chemicals and pesticides in cultivation.
- b. Disposal of solid waste of industries, mines and quarries.
- c. Disposal of solid waste from construction of roads, buildings etc.
- d. Effluents of some plants which are not absorbed by soil.
- e. Excessive use of plastic bags, which are non-biodegradable.
- f. Dumping of non-composable wastes from households, hotels and hospitals as well as from industries. These may include combustible items like plastic, cloth, wood etc., and non combustible items like metal, glass, ceramics, cement etc.

Effects of Land Pollution

Land Pollution has the following harmful effects:

- a. Reduces the area of cultivable land.
- b. Causes health hazards as it contaminates the sources of food.
- c. Causes damage to the landscape.
- d. Leads to water and air pollution.

1.10 ROLE OF BUSINESS IN ENVIRONMENTAL POLLUTION

From the above discussion on environmental pollution, one thing can clearly



be seen that, it is business that mainly contributes to all type of pollution -air, noise, water and land. Business causes pollution in the following ways:

- (a) Emission of gas and smoke from manufacturing plants.
- (b) Use of machines, vehicles etc. contributing to noise pollution;.
- (c) Deforestation due to acquisition of forest lands for setting up plants.
- (d) Growth of urbanization and industrialization.
- (e) Disposal of wastes and effluents into rivers and canals.
- (f) Disposal of solid wastes in the open space.
- (g) Mining and quarrying activities.
- (h) Increasing use of transport.

Business can help in three ways to control environmental pollution- Preventive, Curative and Awareness.

(i) **Preventive Role**

It means business should take all steps so that no further damage is done to the environment. For this, business must follow the regulations laid down by government to control pollution. Businessmen should come forward to play a major role in preventing further damage done to the environment by human beings.

(ii) **Curative Role**

It means business should rectify whatever damage has been done to the environment. In addition, if it is not possible to prevent pollution then simultaneous curative measures can be taken. For example, planting of trees (a forestation programme) can substantially reduce air pollution near the industrial area.

(iii) **Awareness Role**

It means making people (both the employees as well as the general public) aware about the causes and consequences of environmental pollution so that they voluntarily try to protect rather than damage the environment. For example, business can undertake public awareness programmes. Now-a-days, we find that some business houses have taken the responsibility to develop and maintain parks and gardens in cities and towns, which shows that they care for the environment.



INTEXT QUESTIONS 1.11

- I. Which of the following statements are true and which are false?
 - i. Excessive use of fertilizer, chemicals and pesticides in cultivation causes air pollution.
 - ii. Excessive use of plastic bags causes land pollution.



- iii. Plantation near industrial areas helps reduce water pollution.
- iv. Land pollution increases the quantum of cultivable land in our country.
- v. Business houses should make the people aware about the causes and consequences of environmental pollution.

II. Multiple Choice Questions

- i. Which of the following activity is a non-economic activity?
 - (a) Selling bread to a customer.
 - (b) Selling old television to a neighbour.
 - (c) Gifting a pen to a friend.
 - (d) Purchase books for resale.
- ii. Which of the following is not an occupation?
 - (a) Business
 - (b) Profession
 - (c) Employment
 - (d) Going for Morning Walks.
- iii. Which of the following is not a characteristics of Business?
 - (a) Dealing in goods-in-trade.
 - (b) A father teaching his son.
 - (c) Involves risk and uncertainty of income.
 - (d) Aims at earning profits.
- iv. Economic objectives of a business do not include.
 - (a) Creation of customers
 - (b) Continuous innovations
 - (c) Generation of employment
 - (d) Best possible use of resources.
- v. Social objectives of business include.
 - (a) Contribution to the general welfare of the society.
 - (b) Best possible use of economic resources.
 - (c) Creation of customers.
 - (d) Profit generation.

**WHAT YOU HAVE LEARNT**

Activities which human beings undertake are known as human activities. They are of two types – economic activities and non-economic activities. Activities undertaken to earn money are called economic activities. Activities undertaken with social and psychological motive are called non-economic activities.

- Economic activities undertaken on a regular basis to earn one's livelihood is called occupations. Occupation can be of three types: (i) Profession (ii) Employment and (iii) Business.
- Profession is an occupation requiring specialised knowledge and training. A professional has to follow certain code of conduct framed by a professional body. The primary objective of every profession is to provide service.



- Employment is an occupation in which a person works regularly for another in return for a fixed income. He has to follow the terms and conditions of employment as decided by the employer.
- Business is an activity involving regular production or purchase of goods and services for sale, transfer and exchange with the object of earning profit.
- The characteristics of business include sale or exchange of goods and services on a regular basis. It involves investment of money with the objective of earning profit but there may be risk and uncertainty of return.
- Anything that the business organization wants to achieve over a specified period of time is called business objective.
- Types of Business objectives:
 - Social Objectives
 - Economic Objectives
 - Human Objectives
 - National Objectives
 - Global Objectives
- Social responsibility of business refers to all duties and obligations of business directed towards the welfare of society.
- Understanding social responsibilities properly is essential for businessmen as:
 - it creates a goodwill for the business among the public.
 - it fosters long-term survival and growth of business.
 - it provides satisfaction to the employees which is directly related to productivity.
 - Consumers have become conscious about their rights.
- Every business is a part of society and the business is responsible towards each segment of the society, which may be called as various interest groups. These interest groups consist of owners, investors, employees, suppliers, customers, competitors, government and society.
- Social values may indicate good and desirable business conduct in the best interest of society.
- Business ethics suggest ways and means to conduct the business affairs according to morally justified principles.
- Environmental pollution refers to contamination of environment by substances that have adverse effects on living and non-living matter.
- Environmental pollution is of three types:
 - i. Air Pollution,
 - ii. Water Pollution, and
 - iii. Land Pollution



- Every business has three types of roles to play for the control of environmental pollution
→ Preventive, curative and awareness roles.

**TERMINAL EXERCISE**

1. Give two examples each of economic and non-economic activities.
2. Distinguish between Economic and Non-economic activities on the basis of
 - (i) Purpose
 - (ii) Outcome
3. What is meant by an occupation?
4. Explain any two characteristics of employment.
5. Explain any two characteristics of profession.
6. Define the term 'business'.
7. Why do we call a person doing carpentry as engaged in a vocation?
8. A cobbler making shoes for himself is not engaged in business, why?
9. Describe the main characteristics of business.
10. What is meant by business? Describe any two characteristics of business.
11. How is business different from profession? Answer in about 60 words.
12. Discuss the broad categories of business activities, giving examples?
13. Explain the three types of occupations people are generally engaged in.
14. If there is no regularity in dealings, an activity cannot be called business. Do you agree? Give reasons in support of your answer.
15. Despite uncertainty of return, why is a businessman willing to invest money in the business?
16. Profit earning is the main objective of business. Explain.
17. Explain the economic objectives of business.
18. Enumerate the social objectives of business.
19. Explain the importance of national objectives of business.
20. Enumerate and explain the human objectives of business.
21. Explain the global objectives of business.
22. What is meant by social responsibilities of business?
23. Prepare a list of the interest groups with whom business interacts in its day-to-day activities.
24. Why should business be responsible to the society? Give any three reasons.
25. State the responsibilities of business towards customers.
26. In what way should the business be responsible to the government?
27. Define environmental pollution and state the types of environmental pollution.



28. Explain the various causes of air pollution.
29. State three important impacts of air pollution.
30. What are the effects of water pollution?
31. How does business pollute the environment? State any five points.
32. Describe the role of business in preventing environmental pollution.
33. Enumerate the important events that influenced Indian business during the British rule.
34. India has contributed significantly to the world of business. Describe any four contributions to support this statement.



ANSWER TO INTEXT QUESTIONS

- 1.1** I. (i) T, (ii) F, (iii) T,
(iv) T, (v) F
- II. (i) Non-economic, (ii) Economic,
(iii) Non-economic, (iv) Non-economic
(v) Economic, (vi) Non-economic,
(vii) Economic
- 1.2** I. (i) Occupation, (ii) Specialized knowledge,
(iii) Employment, (iv) Code of conduct, (v) Employer
- II. (i) b, (ii) d, (iii) a, (iv) c
- 1.3** I. (i) Agree, (ii) Disagree, (iii) Disagree,
(iv) Agree, (v) Agree, (vi) Disagree,
(vii) Disagree
- II. (i) W, (ii) W, (iii) R,
(iv) W, (v) R, (vi) R
- 1.4** (i) False, (ii) True, (iii) False, (iv) False, (v) False
- 1.5** (i) Wrong, (ii) Right, (iii) Wrong, (iv) Wrong, (v) Wrong
- 1.6** (i) True, (ii) True, (iii) False, (iv) False, (v) False
- 1.7** (i) Social, (ii) Export, (iii) Regularly, (iv) Employees.
- 1.8** (i) Society, (ii) Obligations, (iii) Inferior, (iv) Voluntarily,
(v) Image, (vi) Globalization, (vii) Social responsibility,
(viii) Discourages
- 1.9** Society : i, iii, ix
Employees : ii, iv, vi
Customers : v, vii, viii



- 1.10** I. (i) harmful, (ii) appreciated, (iii) adulterated,
(iv) base, (v) business ethics
- II. (i) c, (ii) d, (iii) e, (iv) a, (v) b
- 1.11** I. (i) False, (ii) True, (iii) False, (iv) False, (v) True
- II. (i) c, (ii) d, (iii) b, (iv) c, (v) a

ACTIVITIES FOR YOU

- Find out from ten working people around you what they do to earn a living. Classify these under Business, Profession and Employment.
- Talk to a shopkeeper or any other businessman and find out
 - The type of goods or services they deal in;
 - The resources they invest, like land, labour and capital etc.
 - The risk and uncertainties they face in earning profit.
- Collect information from books, magazines and newspapers about the important items of export and import in India presently. Also find out the names of at least five ports used for foreign trade in our country.
- Find out from a shop-keeper or any other businessman of your locality about what are their objectives of running the business. Classify these objectives on the basis of the different types of objectives you have learnt about in this lesson.
- Identify any two responsibilities which should be discharged by the shopkeepers of your locality, for the welfare of the society.
- Is your environment polluted? If yes, then make a list of the causes of such pollution. What action would you like to suggest preventing environmental pollution?



INDUSTRY AND COMMERCE

Business represents organized efforts by an individual or group of individuals engaged in making a living. The term ‘business’ has been defined by different authors in their own way. According to Urwick and Hunt, “Business is any enterprise which makes, distributes, or provides any article or service, which other members of the community need and are able and willing to pay for. It, therefore, includes all those activities which involve production or purchase of goods or rendering of certain services with the object of selling them at a profit. Business comprises all profit seeking activities and enterprises that provide goods and services necessary to an economic system.



OBJECTIVES

After studying this unit, you will be able to:

- classification of business activities;
- industry and its types;
- commerce- trade and its auxiliaries;
- define the term e-commerce;
- describe the categories of e-commerce; and
- discuss the advantages of e-commerce.

2.1 CLASSIFICATION OF BUSINESS ACTIVITIES

The basic cause of all productive activities is the unlimited wants of human being and the need to satisfy them. Human wants are many and also complex in nature. Though the basic requirements of human beings are three viz., food, clothing and shelter. We are consuming many other things which have to be generally paid for. For example tooth paste and soap you use, the bread you eat, the furniture you use, the dress you wear, the T V you watch are some of the examples. Have you ever thought of how these things are made available to you? Each one of them has a long process behind it. The manufacturer produces goods for the consumer. Generally the manufacturer may take the help of middleman like the wholesalers and retailers to distribute the goods to the consumer.



Business activities may be broadly classified into two categories: (i) Industry, and (ii) Commerce. Industry is concerned with the production of goods and materials, while commerce is mainly concerned with their distribution.

2.2 INDUSTRY

The production side of business activity is referred as industry. It is a business activity, which is related to the raising, producing, processing or manufacturing of products. The products are consumer's goods as well as producer's goods. Consumer goods are goods, which are used finally by consumers. E.g. Food grains, textiles, cosmetics, etc. Producer's goods are the goods used by manufacturers for producing some other goods. E.g. Machinery, tools, equipments, etc. Expansion of trade and commerce depends on industrial growth. It represents the supply side of market. The term industry refers to that part of the business activity which is concerned with:



An Industry

- i. Extracting materials like coal, iron ore, petroleum (called extractive industry);
- ii. Processing and converting raw materials into finished products like soap, bread, fans, machines, cement (called manufacturing industry); and
- iii. Construction activity like buildings, dams, bridges, roads (called construction industry).

Thus, the activities of human beings engaged in extraction, production, processing, construction and fabrication of goods come under industry. In another sense, industry means a group of factories usually specializing in a particular product line. For example, all those factories which produce cotton textiles together constitute cotton textile industry. All the cement factories together constitute cement industry.

2.3 CLASSIFICATION / TYPES OF INDUSTRIES

There are various types of industries. These are mentioned as follows:-

- (i) **Primary Industry:** Primary industry is concerned with production of goods with the help of nature. It is a nature-oriented industry, which requires very little human effort. e.g. Agriculture, farming, forestry, fishing, horticulture, etc.



An Agricultural Farm



Notes

- (ii) **Genetic Industry:** Genetic industries are engaged in re-production and multiplication of certain species of plants and animals with the object of sale. The main aim is to earn profit from such sale. e.g. plant nurseries, cattle rearing, poultry, cattle breeding, etc.



Genetic Industry

- (iii) **Extractive Industry:** Extractive industry is concerned with extraction or drawing out goods from the soil, air or water. Generally products of extractive industries come in raw form and they are used by manufacturing and construction industries for producing finished products. e.g. mining industry, coal mineral, oil industry, iron ore, extraction of timber and rubber from forests, etc.



Mining Industry

- (iv) **Manufacturing Industry:** Manufacturing industries are engaged in transforming raw material into finished product with the help of machines and manpower. The finished goods can be either consumer goods or producer goods. e.g. textiles, chemicals, sugar industry, paper industry, etc.



Manufacturing Industry

- (v) **Construction Industry:** Construction industries take up the work of construction of buildings, bridges, roads, dams, canals, etc. This industry is different from all other types of industry because in case of other industries goods can be produced at one place and sold at another place. But goods produced and sold by constructive industry are erected at one place.



A Building under Construction

- (vi) **Service Industry:** In modern times service sector plays an important role in the development of the nation and therefore it is named as service industry. The main industries, which fall under this category, include hotel industry, tourism industry, entertainment industry, etc.



Service Industry

2.4 COMMERCE

While industry is concerned with the production of goods, commerce is concerned with making the same available to those who need them. In other

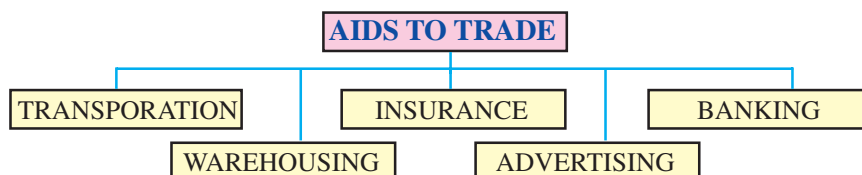


words, commerce is mainly concerned with distribution of goods. It embraces all those functions which are essential for maintaining a free and uninterrupted flow of goods. Therefore, the term commerce includes ‘trade’ and ‘aids to trade’.

2.5 TRADE

The term ‘trade’ is used to denote buying and selling. Therefore, one who buys and sells is a trader. A trader is a middleman between the producer and the consumer. Trade may be wholesale trade or retail trade. A wholesale trader purchases in large quantities from the producers, and sells in small quantities to the retail traders. A retail trader is one who purchases from the wholesale trader or sometimes directly from the producer, and sells in smaller quantities to the ultimate consumers.

2.6 AIDS TO TRADE (AUXILIARIES TO TRADE)



All activities that facilitate smooth flow of goods from manufacturing centres to the consumption centres are called aids or auxiliaries to trade. Aids to trade may be classified into five categories: (i) transportation, (ii) warehousing, (iii) insurance, (iv) advertising, and (v) banking. These are briefly explained below.

Transportation: Selling all the goods produced at or near the production centres is not possible. Hence, goods are to be sent to different places where they are demanded. The medium which moves men and materials from one place to another is called transport.

Transport can be of three types:

- i. Land transport - road, rail
- ii. Air transport - aeroplane
- iii. Water transport - boat, ship

Warehousing: Storage is indispensable in these days of mass production. The goods should be stored carefully from the time they are produced till the time they are sold, hence, the need for warehousing. Warehouses are also called godowns.

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

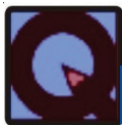


Notes

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'.

Advertising: Advertising is an effective aid in selling the goods. The producer, through advertisement, communicates all information about his goods, to the prospective consumers and create in them a strong desire to buy the product. Advertising can be carried in different ways. It can be indoor or outdoor. Communicating with people through advertising, when they are in their homes, is called indoor advertising. Examples of this type are advertising through newspapers, radio, 'television, etc. Communicating with people, when they go out from their homes, is called outdoor advertising. Examples of this type are advertisements in cinema theatre, wall posters, and hoardings at prominent places.

Banking: 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, withdrawable on demand or otherwise, and lends the same to those who need it. Banks also provide many services required for the business activity. Here. We have attempted to give just an overview of various business activities.



INTEXT QUESTIONS 2.1

- I. Tick the correct alternative.
 - i. Industry is concerned with **production/distribution.**
 - ii. Commerce is mainly concerned with **production/distribution.**
 - iii. One who buys and sells in large quantities is a **wholesaler/retailer.**
 - iv. The medium which moves men, materials from one place to another is called **insurance/transport.**

- II. Dalmia Oil Mills produce refined oil. The entire production is lifted by Ruchi Oil Depot, who in turn sells it to various retailers. Mrs. Priti purchased 2 kg of oil from Balaji Groceries. Name the following:

Name

- i) Manufacturer _____
- ii) Wholesaler _____
- iii) Retailer _____
- iv) Consumer _____



Notes

2.7 MEANING AND DEFINITION OF E-COMMERCE

The Internet is now a flourishing industry. With the technology advancing at a fast rate, more and more people are open to computers and internet. Increasingly they are learning to utilize the Internet for their day to day needs. Here e-commerce websites take a front seat, moving out to the millions of people searching for your kind of product or services online. Putting it simply, e-commerce or Electronic Commerce means buying and selling of goods and services on the Internet. Before making any decision in business, it is worth taking into consideration the benefits, the company would reap on implementation of the new strategy of e-commerce. So, the first and foremost thing that you need to know is whether your kind of business needs an ecommerce feature enabled website?

Difference between Traditional Business and E-business

Basis of Differences	Traditional Business	E-business
i. Formation	Difficult	Easy
ii. Physical Presence	Necessary	Not necessary
iii. Cost of Establishment	More	Less
iv. Operating cost	High, due to investment in procurement, Marketing and distribution.	Low because physical facilities not required
v. Dealing Time	More	Less, because transactions are settled on Internet.
vi. Opportunity for inter-personal touch	More	Less
vii. Length of Business Cycle	Longer, because sequential relationship among various business processes.	Shorter, because of completion of various business processes generally at the same time.
viii. Government Help	Less	More, because of giving priority to IT sector.
ix. Global Reach	Less	More



E-Commerce (e-commerce) or electronic commerce, a subset of ebusiness, is the purchasing, selling, and exchanging of goods and services over computer networks (such as the Internet) through which transactions or terms of sale are performed electronically. In practice, this term and a newer term, e-business, are often used interchangeably. For online retail selling, the term e-tailing is sometimes used.

Electronic commerce is the conduct of financial transactions by electronic means. With the huge success of commerce on the Internet, e-commerce usually refers to shopping at *online stores* on the World Wide Web, also known as e-commerce Web sites. E-Commerce can be broken into four main categories: B2B, B2C, C2B, and C2C.

2.8 TYPES OF E-COMMERCE

E-commerce can be classified as follows:

B2B (Business-to-Business): Companies doing business with each other such as manufacturers selling to distributors and wholesalers selling to retailers. Pricing is based on quantity of order and is often negotiable.

B2C (Business-to-Consumer): Businesses selling to the general public typically through catalogs utilizing shopping cart software. By dollar volume, B2B takes the price, and the consumer to do the transaction .

Business	Business	Customers
	B2B	C2B
Customers	B2C	C2C

Types of e-commerce

C2B (Consumer-to-Business): A consumer posts his project with a set budget online and within hours companies review the consumer’s requirements and bid on the project. The consumer reviews the bids and selects the company that will complete the project. C2B empowers consumers around the world by providing the meeting ground and platform for such transactions.

C2C (Consumer-to-Consumer): There are many sites offering free classifieds, auctions, and forums where individuals can buy and sell things to online payment systems like Pay Bill where people can send and receive money online with ease. eBay’s auction service is a great example of where person-to-person



transactions take place everyday since 1995. Companies using internal networks to offer their employees products and services online not necessarily online on the Web are engaging in B2E (Business-to-Employee) ecommerce.

Other Forms of e-Commerce that involve transactions with the government—from procurement to filing taxes to business registrations to renewing licenses. There are other categories of e-commerce, but they tend to be superfluous, some of these are:

G2G (Government-to-Government), G2E (Government-to-Employee), G2B (Government-to-Business), B2G (Business-to-Government), G2C (Government-to-Citizen), C2G (Citizen-to-Government).

2.9 ADVANTAGES OF E-COMMERCE

You may have realised that business transactions conducted electronically have a wide scope. E-commerce is applicable to wholesale as well as retail business. Buying and selling through internet may take place round the clock between business units in different parts of the world. Let us discuss the advantages of e-commerce.

- (i) **Wider choice:** With the help of a well-developed computer networking system, business units can operate at the national as well as global level. The customers thus, have a wider choice of products and services. The businessmen also get a wider market for their products and services.
- (ii) **Improved customer services:** Suppliers of goods and services can offer a wide range of services to the customers, before as well as after sales such as information about products, guidance for use, responding to customers' queries about quality and usefulness of the product, etc.
- (iii) **Quick response to customer needs:** In e-commerce business transactions take far less time as compared to the normal process of buying and selling. This is because the producers cut short the distribution channel and supply products and services directly to consumers.
- (iv) **Cost saving and price reduction:** There is substantial cost saving in business transactions conducted through e-commerce. There is no need to display goods in showrooms or keep large stock in godowns. The number of employees required to carry on the business is less. Thus, the cost of operation naturally comes down. So the customers may get goods at a lower rate.
- (v) **Market information:** Access to market information available through the internet enables business concerns to identify varied customer needs and produce new goods and better services accordingly.



Notes



INTEXT QUESTIONS 2.2

Multiple Choice Questions

- i. The industries engaged in growing of plants are known as
(a) Construction Industries (b) Manufacturing Industries
(c) Extractive Industries (d) Genetic Industries.
- ii. Industries engaged in the construction of building, roads and bridges etc. are known as
(a) Construction Industries (b) Manufacturing Industries
(c) Extractive Industries (d) Genetic Industries.
- iii. E-Commerce means buying and selling goods and services.
(a) Electronically (b) In person
(c) Through Post offices (d) Through T.V.
- iv. Aid to trade includes
(a) Banking (b) Manufacturing
(c) Buying (d) Selling.
- v. E-Commerce does not include
(a) A2A (b) B2B
(c) B2C (d) G2G



WHAT YOU HAVE LEARNT

- Any activity carried with the intention of making profit is called business. A person engaged in business is called a businessman. Business activities may be broadly classified into two categories—industry and commerce. Industry is concerned with the processing of materials and production of goods, whereas commerce is concerned with the distribution of those materials and goods.
- Commerce is a broad term which conventionally includes trade and aids to trade. Trading is an activity of buying and selling. In order to help or facilitate trade, activities like transportation, warehousing, insurance, advertising, banking, etc., are necessary. These are called aids or auxiliaries to trade.



TERMINAL EXERCISE

1. What do you mean by business? Explain the various types of business activities.



2. Define e-commerce. Describe its advantages.
3. What is meant by Industry? Discuss various types of Industries.
4. What are the types of e-commerce?
5. What is meant by the auxiliaries to trade? Explain
6. As a businessman what are the different aids to trade you are using in your daily transaction of business? Comment.

**ANSWER TO INTEXT QUESTIONS**

- 2.1.** I. (i) Production, (ii) Distribution,
(iii) Wholesaler, (iv) Transport
- II. (i) Dalmia Oil Mills, (ii) Ruchi Oil Depot,
(iii) Balaji Groceries, (iv) Mrs. Priti
- 2.2.** (i) d, (ii) a, (iii) a, (iv) a, (v) a

ACTIVITY FOR YOU

- Identify five business activities being carried on in, your locality. Classify them into 'Industry' or 'Commerce'. Further, under Industry, can you tell whether they are primary, secondary or tertiary industries?



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MODULE - II

Maximum Marks

15

Hours of Studies

35

Forms of Business Organisation

On the basis of to size, ownership and managerial requirements business units have a defined organizational structure. After studying this module the learners shall be able to classify the business enterprises into various forms of organization like Sole Proprietorship, Partnership Firms, Hindu Undivided Family, Cooperative Societies and Joint Stock Companies.

- Lesson 3** : **Sole Proprietorship, Partnership & Hindu Undivided Family**
- Lesson 4** : **Cooperative Societies and Joint Stock Companies**



3

SOLE PROPRIETORSHIP, PARTNERSHIP & HINDU UNDIVIDED FAMILY

We go to the market to buy items of our daily need. In the market, we find a variety of shops, some of them small and some of them big. We may see some persons selling vegetables, rice, pulses, peanuts, newspapers etc. on the roadside. We may also find cobbler repairing shoes on the footpath. Everyday you come across such type of shops in your locality. But have you ever tried to know how these businesses are run? Who are the owners of these businesses? What exactly does an owner do for any business? You may say, the owner invests capital to start the business, takes all decisions relating to business, looks after the day to day functioning of the business and finally, is responsible for the profit or loss. Yes, you are right. The owner does exactly all these things. If you go a bit further, you will find that in some businesses a single individual performs all these activities. This is called sole proprietorship. In some business group of individual join together to become owners of business and share the profits and losses. This is another form of business organization is known as partnership. Another form of business which is owned by the members of a Joint Hindu family and in which the family possesses some inherited property. It is known as Hindu Undivided Family Business.

In this lesson let us find out more about these types of business organisations.



OBJECTIVES

After studying this lesson, you will be able to:

- explain the meaning of sole proprietorship form of business organisation;
- list the characteristics of sole proprietorship;
- describe the advantages and limitations of sole proprietorship;
- understand the meaning of partnership;

MODULE - II

Forms of Business Organisation



Notes

Sole Proprietorship, Partnership & Hindu Undivided Family

- identify the features of partnership form of business organisation;
- state the advantages and limitations of partnership form of business organisation;
- explain the concept of limited liability partnership; and
- explain Joint Hindu Family business with its characteristics, merits and limitations

3.1 MEANING OF SOLE PROPRIETORSHIP

‘Sole’ means single and ‘proprietorship’ means ownership. It means only one person or an individual is the owner of the business. Thus, the business organisation in which a single person owns, manages and controls all the activities of the business is known as sole proprietorship form of business organisation. The individual who owns and runs the sole proprietorship business is called a ‘sole proprietor’ or ‘sole trader’. A sole proprietor pools and organises the resources in a systematic way and controls the activities with the sole objective of earning profit.



Sole Proprietor

3.2 CHARACTERISTICS OF SOLE PROPRIETORSHIP

Sole proprietorship has the following characteristics :

- Ease of formation:**— An ideal form of ownership should be easy to form. Ease of formation implies minimum of legal and other formalities. Sole proprietorship is easy to form.
- Single Ownership :** A single individual always owns sole proprietorship form of business organization. That individual owns all assets and properties of the business. Hence, he alone bears all the risk of the business. Thus, the business of the sole proprietor comes to an end at the will of the owner or upon his death.
- No sharing of Profit and Loss :** The entire profit arising out of sole proprietorship business goes to the sole proprietor. If there is any loss it is also to be borne by the sole proprietor alone. Nobody else shares the profit and loss of the business with the sole proprietor.
- One man’s Capital :** The capital required by a sole proprietorship form of business organisation is totally arranged by the sole proprietor. He provides it either from his personal resources or by borrowing from friends, relatives, banks or other financial institutions.



Notes

- v. **One-man Control :** The controlling power in a sole proprietorship business always remains with the owner. The owner or proprietor alone takes all the decisions to run the business.
- vi. **Unlimited Liability :** The liability of the sole proprietor is unlimited. This implies that, in case of loss the business assets along with the personal properties of the proprietor shall be used to pay the business liabilities.

3.3 ADVANTAGES OF SOLE PROPRIETORSHIP

The sole proprietorship form of business is the most simple and common in our country. It has the following advantages :

- i. **Easy to Form and Wind up :** A sole proprietorship form of business is very easy to form. With a very small amount of capital one can start the business. Legal formalities are minimum just like formation, it is also very easy to wind up the business. It is the owners, sole discretion to form or wind up the business at any time.
- ii. **Direct Motivation :** The profits earned belong to the sole proprietor alone and he bears the risk of losses as well. Thus, there is a direct link between effort and reward. If he works hard, then there is a possibility of getting more profit and vice versa This provides strong motivation for the sole proprietor to work hard.
- iii. **Quick Decision and Prompt Action :** In a sole proprietorship business the sole proprietor alone is responsible for all decisions. Since no one else is involved in decision making it becomes easy to take quick and prompt action on the basis of decision taken.
- iv. **Better Control :** In sole proprietorship business, the proprietor has full control over each and every activity of the business. He is the planner as well as the organiser, who co-ordinates every activity in an efficient manner. Since the proprietor has all authority with him, it is possible to exercise better control over business.
- v. **Maintenance of Business Secrets :** In the case of sole proprietorship business, the proprietor is in a very good position to keep his plans to himself since management and control are in his hands. There is no need to disclose any information to others.
- vi. **Close Personal Relation :** The sole proprietor is always in a position to maintain good personal contact with the customers and employees. Direct contact enables the sole proprietor to know the likes, dislikes and tastes of the customers. Also, it helps in maintaining close and friendly relations with the employees and thus, business runs smoothly.
- vii. **Provides Self-employment :** Sole proprietorship form of business organization provides self employment opportunities to the people. Not

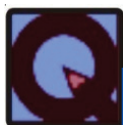


only is the owner self-employed, sometimes he also creates job opportunities for others. You must have observed in different shops that there are a number of employees assisting the owner in selling goods to the customers. Thus, it helps in reducing poverty and unemployment in the country.

3.4 LIMITATIONS OF SOLE PROPRIETORSHIP

One-man business is the best form of business organisation because of the above-discussed advantages. However, all types of ownership have some limitations and the sole proprietorship is no exception. Let us learn those limitations.

- i. Limited Capital :** In sole proprietorship business, it is the owner who arranges the capital required for the business. It is often difficult for a single individual to raise a huge amount of capital. The owner's own funds as well as borrowed funds sometimes become insufficient to meet the requirement of the business for its growth and expansion.
- ii. Lack of Continuity :** The existence of sole proprietorship depends on the owner. The business may come to an end as and when the sole proprietor so decides or in the event of his death.
- iii. Limited Size :** In sole proprietorship form of business organisation there is a limit beyond which it becomes difficult to expand its activities. It is not always possible for a single person to supervise and manage the affairs of the business if it grows beyond a certain limit.
- iv. Lack of Managerial Expertise :** A sole proprietor may not be an expert in every aspect of management. He/she may be an expert in administration, planning, etc., but may be poor in marketing.



INTEXT QUESTIONS 3.1

Fill in the blanks with suitable words in the following statements relating to sole proprietorship business :

- i. The sole proprietor may not be able to raise adequate _____ for the expansion of business.
- ii. The life of the business depends on the life of the _____ .
- iii. Due to limited financial resources and limitation of the expertise of the owner, the business may lack professional _____ .
- iv. The business is suitable for simple business where _____ skill is required.
- v. Sole proprietorship best caters the needs of customers where the market for the product is _____ and _____ .



Notes

3.5 MEANING OF PARTNERSHIP

You have studied that sole proprietorship form of business organisation has certain limitations. Its financial and managerial resources are limited. It is also not possible to expand the business activities beyond a certain limit. In order to overcome these drawbacks, another form, i.e., partnership form of business has come into existence. Let us first find out what is 'partnership'



Picture of a Partnership

Suppose you want to open a restaurant in your locality. You will need to gather a lot of things. You may find that it is not possible to arrange the money required to start and run the business alone. You may then talk to your friends and all of you agree to run the restaurant by contributing a certain amount of money and the other things required. So all of you join hands together to become the owners and share the profits and losses. This is another form of business organization, which may be known as partnership.

It is basically a relation between two or more persons who join hands to form a business organisation with the objective of earning profit. The persons who join hands are individually known as 'Partner' and collectively a 'Firm'. The name under which the business is carried on is called 'firm name'. Sultan Chand & Co. Ram Lal & Co. Gutpa & Co. are the names of some partnership firms.

A partnership firm is governed by the provisions of the Indian Partnership Act, 1932. Section 4 of the Indian Partnership Act, 1932, defines partnership as "a relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all".

3.6 CHARACTERISTICS OF PARTNERSHIP FORM OF BUSINESS ORGANISATION

After having a brief idea about partnership, let us identify the various features of this form of business organisation.

- i. **Two or more Members** – At least two members are required to start a partnership business. But the number of members should not exceed 10 in case of banking business and 20 in case of other business.
- ii. **Agreement** : Whenever you think of joining hands with others to start a partnership business, first of all, there must be an agreement between all of you. This agreement contains -



- the amount of capital contributed by each partner,
 - profit or loss sharing ratio;
 - salary or commission payable to the partners, if any;
 - duration of business, if any;
 - name and address of the partners and the firm;
 - duties and powers of each partner;
 - nature and place of business; and
 - any other terms and conditions to run the business.
- iii. **Lawful Business** – The partners should always join hands to carry on any kind of lawful business. To indulge in smuggling, black marketing etc, can not be called partnership business in the eye of the law.
- iv. **Sharing of Profit** – The main objective of every partnership firm is sharing of profits of the business amongst the partners in the agreed proportion. In the absence of any agreement for the profit sharing, it should be shared equally among the partners.
- v. **Unlimited Liability**– Just like the sole proprietor the liability of partners is also unlimited. That means, if the assets of the firm are insufficient to meet the liabilities, the personal properties of the partners, if any, can also be utilised to meet the firm’s liabilities.
- vi. **Voluntary Registration** – It is not compulsory that you register your partnership firm. However, if you don’t get your firm registered, you will be deprived of certain benefits, therefore, it is desirable. The effects of non-registration are :
- Your firm cannot take any action in a court of law against any other party for settlement of claims.
 - In case there is any dispute among partners, it is not possible to settle the settlement of claims, through a court of law.
 - Your firm cannot claim adjustments for amount payable to or receivable from any other party through a Court of law.
- vii. **Principal Agent Relationship**– All the partners of a firm are the joint owners of the business. They all have an equal right to actively participate in its management. Every partner has a right to act on behalf of the firm. When a partner deals with other parties in business transactions, he/she acts as an agent of the others and at the same time the others become the principal. So there always exists a principal agent relationship in every partnership firm.
- viii. **Continuity of Business** – A partnership firm comes to an end in the event of death, lunacy or bankruptcy of any partner. Even otherwise, it can discontinue its business at the will of the partners. At any time, they may take a decision to end their relationship.



Notes

3.7 ADVANTAGES OF PARTNERSHIP FORM OF BUSINESS ORGANISATION

Partnership form of business organisation has certain advantages, which are as follows:

- i. **Easy to form** – Like sole proprietorship, the partnership business can be formed easily without any legal formalities. It is not necessary to get the firm registered. A simple agreement, either oral or in writing, is sufficient to create a partnership firm.
- ii. **Availability of large resources** – Since two or more partners join hands to start partnership business it may be possible to pool more resources as compared to sole proprietorship. The partners can contribute more resources as compared to sole proprietorship. The partners can contribute more capital, more efforts and also more time for the business.
- iii. **Balanced decisions** – The partners are the owners of the business. Each of them has equal right to participate in the management of the business. In case of any conflict they can sit together to solve the problems. since all partners participate in decision-making, there is less scope for reckless and hasty decisions.
- iv. **Sharing of losses** – In a partnership firm all the partners share the business risks. For example, if there are three partners and the firm suffers a loss of Rs. 12,000 during a particular period, then all partners may share it and the individual burden will be Rs. 4,000 only.

3.8 LIMITATIONS OF PARTNERSHIP FORM OF BUSINESS ORGANISATION

In spite of all these advantages as discussed above, a partnership firm also suffers from certain limitations, some of them are as follows :

- i. **Unlimited Liability** – All the partners are jointly as well as individually liable for the debts of the firm to an unlimited extent. Thus, they can share the liability among themselves or any one can be asked to pay all the debts even from his personal properties.
- ii. **Uncertain Life** – The partnership firm has no legal entity separate from its partners. It comes to an end with the death, insolvency, incapacity or the retirement of any partner. Further, any dissenting member can also give notice at any time for dissolution of partnership.
- iii. **Limited Capital** – Since the total number of partners cannot exceed 20, the capital to be raised is always limited. It may not be possible to start a very large business in partnership form.
- iv. **Non transferability of share** – If you are a partner in a firm you cannot transfer your share of interest to outsiders without the consent of other



partners. This creates inconvenience for the partner who wants to leave the firm or sell part of his share to others.

3.9 LIMITED LIABILITY PARTNERSHIP

A corporate business vehicle that enables professional expertise and entrepreneurial initiative to combine and operate in flexible, innovative and efficient manner, providing benefits of limited liability while allowing its members the flexibility for organizing their internal structure as a partnership is called LLP.

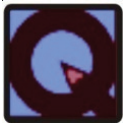
1. With the growth of the Indian economy, the role played by its entrepreneurs as well as its technical and professional manpower has been acknowledged internationally. It is felt opportune that entrepreneurship, knowledge and risk capital combine to provide a further impetus to India's economic growth. In this background, a need has been felt for a new corporate form that would provide an alternative to the traditional partnership, with unlimited personal liability on the one hand, and, the statute-based governance structure of the limited liability company on the other, in order to enable professional expertise and entrepreneurial initiative to combine, organize and operate in flexible, innovative and efficient manner.
2. The limited Liability Partnership (LLP) is viewed as an alternative corporate business vehicle that provides the benefits of limited liability but allows its members the flexibility of organizing their internal structure as a partnership based on a mutually arrived agreement. The LLP form would enable entrepreneurs, professionals and enterprises providing services of any kind or engaged in scientific and technical disciplines, to form commercially efficient vehicles suited to their requirements. Owing to flexibility in its structure and operation, the LLP would also be a suitable vehicle for small enterprises and for investment by venture capital.
3. Keeping in mind the need for the day, the Parliament enacted the Limited Liability Partnership Act, 2008 which received the assent of the President on 7th January, 2009.

The salient features of the LLP Act 2008 inter alia are as follows :

- (i) The LLP shall be a body corporate and a legal entity separate from its partners. Any two or more persons, associated for carrying on a lawful business with a view to profit, may by subscribing their names to an incorporation document and filing the same with the Register, form a Limited Liability Partnership. The LLP will have perpetual succession;

**Notes**

- (ii) The mutual rights and duties of partners of an LLP inter se and those of the LLP and its partners shall be governed by an agreement between the LLP and the partners subject to the provisions of the LLP Act 2008. The act provides flexibility to devise the agreement as per their choice. In the absence of any such agreement, the mutual rights and duties shall be governed by the provisions of the LLP Act.
- (iii) The LLP will be a separate legal entity, liable to the full extent of its assets, with the liability of the partners being limited to their agreed contribution in the LLP which may be of tangible or intangible nature or both tangible and intangible in nature. No partner would be liable on account of the independent or un-authorized actions of other partners of their misconduct. The liabilities of the LLP and partners who are found to have acted with intent to defraud creditors or for any fraudulent purpose shall be unlimited for all or any of the debts or other liabilities of the LLP;
- (iv) Every LLP shall have at least two partners and shall also have at least two individuals as Designated Partners, of whom at least one shall be resident in India. The duties and obligations of Designated Partners shall be as provided in the law;

**INTEXT QUESTIONS 3.2**

Fill in the blanks with appropriate word given in bracket.

- i. It is _____ (not necessary, necessary) to get the partnership firm registered.
- ii. The partnership firm is a _____ (flexible, rigid) form of business organization.
- iii. In partnership, business risk is _____ (shared, not shared) by all the partners.
- iv. Partnership is a/an _____ (group, individual) effort.
- v. LLP act was framed in the year _____. (2008, 2010)

3.10 MEANING OF JOINT HINDU FAMILY BUSINESS

The Joint Hindu family business refers to a business which is owned by the members of a joint Hindu family. It is also known as Hindu Undivided Family Business. This form of organisation exists under Hindu law and is governed by the law of succession. The joint Hindu family form is a form of business organisation in which the family possesses some inherited property. The inheritance of the property is among the male members. The share of ancestral



property is inherited by a member from his father, grandfather and great grandfather. Thus, three successive generations can simultaneously inherit the ancestral property. For purposes of running of joint Hindu family business, only male members are entitled who are referred to as coparceners. The oldest member is known as the *Karta*.



Picture of a Joint Hindu Family

3.11 FEATURES OF THE JOINT HINDU FAMILY BUSINESS

- i. **Membership by birth :** Membership of a Joint Hindu family business is automatic by birth of a male child. It is not created by an agreement among family members.
- ii. **Management :** The management vests in the *Karta*, the eldest member of the family. However, the *Karta* may associate other members of the HUF to assist him.
- iii. **Liability :** The *Karta* has unlimited liability, i.e. even his personal assets can be used for payment of business dues. Every other coparcener has a limited liability upto his share in the HUF property.
- iv. **No Maximum limit :** There is no restriction on the number of coparceners of the HUF business. However, the membership is restricted to three successive generations.
- v. **Minor members :** A male child at the time of birth becomes a coparcener. Thus, an HUF does not restrict membership to minors.
- vi. **Unaffected by death :** The HUF business continues even after the death of a coparcener including the *Karta*. The next senior most surviving male member of the HUF becomes the *Karta*. However, it may come to an end if all the members notify that they are not members of the Joint Hindu Family.

3.12 MERIT OF JOINT HINDU FAMILY BUSINESS

- i. **Economic security and status to the members :** The Joint Hindu Family business provides members a sense of security and belonging because of the financial stake they possess in it. It also gives them status in society while dealing with others.
- ii. **Continuity of business :** The business has a continuity. It is not affected by death or lunacy of members, including the *Karta*. Till such time that the members jointly do not decide to terminate it, the business continuous to exist.

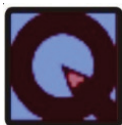


Notes

- iii. **Family pride :** Members are likely to work with dedication, loyalty and care, because the work involves the family name. The business is not only an economic unit but also a matter of family prestige.

3.13 LIMITATIONS OF JOINT HINDU FAMILY BUSINESS

- i. **Unlimited liability :** The *Karta* is personally liable for all business obligations. For payment of business debts, his personal property can be sold if the business assets are insufficient.
- ii. **Limited access to capital :** The *Karta* has limited scope for raising capital. Her/his own funds may be insufficient for expansion. This reduces the scope for business growth.
- iii. **Karta too powerful :** An incompetent *Karta* may ruin the business since all business decisions are taken by him.
- iv. This form of business organisation is perhaps the natural economic extension of the joint Hindu family. It serves to provide economic security and status to members. It continues to have an important place in Indian business.



INTEXT QUESTIONS 3.3

- I. Fill in the blanks by choosing a suitable word(s) :
- HUF stands for _____
 - _____ successive generations can simultaneously inherit the ancestral property.
 - Members of Joint Hindu Undivided family are known as _____
 - Oldest member of the Joint Hindu Undivided family is known as _____
 - _____ has unlimited liability.
- II. Multiple Choice Questions
- Himanshi is running a business in sole-proprietorship. Due to loss in business she decided to wind up her business. On the day of winding up the assets are worth Rs. 5 lakhs and liabilities (all creditors) are worth Rs. 10 lakhs. Himanshi has her personal property of Rs. 600000. How much do you think the creditors will get at the time of winding up of business?

(a) Rs. 5 Lakhs	(b) Rs. 10 lakhs
(c) Rs. 7 lakhs	(d) Rs. 11 lakhs.

MODULE - II

Forms of Business Organisation



Notes

Sole Proprietorship, Partnership & Hindu Undivided Family

- ii. Limitations of sole Proprietorship do not include.
(a) Limited Capital (b) Lack of Continuity
(c) Unlimited size (d) Lack of Managerial Expertise.
- iii. Indian Partnership Firms are governed by Indian Partnership act
(a) 1932 (b) 1956
(c) 2008 (d) 1912
- iv. Characteristics of JHF do not include
(a) Membership by birth (b) Unlimited Liability of Karta
(c) Unaffected by death (d) Youngest Member of family is Karta.
- v. Members of Joint Hindu Family are known as:
(a) Partners (b) Members
(c) Coparceners (d) Owners



WHAT YOU HAVE LEARNT

- Sole Proprietorship is a form of business organization in which a single person owns, manages and controls the business enterprise with all authority, responsibility and risk.
- In sole proprietorship business there is single ownership. The sole proprietor controls the business and his/her liability is unlimited. The proprietor bears the profit or loss and invests the capital from own sources. He/she may borrow it from friends and relatives or may take loan from banks and other financial institutions. Starting and operating the business does not requires any legal formalities.
- Sole proprietorship business is easy to form and wind up. In this business, decisions are taken quickly, better control can be exercised over the business activities and secrecy can be maintained
- Partnership is the relation between two or more persons who have agreed to share the profits of a business carried on by all or any of them acting for all.
- LLP provides the benefits of limited liability but allows its members the flexibility of organizing their internal structure as partnership based on mutually arrived agreement.
- The persons who join hands are individually known as 'Partner' and collectively a 'Firm'. The name under which the business is carried on is called 'Firm name'.
- The Joint Hindu Family business refer to business which is owned by the members of Joint Hindu Family.



- For purpose of running of Joint Hindu Family business, only male members are entitled who are referred to as Co-Parcener.
- The oldest member of the family is known as the Karta.



TERMINAL EXERCISE

1. Define 'Sole proprietorship'.
2. What is meant by Sole Proprietorship form of business organisation ?
3. Can a sole proprietorship business exist forever ? Justify your answer.
4. Describe how sole proprietorship facilitates employment generation ?
5. State the maximum number of partners in case of banking and other business?
6. Define Partnership?
7. State any four features of a partnership form of business organization?
8. Define Joint Hindu Family?
9. State characteristics of Joint Hindu Family?
10. Write down the silent features of LLP.



ANSWER TO INTEXT QUESTIONS

- 3.1** (i) Capital , (ii) Proprietor/owner, (iii) Management,
(iv) Manual, (v) Small, local
- 3.2** (i) not necessary, (ii) flexible, (iii) shared,
(iv) group, (v) 2008
- 3.3** I. (i) Hindu Undivided Family, (ii) Three, (iii) Coparcener,
(iv) Karta (v) Karta
- II. (i) b, (ii) c, (iii) a, (iv) d, (v) c

ACTIVITY FOR YOU

- Survey various businesses around you and find out whether they are sole traders, partnership or joint Hindu family business. Also note the characteristics by which they differ from each other.



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4

COOPERATIVE SOCIETIES AND JOINT STOCK COMPANIES

In the previous chapter, we learnt about sole proprietorship, partnership as different forms of business organization. But there are other organizations which undertake business activities whose prime objective is not only to earn profit but also to provide services. Although some amount of profit is essential to survive in the market, their main intention is not to generate profit and grow. We all have heard about Tata Steel, Reliance Industries, Coal India, Reliance Power, DLF, Ranbaxy etc. But some questions have come in our mind who owns them? What they do? What is the size of the company? What is the volume of financial transaction of these companies? Let us know more about them.



OBJECTIVES

After studying this lesson, you will be able to:

- explain the meaning of Co-operative Societies;
- state the characteristics of Co-operative Societies;
- identify different types of Co-operative Societies;
- discuss the advantages and disadvantages of Co-operative Societies;
- define Joint Stock Company;
- explain the salient features of Joint Stock Companies;
- identify the different types of Joint Stock Companies;
- discuss the Advantages and Limitations of Joint Stock Companies;
- suggest the suitability of Joint Stock Company as a form of Business organization; and
- meaning of Multinational Company

4.1 MEANING OF CO-OPERATIVE SOCIETY

The Cooperative movement has been the outcome of the economic and social imbalances caused by the Industrial Revolution, Cooperative Societies have acquired significance in both capitalist countries as the US and Japan, as well as in socialist countries.



Notes

The term co-operation is derived from the Latin word co-operari, where the word *co* means 'with' and *operari* means 'to work'. Thus, co-operation means



Picture of Cooperative Society

working together. It means those who want to work together with some common economic objective can form a society which is termed as "co-operative society". It is a voluntary association of persons who work together to promote their economic interest. It works on the principle of self-help as well as mutual help. Nobody joins a cooperative society to earn profit.

People come forward as a group, pool their individual resources, utilize them in the best possible manner, and derive some common benefit out of it.

"Cooperation is a form of organization wherein persons voluntarily associate together as human beings, on a basis of equality, for the promotion of economic interests of themselves".

For example, if the students of a particular locality join hands to provide books of different standard and thus, form a co-operative society. Now they can buy books directly from the publishers and sell them to students at a cheaper price. Because they buy books directly from the publishers and thereby the middlemen's profit is eliminated. Do you think it would have been possible on the part of a single consumer to buy books directly from the publishers. Of course, not, this could only be possible through mutual cooperation only.

4.2 CHARACTERISTICS OF CO-OPERATIVE SOCIETIES

A co-operative society is a special type of business organization different from other forms of business organization you have learnt earlier. Let us discuss its characteristics.

1. **Voluntary Association:** A Cooperative Society is a voluntary association of persons. A member can join the society as and when he likes, continue for as long as he likes, and leave the society at will.
2. **Open Membership:** The membership of a Co-operative Society is open to all those who have a common interest. Membership is not restricted on the basis of caste, sex, colour or religion, but may be limited to the employees of a particular organisation.
3. **Separate Legal Entity:** A cooperative undertaking must seek registration under the Cooperative Societies Act, 1912, or under the relevant



Cooperative Societies Act of the State Government. A cooperative society, has a separate legal existence, distinct from its members.

4. **Source of Finance:** The capital of a cooperative society is raised from among its members in the form of share capital. However, it can easily raise loans and secure grants from government after its registration.
5. **Service Motive:** The primary aim of a cooperative society is service to its members, though it may also in the process happen to earn reasonable profits for itself.
6. **Voting Power:** Each member has only one vote, irrespective of the number of shares held by him or her.

4.3 TYPES OF CO-OPERATIVE SOCIETIES

Co-operatives societies may be classified on the basis of the nature of services rendered by them. The following are the main types of cooperatives societies.

1. **Consumer's Co-operative Societies:** These societies are formed to protect the interest of general consumers by making consumer goods available at a reasonable price. They purchase goods directly from the producers, this eliminate the middlemen in the process of distribution. Kendriya Bhandar, Apana Bazar and Super Bazar are examples of consumers' co-operative societies.
2. **Producers Co-operative Societies:** These societies are formed to protect the interest of producers who are basically small in size, by making available items of their needs for production like raw materials, tools and equipments and machinery, etc. Handloom societies like APPCO, Bayanika, Haryana Handloom, etc., are examples of producers' co-operative societies.
3. **Marketing Cooperative Societies:** These are cooperatives societies of small producers and manufactures who find it difficult to sell their products individually. These societies collect the products from the individual members and takes the responsibility of selling those products in the market. Gujarat Co-operative Milk Marketing Federation that sells AMUL milk products is an example of marketing co-operative society.
4. **Thrift and Credit Cooperative Societies:** These societies are formed to provide financial support to the members. They accept deposits from members and grant them loans at reasonable rates of interest in times of need. Village Service Co-operative Society and Urban Cooperative Banks are examples of co-operative credit society.
5. **Cooperative Group Housing Societies:** These are residential societies which are formed to provide residential houses to members. They



Notes

purchase land and construct houses or flats and allot the same to members.



INTEXT QUESTIONS 4.1

Fill in the blanks with suitable word(s) in the following statements:

- i. A co-operative society is a _____ association of individuals who come together to achieve common _____ objectives.
- ii. The motive of cooperative society is to provide _____ to the members.
- iii. A cooperative society have separate _____ from the members.
- iv. A co-operative society works on the principle of self-help as well as _____.
- v. Consumers' co-operative societies help to eliminate _____ in the process of distribution goods.
- vi. Apna Bazar and Kendriya Bhandar are example of _____ co-operative societies.

4.4 ADVANTAGES OF CO-OPERATIVE SOCIETY

A Co-operative form of business organization has the following advantages:

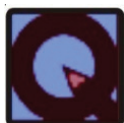
1. **Voluntary Organization:** It is a voluntary organization that can flourish under both the capitalist and socialist economic systems.
2. **Democratic Control:** A Co-operative Society is controlled in a democratic manner. The management is democratic, based on the one man, one vote concept.
3. **Open Membership:** Those persons who have common interest can form a co-operative society. Any competent person can become a member at any time he/she likes and can leave the society at will.
4. **Elimination of Middlemen's Profit:** Generally the profit of middlemen is eliminated because through cooperatives the members control their own supply of goods, which were purchased by them directly from different manufacturers.
5. **Limited Liability:** The liability of members in case of co-operative society is limited to the extent of capital contributed by them. Unlike sole proprietorship and partnership the properties of members of the co-operative societies are free from any kind of risk because of business liability.
6. **Stable Life:** A co-operative society has a fairly stable life and it continues to exist for a long period of time. Its existence is not affected by the death, insolvency, lunacy or resignation of any of its members.



4.5 LIMITATIONS OF CO-OPERATIVE SOCIETY

Besides the above advantages, the co-operative form of business organization also suffers from various limitations. Let us know these limitations.

1. **Lack of Motive:** The members do not work with full zeal and devotion as there is no profit motive.
2. **Limited Capital:** The amount of capital that a cooperative society can raise from its member is very limited because the membership is generally confined to a particular section of the society.
3. **Problems in Management:** The management of a cooperative may not be particularly competent, because a cooperative generally offers only low scales of remuneration to the staff employed.
4. **Lack of Commitment:** The success of a cooperative depends on the loyalty of its members, something that is neither assured nor can be enforced.
5. **Lack of Co-operation:** The co-operative societies are established with the objective of mutual co-operation. But it is generally seen that there is a lot of friction between the members because of personality differences, ego clash, etc. The selfish attitude of members may sometimes bring an end to the society.



INTEXT QUESTIONS 4.2

Which of the following statements about co-operative societies are true or false?

- i. Any competent person can become a member of a cooperative society, at any time.
- ii. The liability of the members is limited.
- iii. It can exist for a long time due to a legal entity separate from its members.
- iv. The society is managed by one person only.
- v. The Co-operative Societies are formed to provide service rather than maximizing profit.
- vi. Co-operative Societies are formed to provide service rather than maximizing profit.
- vii. Professional managers do not prefer to work in co-operative societies because they do not get adequate remuneration.
- viii. The success of a cooperative society depends on the loyalty of its members, something that is neither assured nor can be enforced.



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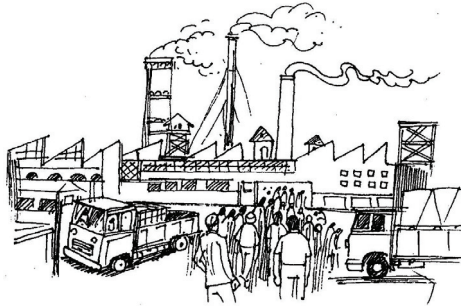
4.6 MEANING OF JOINT STOCK COMPANY

The companies in India are governed by the Indian Companies Act, 1956. According to the Act 'a company means a company formed and registered under this act'

It is an artificial person created by law, having a separate legal entity, with perpetual succession and a common seal.

The capital of a company is divided into a number of shares of equal value.

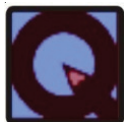
Members of the company holding one or more shares, are called the company's shareholders



Picture of a Joint Stock Company

4.7 CHARACTERISTICS OF A JOINT STOCK COMPANY

1. **Artificial legal Person:** A company is an artificial person created by law and existing only in contemplation of law. A human being who takes birth, grows, enters into relationships and dies, whereas a joint stock company also takes birth, grows, enters into relationship and dies. However, it is called an artificial person as its birth, existence and death are regulated by law.
2. **Separate Legal Entity:** A company has a separate legal entity distinct from its members. It can own property and enter into contracts in its own name. It can sue and be sued in its own name.
3. **Perpetual Succession:** A company enjoys a perpetual succession and its life is not affected by the death, insolvency, lunacy, etc. of its members or directors.
4. **Limited Liability:** Liability of the members of a limited company is limited to the value of the shares subscribed by them or to the amount of guarantee given by them.
5. **Common Seal:** A company has a common seal because being an artificial person it cannot sign for itself.
6. **Transferability of Shares:** The shares of a public limited company are freely transferable. They can be purchased and sold through the Stock Exchange.
7. **Separation of Ownership and Management:** The number of members of a public company is generally very large so all of them or most of them cannot take part in the day to day management of the company. The company is managed by Board of Directors who are elected by the members, hence the ownership of a company is separated from its managements.

**Notes****INTEXT QUESTIONS 4.3**

Which of the following statement is True and which is False?

- i. Legal formality is required to form a Joint Stock Company.
- ii. The shares of a public limited company are freely transferable.
- iii. The shareholders of a Joint Stock Company have unlimited liability.
- iv. A Joint Stock Company cannot own property on its own name.

4.8 TYPES OF COMPANIES

On the basis of ownership companies can be of four different types - Private Limited Company, Public Limited Company and Government Company and Multinational company.

Private Company

According to Indian Companies Act 1956, Private Company means a company which has a minimum paid-up capital of one lakh rupees or such higher paid up capital, as may be prescribed, and by its articles. It has following features :

- (a) Restricts the right of its members to transfer their shares.
- (b) Limits the number of its members to fifty only.
- (c) Prohibits any invitation to the public to subscribe for any shares or debentures of the company; and
- (d) Prohibits any invitation or acceptance of deposits from persons other than its members, directors or their relatives.

Public Company

According to Indian Companies Act 1956, Public Company is defined as a company which is not a Private Company. It has following features :

- (a) Its shares can be transferred freely.
- (b) Has a minimum paid up capital of five lakh rupees or such higher paid up capital, as may be prescribed.
- (c) Whose members have limited liability.
- (d) The number of shareholders can be up to the number of issued and subscribed shares or even more but the minimum number should not be less than seven.

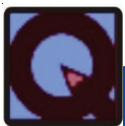
4.9 DIFFERENCE BETWEEN PRIVATE LIMITED AND PUBLIC LIMITED COMPANIES

1. In the case of a private company minimum number of persons required to form a company is two, while it is seven in the case of a public company.



Notes

2. A private company has to have a minimum paid up capital of Rs. 1 lakh, whereas a public company has to have a minimum paid up capital of Rs. 5 lakh.
3. In case of a private company the maximum number of members must not exceed fifty whereas there is no such restriction on the maximum number of members in case of a public company.
4. In private company the right to transfer shares is restricted, whereas in case of public company the shares are freely transferable.
5. A private company cannot issue a prospectus, while a public company may invite the general public to subscribe for its Shares or Debentures.
6. A private company must have at least two Directors, whereas a public company must have at least three Directors.
7. A private company can commence business immediately after receiving the certificate of incorporation, while a public company can commence business only when it receives a certificate to commence business from the Registrar of Companies.
8. A private company need not hold a statutory meeting but a public company must hold a statutory meeting and file a statutory report with the Registrar.
9. Two members personally present form the quorum in a private company but in a public company this number is five members.



INTEXT QUESTIONS 4.4

Fill in the blanks with suitable word(s) in the following statements:

1. There should be at least _____ members in a Private Limited Company.
2. Freely transfer of shares from one member to another is not possible in case of _____ Limited Company.
3. Hindustan Machine Tools is _____ Company.
4. Minimum amount of capital required to start a private limited company is Rs _____.

4.10 ADVANTAGES OF JOINT STOCK COMPANIES

There are many advantages which the company form of business organization enjoys over other form of business organizations some of them are as follows:

1. **Limited Liability:** Shareholders of a company are liable only to the extent of the face value of shares held by them.
2. **Large Financial Resources:** Company form of ownership enables the collection of huge financial resources. The capital of a company is



divided into shares of small denominations so that people with small means can also buy the shares of a company.

3. **Continuity:** A company enjoys uninterrupted business life. As a body corporate, it will continue to exist even if all of its members die or desert it.
4. **Transferability of Shares:** The shares of a public limited company can be freely transferred by the members without the consent of other members.
5. **Diffused Risk:** The risk of loss in a company is spread over a large number of members.
6. **Social Benefits:** The company organization helps to mobilize savings of the community and invest them in industry.

4.11 LIMITATIONS OF JOINT STOCK COMPANIES

1. **Difficulty of Formation:** It is a very difficult and expensive to form a company. A number of documents have to be prepared and filed with the Registrar of companies.
2. **Excessive Government Control:** A company is subject to elaborate statutory regulations in its day-to-day operations. Periodical reports, Audit and Publications of accounts is obligatory.
3. **Oligarchic Management:** The management of a company is supposed to be democratic but in practice company becomes an Oligarchy (rule by few).
4. **Delay in Decision:** Too many levels of management create problems in taking decisions. A lot of time is wasted in calling and holding meetings and in passing resolutions.
5. **Lack of Secrecy:** Under the Companies Act, 1956 a company is required to disclose to the public a variety of information on its working. This results in lack of secrecy.

4.12 SUITABILITY OF JOINT STOCK COMPANY

The company form of organization is suitable for large business concerns. It has made it possible to accumulate large amounts of capital required for large scale operations. Machine manufacturing, information technology, iron and steel, aluminum, fertilizers, and pharmaceutical etc., are generally organized in the form of Joint Stock Company.

4.13 GOVERNMENT COMPANY

A Government Company has been defined by the Indian Companies Act 1956 as one of which not less than 51 per cent of the paid-up share capital is held by



Notes

the Government (Union or State) and includes subsidiaries of such companies. The audit of Government companies is done at the instance of the Comptroller and Auditor General of India (CAGI) and the reports presented before the Parliament.

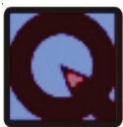
Instances of prominent Government companies in India would include Hindustan Machine Tools (HMT), Coal India, SAIL, NTPC, MTNL, ONGC etc.

Other particular characteristic of a Government company may be listed as follows:

1. It has a separate legal existence.
2. Either the whole or at least 51 per cent of the total paid up share capital is held by the Government.
3. All the Directors or a majority of them are appointed by the company.
4. Its employees are not civil servants.



A Government Company



INTEXT QUESTIONS 4.5

Fill in the blanks with suitable word(s) in the following statements:

- i. The liability of members of a joint stock company is limited to the extent of the _____.
- ii. A joint stock company form of business organization is managed by _____.
- iii. The cost of formation of a company is very _____.
- iv. Indian Oil Corporation and ONGC are the example of _____.
- v. The risk of loss in a company is spread over a large number of _____.

4.14 MEANING OF MULTINATIONAL COMPANIES

It is a company which carries on business not only in the country of its incorporation but also in one or more other countries. Such a company may produce goods or arrange services in one or more countries and sell these in the same or other countries. You might have heard about many Multinational Companies (MNCs) running business in



Multinational Company



India, like Philips, LG, Hyundai, General Motors, Coca Cola, Nestle, Sony, McDonald's City Bank, Pepsi Foods, Cadbury, etc.

The Multinational Companies enjoy several advantages by way of huge earnings due to large-scale production and distribution activities across national borders.

4.15 ADVANTAGES OF MULTINATIONAL COMPANIES

- (i) **Investment of Foreign Capital:** Direct investment of capital by Multinational Companies helps under-developed countries to speed up their economic development.
- (ii) **Generation of Employment:** Expansion of industrial and trading activities by Multinational Companies leads to creation of employment opportunities and raising the standard of living in host countries.
- (iii) **Use of Advanced Technology:** With substantial resources Multinational Companies undertake Research and Development activities which contribute to improved methods and processes of production and thus, increase the quality of products. Gradually, other countries also acquire these technologies.
- (iv) **Growth of Ancillary Units:** Suppliers of materials and services and ancillary industries often grow in host countries as a result of the operation of Multinational Companies.
- (v) **Increase in Exports and Inflow of Foreign Exchange:** Goods produced in the host countries are sometimes exported by Multinational Companies. Foreign exchange thus earned contributes to the foreign exchange reserves of host countries.
- (vi) **Healthy Competition:** Efficient production of quality goods by Multinational Companies prompt the domestic producers to improve their performance in order to survive in the market.

4.16 LIMITATIONS OF MULTINATIONAL COMPANIES

The advantages discussed above are no doubt beneficial to host countries. But there are several limitations of Multinational Companies, which we should take note of:

- i. **Least concern for priorities of host countries:** Multinational Companies generally invest capital in the most profitable industries and do not take into account the priorities of developing basic industries and services in backward regions of the host country.
- ii. **Adverse effect on domestic enterprises:** Due to large-scale operation and technological skills, Multinational Companies are often able to dominate the markets in host countries and tend to acquire monopoly power. Thus, many local enterprises are compelled to close down.



- iii. **Change in tradition:** Consumer goods, which are introduced by Multinational Companies in the host countries, do not generally conform to the local cultural norms. Thus, consumption habits of people as regards food and dress tend to change away from their own cultural heritage.



INTEXT QUESTIONS 4.6

- I. Given below are some statements about Multinational Company. State which of them are true and which are false :
- (i) Multinational Companies slow down the economic development of the under developed countries.
 - (ii) Multinational Companies help to earn foreign exchange for the host countries.
 - (iii) Domestic producers improve their performance because of Multinational Companies.
 - (iv) Generally Multinational Companies invest money in profitable industries.
 - (v) Multinational Companies never dominate the markets of the host countries.
- II. Multiple Choice Questions
- i. Cooperative societies do not have the following characteristics
 - (a) Open Membership
 - (b) Separate legal entity
 - (c) Profit Motive
 - (d) Voting Power
 - ii. Which of the following is not an example of consumer cooperative society?
 - (a) Apna Bazar
 - (b) Kendriya Bhandar,
 - (c) Super Bazar
 - (d) Narain Group Housing Society.
 - iii. Liability of the members of a cooperative society is
 - (a) Limited
 - (b) Unlimited
 - (c) Joint
 - (d) Joint & Several.
 - iv. The success of a cooperative society depends on
 - (a) Loyalty of its members
 - (b) Central Government
 - (c) State Government
 - (d) Local Self Government
 - v. In a Private Limited Company, capital is contributed by:
 - (a) Central Government
 - (b) Public and Government only
 - (c) Its own members only
 - (d) Issue of shares to Public only.

**WHAT YOU HAVE LEARNT**

- A Cooperative Society is a voluntary association of individuals having common needs who join hands for the achievement of common economic interest of the poorer sections of society through mutual help.
- Characteristics of a Cooperative societies :
 1. Voluntary Association
 2. Open Membership
 3. Separate Legal Entity
 4. Source of Finance
 5. Service Motive
 6. Voting Power:
- A cooperative society can be formed under the Indian Cooperative Societies Act, 1912, with a minimum of ten members. For registration, an application along with bye laws of the society has to be submitted to the Registrar of co-operative societies.
- **Types of Cooperatives Societies :** Consumer's Co-operative Societies, Producers Co-operative Societies, Marketing Cooperatives Societies, Thrift and Credit Societies, Cooperative Group Housing Societies.
- **Advantages of Co-operative Societies :** Voluntary Organization, Democratic Control, Open Membership, Elimination of Middlemen's Profit, Limited Liability, Stable Life.
- **Limitations of Co-operative Societies :** Lack of Motive, Limited Capital, Problems in Management, Lack of Commitment, Lack of Co-operation.
- A Joint stock company is an artificial person created by law, having separate legal entity, with perpetual succession and a common seal. The companies are governed by the Indian Companies Act , 1956.
- **Characteristics of Joint Stock Company :** Artificial legal person, Separate legal entity, Perpetual Succession, Limited Liability of members, Common Seal, Transferability of Shares, Separation of Ownership and Management.
- **Types of Companies :** Private limited Companies, Public Limited Companies, Government Companies, Multinational Companies.
- **Advantages of Joint Stock Company :** Limited Liability, Large Financial Resources, Continuity, Transferability of Shares, Diffused



Notes

Risk, Social Benefits.

- **Limitations of Joint Stock Companies :** Difficulty of Formation, Excessive Government Control, Oligarchic Management, Delay in Decision, Lack of Secrecy.
- **Government Company:** A company in which at least 51 percent shares are held by Central or State Government(s).
- **Multinational Company:** It is a company which carries on business not only in the country of its incorporation but also in one or more other countries



TERMINAL EXERCISE

1. What is the meaning of cooperative society ?
2. What are the activities undertaken by a Consumer's Co-operative Society?
3. Give two examples each of consumer's cooperative societies and producers cooperative societies.
4. What is meant by Thrift and Credit Society ?
5. What are the causes of conflict and lack of motivation among members of a cooperative society.?
6. Give the difference between ' Producers co-operative society' and 'Marketing cooperative society'.
7. What is meant by Joint Stock Company.?
8. State the advantages of Joint Stock Company.
9. State the meaning of Multinational Company
10. Describe any four characteristics of Joint Stock Company.
11. What are the features of Private Limited Company ? How does it differ from Public Limited Company. ?
12. Distinguish Between Private Limited and Public Limited Company.
13. Enumerate the advantages of Joint Stock Company.
14. State the limitations of Joint Stock Company.
15. Give five examples of Multinational Companies.



ANSWER TO INTEXT QUESTIONS

- 4.1** (i) Voluntary , Economic (ii) Services (iii) Legal entity
 (iv) mutual help (v) middlemen (vi) Consumer
- 4.2** (i) true (ii) true (iii) true (iv) false
 (v) true (vi) true (vii) true (viii) true

MODULE - II

Forms of Business Organisation



Notes

Cooperative Societies and Joint Stock Companies

- 4.3** (i) true, (ii) true (iii) false (iv) false
- 4.4** (i) two (ii) private (iii) Government (iv) one lakh
- 4.5** (i) face value of shares held by them
(ii) Board of directors
(iii) high
(iv) Indian multinational companies
(v) members.
- 4.6** I. (i) False, (ii) True, (iii) True, (iv) True, (v) False
II. (i) c, (ii) d, (iii) a, (iv) a, (v) c

ACTIVITIES FOR YOU

- Search any cooperative society in your locality. Try to find out
 - a) Activities of the society
 - b) Number of members of the society
 - c) Any problem faced by the society.
- Search any one company whether it is private, public, government or multinational and try to gather information regarding its incorporation and the operation of their business.



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MODULE - III

Maximum Marks

25

Hours of Studies

45

Service Sector

Today business has become complex and sensitive. Its success largely depends upon the availability of various service activities such as transport, warehousing, communication, postal, banking, insurance, B P O etc. This facilitates the effective functioning of business and develops a wide networking of business activities throughout the world. This module aims at developing an insight into these service activities.

- Lesson 5 : Transport Services**
- Lesson 6 : Warehousing**
- Lesson 7 : Communication Services**
- Lesson 8 : Postal and Courier Services**
- Lesson 9 : Banking Services**
- Lesson 10 : Insurance Services**
- Lesson 11 : Outsourcing**



Notes

5

TRANSPORT SERVICES

We use various products in our daily life. Many of them, we know, are produced at places far away from our locality. So how do we get them at our place? These are carried from all those places through rail, road, water or air and are made available to us at our locality. You must have seen trucks, tempos, bullock carts etc. which carry finished products or raw material from one place to another. Similarly, you also must have seen people traveling from one place to another by aeroplanes, trains, buses, cars, scooters, rickshaws, cycles, etc.

This movement of goods and persons is very important in business. Because of this, raw material is made available at the place of manufacturing goods. Finished products are made available at the place of sale or consumption. Manpower moves from one place to another, and so on.

In this lesson, let us learn how goods and workforce move from one place to another.



OBJECTIVES

After studying this lesson, you will be able to:

- state the meaning of transportation;
- recognize the importance of transportation;
- identify the various modes of transportation; and
- describe the advantages and limitations of different modes of transportation.

5.1 MEANING OF TRANSPORTATION

Transport refers to the activity that facilitates physical movement of goods and individuals from one place to another. In business, it is considered as an *auxiliary to trade*, that means it supports trade and industry in carrying raw materials to the place of production and distributing finished products for final consumption.

Individuals or business firms that engage themselves in such activities are called transporters. Generally, transporters carry raw materials, finished products, individuals, etc. from one place to another.



Notes

5.2 IMPORTANCE OF TRANSPORT

As discussed above, transport removes the distance barrier. Because of it, now-a-days goods produced at one place are readily available at distant places and people move freely throughout the world. Without transport, we as well as business units cannot move a single step. Followings are the points of importance of transport.

- i. **Makes raw materials available to manufacturers or producers:** Transport makes it possible to carry raw materials from places where they are available to places where they are to be processed and assembled into semi-finished or finished goods.
- ii. **Makes goods available to customers:** Transport makes movement of finished goods possible from one place to another with great ease and speed. Thus, consumers spread in different locations of the country have the advantage of consuming goods produced at distant places.
- iii. **Enhances standard of living:** Transport gives consumers the choice to make use of different qualities of goods of different prices. So it raises the standard of living of the people.
- iv. **Facilitates large-scale production at low costs:** We know, large scale production is not always possible at the place of our choice since it needs huge infrastructure particularly land which is not easily available everywhere. But, transport makes large scale production possible by making all required materials and manpower available at the place finally selected for manufacturing. Large scale production lowers down cost per unit.
- v. **Helps during emergencies and natural calamities:** In times of national crisis, due to war or internal disturbance, transport helps in quick movement of troops and the supplies needed in the operation.
- vi. **Helps in creation of employment:** Transport provides employment opportunity to individuals as drivers, conductors, pilots, cabin crew, captain of the ship, etc. who are directly engaged in transport business. It also provides employment to people working in the industries producing various means of transport including its equipments and parts. People also provide repairing and maintenance services by opening service centers at convenient locations.
- vii. **Helps in labour mobility:** Transport helps a lot in providing mobility to workers. You may be aware that people from our country go to foreign countries to work in different industries and factories. Foreigners also come to India to work. Within India, also people move from one part to another in search of work. Similarly, it is not always possible to have

workers near the factory. Most industries have their own transport system to bring the workers from where they reside to the place of work.

- viii. Helps in bringing nations together:** Transport facilitates movement of people and goods from one country to another. It helps in exchange of cultures, views and practices among the people of different countries. This brings about better understanding among people and awareness about different countries. Thus, it helps in promoting a feeling of international brotherhood.

**Notes**

INTEXT QUESTIONS 5.1

Which of the following statements are true and which are false?

- i. In business, transport is considered as an auxiliary to trade.
- ii. Transport does not help in raising standard of living of the people.
- iii. Exchange of culture between nations becomes possible because of transport.
- iv. Transport does not create any employment opportunity.
- v. Mobility of labour is facilitated by transport.

5.3 MODES AND MEANS OF TRANSPORT

We find that basically transport is possible through land, air or water, which are called the different *modes* of transport. On land we use trucks, tractors, etc., to carry goods; trains, buses, cars etc. to carry passengers. In air, we use aeroplanes, helicopters to carry passengers as well as goods. Similarly in water we use ships, steamers, boats, etc., to carry goods and passengers. All these are known as various *means* of transport.

The modes of transport can broadly be divided into three categories: Land transport, Water transport and Air transport.

Let us discuss various modes and related means of transport.

5.4 LAND TRANSPORT

Land transport refers to activities of physical movement of goods and passengers on land. This movement takes place on road, rail, rope or pipe. So land transport may further be divided into Road transport, Rail transport, Ropeway transport, Pipeline transport. Let us know the details about each of them.

5.5 ROAD TRANSPORT

Roads are the means that connect one place to another on the surface of the land. You must have seen roads in your village, in towns and cities. Not all of them



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look alike. Some of them are made of sand and some may be of chips and cement or coal tar. You find different vehicles plying on roads like bullock carts, cycles, motorcycles, cars, truck, buses, etc. All of these constitute different means of road transport. The means of road transport may be divided into three types:

- i. Man driven;
- ii. Animal driven; and
- iii. Motor driven.



Pictures of means of road Transport

You might have seen individuals carrying goods on their head or back, on bicycles or on *thelas*, (push carts) moving from one place to other.

People also ride a bicycle or use rickshaw to travel short distances. We also find animal driven vehicles like carts (drawn by bullocks, camels, horses, donkeys, etc.) used in rural areas to carry crops, straw, fodder and sometimes even people. Sometimes even animals are directly used to carry goods from one place to another. In areas, which are normally covered with snow throughout the year, we find sledges pulled by dogs used to carry both passengers and goods.

Compared with man-driven and animal-driven means of road transport, motor-driven means of transport have become more popular over the years. This is due to their speedy movement and larger carrying-capacity. Extension of roads to every corner of the country has also enhanced the use of motor driven transport. The types of motor vehicles used to carry goods and passengers include auto-rickshaws, scooters, vans, buses, tempos, trucks, etc.

In Kolkata, tramway also forms part of road transport for carrying passengers.

5.6 ADVANTAGES OF ROAD TRANSPORT

Road transport has the following advantages.

- (i) It is a relatively cheaper mode of transport as compared to other modes.
- (ii) Perishable goods can be transported at a faster speed by road carriers over a short distance.
- (iii) It is a flexible mode of transport as loading and unloading is possible at any destination. It provides door-to-door service.
- (iv) It helps people to travel and carry goods from one place to another particularly in places which are not connected by other means of transport, e.g. hilly areas.

5.7 LIMITATIONS OF ROAD TRANSPORT

Road transport has the following limitations:

- (i) It is not economical for long distance transportation of goods due to their limited carrying-capacity.
- (ii) Transportation of heavy goods or goods in bulk by road involves high cost.
- (iii) It is affected by adverse weather conditions like floods, rain, landslide, etc.

5.8 RAIL TRANSPORT

Transportation of goods and passengers on rail lines through trains is called rail transport. It occupies an important place in land transport system of our country and is the most dependable mode of transport to carry goods and passengers over a long distance.

Besides long distance, local transport of passengers is also provided by local trains or metro-trains in some metropolitan cities. Rail transport is available throughout the country except some hilly or mountainous regions. In India two types of trains are found. One is passenger train and other is goods train. While passenger trains carry both human beings and a limited quantity of goods, the goods trains are exclusively used for carrying goods from one place to another. These trains are driven by rail engines and they use steam, diesel or electric power to move. Let us now discuss the advantages and limitations of rail transport.



Rail Transporations

5.9 ADVANTAGES OF RAIL TRANSPORT

- (i) It is a convenient mode of transport for traveling long distances.
- (ii) It is relatively faster than road transport.
- (iii) It is suitable for carrying heavy goods in large quantities over long distances.
- (iv) Its operation is less affected by adverse weather conditions like rain, floods, fog, etc.

5.10 LIMITATIONS OF RAILWAY TRANSPORT

- (i) It is relatively expensive for carrying goods and passengers over short distances.
- (ii) It is not available in remote parts of the country.
- (iii) It provides service according to fixed time schedule and is not flexible for loading or unloading of goods at any place.
- (iv) It involves heavy losses of life as well as goods in case of accident.



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5.11 PIPELINES TRANSPORT

In modern times, pipelines are used for various purposes. Water supply to residential and commercial areas is carried on with the help of pipelines. Petroleum and natural gas are also transported from one place to another through pipelines.



Pipe Line Transport

This is the most convenient as well as economical mode of transport for these products in comparison to road and rail transport, provided the volume to be transported is large quantities. But the cost of installation and maintenance requires large capital investment.

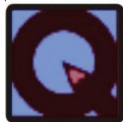
5.12 ROPEWAY TRANSPORT

Ropeway refers to a mode of transport, which connects two places on the hills, or across a valley or river. In the hilly areas, trolleys move on wheels connected to a rope and are used for carrying passengers or goods, especially building materials, food, etc.



Ropeway Transport

The famous “*Uran Khatola Jagdamba*” in Gujarat that carries pilgrims to the temple is an example of ropeway transport, which carries more than 50 passengers at a time.



INTEXT QUESTIONS 5.2

- I. Which of the following statements are true and which are false?
 - i. Transportation means only sending goods and not the persons.
 - ii. Transport removes distance barrier.
 - iii. Pipeline transport is not a means of land transport.
 - iv. Road transport is not affected by adverse weather conditions.
 - v. Rail Transport is a suitable mode of transport for carrying heavy and bulky goods.



Notes

II. Match column A with the statement given in column B:

Column A		Column B	
(i)	Thelas (push cart)	a.	facilitates movement in valleys
(ii)	Ropeway	b.	mode of transport for carrying heavy and bulky goods
(iii)	Sledge	c.	mode of transport for transporting gases and liquids
(iv)	Railways	d.	means of transport driven by human beings
(v)	Pipelines	e.	dogs are used to pull

5.13 WATER TRANSPORT

Water transport refers to movement of goods and passengers on waterways by using various means like boats, steamers, launches, ships, etc. With the help of these means goods and passengers are carried to different places, both within as well as outside the country. When rivers and canals within the country are used for the movement of boats, launches, etc. this is called *inland water transport*. When the various means of transport are used to carry goods and passengers on the sea route it is termed as *ocean transport*. Let us know more about these two types of water transport.

5.14 INLAND WATER TRANSPORT

Inland water transport uses boats, launches, barges, streamers, etc. to carry goods and passengers on river and canal routes. These routes are called inland waterways and are used in domestic or home trade to carry bulky goods. Passenger transport through waterways is not so popular in our country. Inland water transport system exists only in few states like West Bengal, Andhra Pradesh, Assam, Tamil Nadu, etc.

5.15 OCEAN TRANSPORT

Ocean transport refers to movement of goods and passengers by ships through sea or ocean waterways. It plays an important role in the growth of international trade. It is also used for transporting goods and passengers in the coastal areas. Ocean transport has its fixed route, which links almost all the countries of the world. Sea transport may be of the following two types.



Picture of Ocean Transport

- i. **Coastal Shipping** - In this transport, ships ply between the main ports of a country. This helps in home trade,



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and also in carrying passengers within the country. In this transport, ships ply between different countries separated by sea or ocean. It is mainly used for promotion and development of international trade. It is an economical means of transport to carry heavy machines and goods in bulk.

- ii. **Overseas shipping** – Overseas transport is carried out on fixed routes which connect almost all the countries. In ocean transport, different types of ships are used to carry passengers and goods. These may be classified as under: a) Liners - A liner is a passenger or cargo vessel, which belongs to a regular shipping company. These ships ply over a fixed route following a prescribed schedule or time table. b) Tramps - A tramp is a cargo ship, which does not make regular trips but plies whenever cargo is offered to it. It does not follow a fixed route or a prescribed time table like that of liners.



Overseas Shipping

5.16 ADVANTAGES OF WATER TRANSPORT

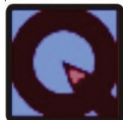
Water Transport has the following advantages:

- i. It is a relatively economical mode of transport for bulky and heavy goods.
- ii. It is a safe mode of transport with respect to occurrence of accidents.
- iii. The cost of maintaining and constructing routes is very low as most of them are naturally made.
- iv. It promotes international trade.

5.17 LIMITATIONS OF WATER TRANSPORT

Water transport has the following limitations:

- i. The depth and navigability of rivers and canals vary and thus affect operations of transport vessels of different sizes.
- ii. It is a slow moving mode of transport and therefore not suitable for transport of perishable goods.
- iii. It is adversely affected by weather conditions.
- iv. Sea transport requires large investment in ships and their maintenance.



INTEXT QUESTIONS 5.3

- I. Which of the following statements are true and which are false?
 - (i) Inland waterways consist of sea and ocean.
 - (ii) Water transport is a very fast mode of transport.
 - (iii) Water transport facilitates international trade.

- iv) Overseas ships ply to the neighbouring countries.
- (v) Water transport is not affected by adverse weather conditions.

II. Fill in the blanks in the following sentences:

- (i) _____ is a cargo ship which does not make regular trips.
- (ii) Inland water transport is generally used in _____ trade.
- (iii) Ships having fixed routes and plying regularly are called _____.
- (iv) Ocean transport mainly facilitates _____ trade.
- (v) In water transport, _____ investment is required in acquisition of ships.



Notes

5.18 AIR TRANSPORT

This is the fastest mode of transport. It carries goods and passengers through airways by using different aircrafts like passenger aircraft, cargo aircraft, helicopters, etc. Besides passengers it generally carries goods that are less bulky or are of high value. In hilly and mountainous areas where other mode of transport is not feasible, air transport is an important as well as convenient mode. It is also used for transporting goods and passengers during natural calamities like earthquake and floods, etc. During war, air transport plays an important role in carrying soldiers as well as supplies to the required areas.



Picture of Air Transport

Air transport may be classified as domestic and international air transport. While domestic air transport mainly facilitates movement within the country, international air transport is used for carrying goods and passengers among different countries. Air transport is carried out in fixed air routes, which connect almost all the countries.

5.19 ADVANTAGES OF AIR TRANSPORT

It has the following advantages:

- i. It is the fastest mode of transport.
- ii. It is very useful in transporting goods and passengers to the area which are not accessible by any other means of transport.
- iii. It is the most convenient mode of transport during natural calamities.
- iv. It provides vital support to the national security and defence.

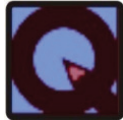


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5.20 LIMITATIONS OF AIR TRANSPORT

It has the following limitations:

- i. It is relatively more expensive mode of transport.
- ii. It is not suitable for transporting heavy and bulky goods.
- iii. It is affected by adverse weather conditions.
- iv. It is not suitable for short distance travel.
- v. In case of accidents, it results in heavy losses of goods, property and life.



INTEXT QUESTIONS 5.4

- I. Which of the following statements are true and which are false?
 - i. Air transport is the fastest mode of transport.
 - ii. Air transport is not affected by adverse weather conditions.
 - iii. Air transport is not suitable for short distances.
 - iv. Helicopters are generally used for international flights.
 - v. Air transport does not provide any support to national security.
- II. Multiple Choice Questions
 - i. The suitable mode of transport in hilly and mountainous areas is
 - (a) Rail Transport (b) Road Transport
 - (c) Air Transport (d) Water Transport
 - ii. Providing transport facilities by a Transport Company is:
 - (a) An Industry (b) A Trade
 - (c) An Auxiliary to trade (d) None of the above.
 - iii. Which of the following is a suitable mode for carrying heavy goods in large quantities over long distances within the country?
 - (a) Rail Transport (b) Road Transport
 - (c) Air Transport (d) Water Transport
 - iv. Ships having fixed routes and playing regularly are called:
 - (a) Cargo (b) Charter party
 - (c) Liners (d) Domestic
 - v. Which of the following is not an advantages of water transport?
 - (a) Relatively economical mode of transport for bulky & heavy goods
 - (b) Adversely affected by weather conditions
 - (c) Promotes International Trade
 - (d) A safe mode of Transport with reference to occurrence of accidents.



WHAT YOU HAVE LEARNT



Notes

- Transport refers to the activity that facilitates physical movement of goods as well as individuals from one place to another through various means.
- The importance of transport lies in the following:
 - (i) Makes raw materials available to manufacturers or producers;
 - (ii) Makes goods available to customers;
 - (iii) Enhances standard of living;
 - (iv) Facilitates large-scale production at low costs;
 - (v) Helps during emergencies and natural calamities;
 - (vi) Helps in creation of employment;
 - (vii) Helps in labour mobility;
 - (viii) Helps in bringing nations together
- Different modes of transport are as follows:

Mode	Land Transport	Water Transport	Air Transport
Types	Road Transport Rail Transport Pipe-line Transport Ropeway Transport	Inland water Transport Ocean Transport	Domestic Air Transport International Air Transport

- The different means of water transport to carry goods and passengers are :-

Means	Land Transport	Ocean Transport
Types	Boats, Steamers, Barges, Launches	Ships, Tankers, Submarines

- The different means of land transport to carry goods and passengers are :-

Road Transport			Rail Transport	Pipeline Transport	Ropeway Transport
Human Driven	Animal Driven	Motor Driven			
-Head or Back of Human beings -Carts drawn by Human beings -Thelas (Push Carts) -Bicycle -Rickshaw	-Carts drawn by animals -Sledge -Animal	-Scooter -Motor Cycle -Auto Rickshaw -Car -Van -Bus -Truck	-Passenger Train -Goods Train	Pipes	Ropes

- The different means of air transport to carry goods and passengers are:-

Means	Domestic Air transport	International Air Transport
Types	Aeroplanes, Helicopters	Aeroplanes



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TERMINAL EXERCISE

1. What is meant by transport? Describe its importance in business.
2. What is meant by modes of transport? State the different modes of transport.
3. Describe the various modes of land transport.
4. Describe the advantages and limitations of Railway transport.
5. Explain the various types of Road transport.
6. Discuss the advantages and limitations of Road transport.
7. Classify the various modes of water transport.
8. Describe the advantages and limitations of water transport.
9. Distinguish between Inland and Ocean transport.
10. Distinguish between liners and tramps.
11. Describe advantages and limitations of Air transport.
12. What are the factors that you will consider while selecting a suitable mode of transport?
13. For what kind of products pipeline transport is most suitable and why ?



ANSWER TO INTEXT QUESTIONS

- 5.1** (i) True, (ii) False, (iii) True, (iv) False, (v) True
- 5.2** I. True - (ii), (v) False - (i), (iii), (iv)
 II. (i) d (ii) a (iii) e (iv) b (v) c
- 5.3** I. True iii, iv False i, ii, v
 II. (i) Tramp (ii) Home/Domestic (iii) Liners
 (iv) Foreign (v) Heavy
- 5.4** I. True - (i), (iii) False - (ii), (iv), (v)
 II. (1) B, (2) C, (3) A, (4) C, (5) B

ACTIVITY FOR YOU

- Observe the various modes of transport near your residence and write their advantages and limitations.
- Visit the nearest market of your area and ask the trader which mode of transport they are using and why?
- In your family, what modes of transport are being used on different occasions? Make a list.



WAREHOUSING

We eat a variety of food in our daily life. Some of us may take rice, while others may like *chapati* or *roti* as our main food. But have you ever thought from where the paddy or wheat from which these food items are prepared come from. We know that these food grains are not produced throughout the year. But we need to eat them everyday. So how are the farmers able to supply these items continuously to us? You might be thinking that they store the food grains at a proper place and supply them at the time of need. Yes, you are right. Since the production takes place during a particular season and in specific areas, so there is a need to store these grains systematically. In our home we also keep limited stock for our own consumption. But there are certain places or stores, where these items are stored in huge quantities in a proper and systematic way. In this lesson let us learn the details about these stores.



OBJECTIVES

After studying this lesson, you will able to:

- explain the meaning of warehousing;
- recognise the need for warehousing;
- identify different types of warehouses;
- explain the characteristics of ideal warehouses;
- describe the functions of warehouses; and
- enlist the advantages of warehouses.

6.1 MEANING OF WAREHOUSING

We need different types of goods in our day-to-day life. We may buy some of these items in bulk and store them in our house. Similarly, manufacturers need raw materials throughout the year without any break. Some of them may not be available all the time. Take the example of a sugar mill. It needs sugarcane as raw material for production of sugar. You know that sugarcane is produced during a particular season of the year. Since sugar production takes place throughout the year, there is a need to supply sugarcane continuously. But how



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is it possible? Here storage of sugarcane in sufficient quantity is required. Again, after production of sugar it needs some time for sale or distribution. Thus, the need for storage arises both for raw material as well as finished products.



Goods in a Warehouse

Storage involves proper arrangement for preserving goods from the time of their production or purchase till the actual use or sale. When this storage is done on a large scale and in a specified manner it is called 'warehousing'. The place where goods are kept is called 'warehouse'. The person in-charge of warehouse is called 'warehouse-keeper'.

'Warehousing' refers to the activities involving storage of goods on a large-scale in a systematic and orderly manner and making them available conveniently when needed. In other words, warehousing means holding or preserving goods in huge quantities from the time of their purchase or production till their actual use or sale.

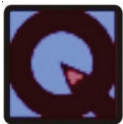
Warehousing is one of the important auxiliaries to trade. It creates time utility by bridging the time gap between production and consumption of goods.

6.2 NEED FOR WAREHOUSING

Warehousing is necessary because of the following reasons.

- (i) **Seasonal Production-** You know that agricultural commodities are harvested during certain seasons, but their consumption or use takes place throughout the year. Therefore, there is a need for proper storage or warehousing for these commodities, from where they can be supplied as and when required.
- (ii) **Seasonal Demand-** There are certain goods which are demanded seasonally, like woollen garments in winters or umbrellas in the rainy season. However, the production of these goods takes place throughout the year to meet the seasonal demand. So there is a need to store these goods in a warehouse to make them available at the time of need.
- (iii) **Large-scale Production -** In case of manufactured goods, now-a-days production takes place to meet the existing as well as future demand of the products. Manufacturers also produce goods in huge quantity to enjoy the benefits of large-scale production, which is more economical. So the finished products, which are produced on a large scale, need to be stored properly till they are cleared by sales.

- (iv) **Quick Supply** - Both industrial as well as agricultural goods are produced at some specific places but are consumed throughout the country. Therefore, it is essential to stock these goods near the place of consumption so that without making any delay these goods are made available to the consumers at the time of their need.
- (v) **Continuous Production**- Continuous production of goods in factories requires adequate supply of raw materials. So there is a need to keep sufficient quantity of stock of raw material in the warehouses to ensure continuous production.
- (vi) **Price Stabilization**- To maintain a reasonable level of the price of the goods in the market there is a need to keep sufficient stock in the warehouses. Scarcity in supply of goods may increase their price in the market. Again, excess production and supply may also lead to fall in prices of the product. By maintaining a balance of supply of goods warehousing leads to price stabilization.

**Notes****INTEXT QUESTIONS 6.1**

Which of the following statements are true and which are false?

- (i) Warehousing removes the hindrance of time.
- (ii) Warehousing is not an important auxiliary to trade.
- (iii) The objectives of warehousing may be to carry over the surplus goods, for consumption in future during the period of scarcity.
- (iv) Warehousing is not used to store the goods of seasonal nature.
- (v) Warehousing is not useful for large scale trading.
- (vi) Warehousing helps in continuous production of goods in the factories.

6.3 TYPES OF WAREHOUSES

You have learnt that warehousing caters to the storage needs of different types of commodities. In order to meet their requirement various types of warehouses came into existence, which may be classified as follows:

- i. Private Warehouses
- ii. Public Warehouses
- iii. Government Warehouses
- iv. Bonded Warehouses
- v. Co-operative Warehouses

We shall now discuss each of these.

- i. **Private Warehouses** - The warehouses which are owned and managed by the manufacturers or traders to store, exclusively, their own stock



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of goods are known as private warehouses. Generally these warehouses are constructed by the farmers near their fields, by wholesalers and retailers near their business centres and by manufacturers near their factories. The design and the facilities provided therein are according to the nature of products to be stored.

- ii. **Public Warehouses** - The warehouses which are run to store goods of the general public are known as public warehouses. Any one can store his goods in these warehouses on payment basis. An individual, a partnership firm or a company may own these warehouses. To start such warehouses a license from the government is required. The government also regulates the functions and operations of these warehouses. Mostly these warehouses are used by manufacturers, wholesalers, exporters, importers, government agencies, etc.
- iii. **Government Warehouses** - These warehouses are owned, managed and controlled by central or state governments or public corporations or local authorities. Both government and private enterprises may use these warehouses to store their goods. Central Warehousing Corporation of India, State Warehousing Corporation and Food Corporation of India are examples of agencies maintaining government warehouses.
- iv. **Bonded Warehouses** - These warehouses are owned, managed and controlled by government as well as private agencies. Private bonded warehouses have to obtain license from the government. Bonded warehouses are used to store imported goods for which import duty is yet to be paid. In case of imported goods the importers are not allowed to take away the goods from the ports till such duty is paid. These warehouses are generally owned by dock authorities and found near the ports.
- v. **Co-operative Warehouses** - These warehouses are owned, managed and controlled by co-operative societies. They provide warehousing facilities at the most economical rates to the members of their society.

6.4 CHARACTERISTICS OF IDEAL WAREHOUSES

In the above section you have learnt about different types of warehouses. In each of these warehouses adequate arrangements are made to keep the goods in proper conditions. However, a warehouse is said to be an ideal warehouse if it possesses certain characteristics, which are given below:

- i. Warehouse should be located at a convenient place near highways, railway stations, airports and seaports where goods can be loaded and unloaded easily.
- ii. Mechanical appliances should be there for loading and unloading the



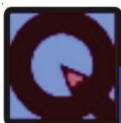
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- goods. This reduces the wastages in handling and also minimizes handling costs.
- iii. Adequate space should be available inside the building to keep the goods in proper order.
 - iv. Warehouses meant for preservation of perishable items like fruits, vegetables, 'eggs and butter etc. should have cold storage facilities.



A Warehouse

- v. Proper arrangements should be there to protect the goods from sunlight, rain, wind, dust, moisture, pests etc.
- vi. Sufficient parking space should be there inside the premises to facilitate easy and quick loading and unloading of goods.
- vii. Round the clock security arrangements should be there to avoid theft of goods.
- viii. The building should be fitted with latest fire-fighting equipments to avoid loss of goods due to fire.



INTEXT QUESTIONS 6.2

Fill in the blanks with suitable words given in brackets:

- (i) Food Corporation of India maintains _____ warehouses. (Government, private, bonded)
- (ii) Warehouses used exclusively by the traders to store their own goods are known as _____ warehouses. (Bonded, public, private)
- (iii) License from the government is not required to start a _____ warehouse. (Bonded, private, public).



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- (iv) Bonded warehouses are generally found near _____.
(industrial area, ports, commercial centers)
- (v) Goods for which import duty is not paid are kept in _____
warehouses. (Private, public, bonded)

6.5 FUNCTIONS OF WAREHOUSES

You have learnt that warehouses preserve goods on a large-scale in a systematic and orderly manner. They provide protection to goods against heat, wind, storm, moisture, etc. and also cut down losses due to spoilage, wastage etc. This is the basic function of every warehouse. In addition to this, warehouses now-a-days also perform a variety of other functions, which are as follows :

- i. Storage of goods-** The basic function of warehouses is to store large stock of goods. These goods are stored from the time of their production or purchase till their consumption or use.
- ii. Protection of goods-** A warehouse provides protection to goods from loss or damage due to heat, dust, wind and moisture, etc. It makes special preventive arrangements for different products according to their nature. It cuts down losses due to spoilage and wastage during storage.
- iii. Risk bearing -** Warehouses take over the risks incidental to storage of goods. Once goods are handed over to the warehouse-keeper for storage, the responsibility of these goods passes on to the warehouse-keeper. Thus, the risk of loss or damage to goods in storage is borne by the warehouse keeper. Since it is bound to return the goods in good condition, the warehouse becomes responsible for any loss, theft or damage, etc. Thus, it takes all precautions to prevent any mishap.



Goods Stored in a Warehouse

- iv. Financing-** When goods are deposited in any warehouse, the depositor gets a receipt, which acts as a proof about the deposit of goods. The warehouses can also issue a document in favour of the owner of the goods, which is called warehouse-keeper's warrant. This warrant is a document of title and can be transferred by simple endorsement and



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delivery. So while the goods are in custody of the warehouse-keeper, the businessmen can obtain loans from banks and other financial institutions keeping this warrant as security. In some cases, warehouses also give advance of money to the depositors for a short period keeping their goods as security.

- v. **Processing** - Certain commodities are not consumed in the form they are produced. Processing is required to make them consumable. For example, paddy is polished, timber is seasoned, fruits are ripened, etc. Sometimes warehouses also undertake these activities on behalf of the owners.
- vi. **Grading and branding**- On request warehouses perform the functions of grading and branding of goods on behalf of the manufacturer, wholesaler or the importer of goods. Warehouses also provide facilities for mixing, blending and packaging of goods for the convenience of handling and sale.
- vii. **Transportation**- In some cases warehouses provide transport arrangements to the bulk depositors. It collects goods from the place of production and also sends goods to the place of delivery on request of the depositors.

6.6 ADVANTAGES OF WAREHOUSING

Warehousing offers many advantages to the business community. Whether it is industry or trade, it provides a number of benefits which are listed below.

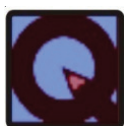
- i. **Protection and Preservation of goods** - Warehouse provides necessary facilities to the businessmen for storing their goods when they are not required for sale. It provides protection to the stocks, ensures their safety and prevents wastage. It minimises losses from breakage, deterioration in quality, spoilage etc. Warehouses usually adopt latest technologies to avoid losses, as far as possible.
- ii. **Regular flow of goods**- Many commodities like rice, wheat etc. are produced during a particular season but are consumed throughout the year. Warehousing ensures regular supply of such seasonal commodities throughout the year.
- iii. **Continuity in production**- Warehouse enables the manufacturers to carry on production continuously. It helps in providing seasonal raw material without any break, for production of finished goods.
- iv. **Convenient location**- Warehouses are generally located at convenient places near road, rail or waterways to facilitate movement of goods. Convenient location reduces the cost of transportation.
- v. **Easy handling**- Modern warehouses are generally fitted with mechanical



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appliances to handle the goods. Heavy and bulky goods can be loaded and unloaded by using modern machines, which reduce cost of handling such goods. Mechanical handling also minimizes wastage during loading and unloading.

- vi. **Useful for small businessmen-** Construction of own warehouse requires heavy capital investment, which small businessmen cannot afford. In this situation, by paying a nominal amount as rent, they can preserve their raw materials as well as finished products in public warehouses.
- vii. **Creation of employment** - Warehouses create employment opportunities both for skilled and unskilled workers in every part of the country. It is a source of income for the people, to improve their standards of living.
- viii. **Facilitates sale of goods-** Various steps necessary for sale of goods such as inspection of goods by the prospective buyers, grading, branding, packaging and labeling can be carried on by the warehouses. Ownership of goods can be easily transferred to the buyer by transferring the warehouse keeper's warrant.
- ix. **Availability of finance-** Loans can be easily raised from banks and other financial institutions against the security of the warehouse-keeper's warrant. In some cases warehouses also provide advance to the depositors of goods on keeping the goods as security.
- x. **Reduces risk of loss** - Goods in warehouses are well guarded and preserved. The warehouses can economically employ security staff to avoid theft, use insecticides for preservation and provide cold storage facility for perishable items. They can install fire-fighting equipment to avoid fire. The goods stored can also be insured for compensation in case of loss.



INTEXT QUESTIONS 6.3

- I. Which of the following statements are true and which are false?
 - (i) The basic function of warehousing is to store the goods.
 - (ii) The loss occurred in a warehouse is not borne by the warehouse-keeper.
 - (iii) Warehouse-keeper's warrant can serve as a security for loans from bank.
 - (iv) Warehousing helps in continuous production and regular supply of the goods.
 - (v) Warehousing does not create any employment opportunities.



Notes

II. Multiple Choice Questions

- i. Which of the following is not a need for warehousing?
 - (a) Quick supply of Goods
 - (b) Seasonal production goods
 - (c) Large-scale production
 - (d) Small scale production
- ii. Which of the following type of warehouses are situated at Airports and Seaports?
 - (a) Public warehouses
 - (b) Government warehouses
 - (c) Bonded warehouses
 - (d) Co-operative warehouses
- iii. The warehouses owned and managed by the Manufacturers or Traders to Store exclusively their own stock of goods are known as.
 - (a) Government warehouses
 - (b) Private warehouses
 - (c) Public warehouses
 - (d) Cooperative warehouses
- iv. Which of the following is not a function of warehouses?
 - (a) Risk bearing
 - (b) Financing
 - (c) Transport facility to every customer
 - (d) Protection of good.
- v. Which of the following is not an advantage of warehouses?
 - (a) Useful for small businessman
 - (b) Available at convenient location
 - (c) Do not create employment
 - (d) Make easier the Availability of Finance.



WHAT YOU HAVE LEARNT

- Warehousing refers to storing of the goods on large scale in a systematic and orderly manner from the time they are produced until they are consumed. It removes the hindrance of time. It is an important auxiliary to trade.
- The **need for warehousing** arises due to
 - i. Seasonal production of goods
 - ii. Seasonal Demand
 - iii. Large-scale Production
 - iv. Quick Supply
 - v. Continuous Production.
 - vi. Price Stabilization
- **Types of Warehouses**
 - i. Private warehouses,
 - ii. Public warehouses,



Notes

- iii. Government warehouses,
- iv. Bonded warehouses
- v. Co-operative warehouses

- **Characteristics of an ideal warehouse**

- i. Convenient location
- ii. Use of mechanical devices for handling goods
- iii. Adequate space for storage of goods
- iv. Cold storage facility for perishable items
- v. Protection of goods from sunlight, rain, wind, dust, moisture and pests
- vi. Sufficient parking space for vehicles
- vii. Round the clock security
- viii. Availability of fire fighting equipments.

- **Functions of warehouses**

- i. Storage of goods
- ii. Protection of goods
- iii. Risk bearing
- iv. Financing
- v. Processing
- vi. Grading and branding
- vii. Transportation

- **Advantages of warehousing**

- i. Protection and preservation of goods
- ii. Regular flow of goods
- iii. Continuity in production
- iv. Convenient location
- v. Easy handling
- vi. Useful for small businessmen
- vii. Creation of employment
- viii. Facilitates sale of goods
- ix. Availability of finance
- x. Reduces risk of loss



TERMINAL EXERCISE

1. What is meant by Warehousing?
2. Explain the need for warehousing.
3. Describe any six characteristics of an ideal warehouse.



Notes

4. Classify the various types of warehouses. Explain them briefly.
5. Distinguish between a public and a private warehouse.
6. Explain the functions of warehouses.
7. What is meant by public warehouse? State any three functions of a public warehouse.
8. Describe the advantages of warehouses to the businessmen.
9. How is a bonded warehouse useful for the importers?
10. Warehousing is one of the important auxiliaries to trade. Explain this statement in about 60 words.



ANSWER TO INTEXT QUESTIONS

- 6.1 (i) True (ii) False (iii) True
(iv) False (v) False (vi) True
- 6.2 (i) Government (ii) Private (iii) Private
(iv) Ports (v) Bonded
- 6.3 I. (i) True (ii) False (iii) True
(iv) True (v) False.
- II. (i) d, (ii) c, (iii) b, (iv) c, (v) c

ACTIVITY FOR YOU

- Make a comparative statement of the functions of a store and a warehouse. How does a store differ from a warehouse?



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7

COMMUNICATION SERVICES

All of us know that man is a social animal. He cannot survive in isolation. As a member of the society he is dependent on others. For most of the things he has to take help from others. But the question is, how does one know what the other wants? One has to convey his feelings, thoughts, ideas, requirements, experiences, etc. to another in such a way that the latter understands those correctly. The same thing happens with business also. It provides information to the customers, government, owners, and employees. etc. and at the same time receives information from them. In this lesson let us know, how people convey their feelings, thoughts, ideas, messages, etc.



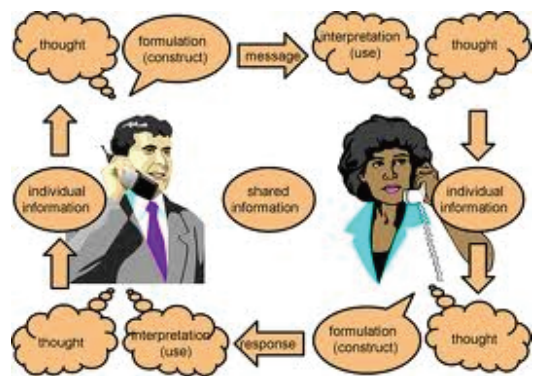
OBJECTIVES

After studying this lesson, you will be able to :

- define communication;
- state the elements of the communication process;
- explain the importance of communication in business;
- identify the types of communication;
- describe different means of communication; and
- explain barriers of communication.

7.1 MEANING OF COMMUNICATION

Every day you talk to the members of your family, friends and relatives on various matters. You receive letters from your friends and relatives on different occasions. You also reply to their letters. Sometimes to convey urgent message you send telegrams or make telephone calls. In this process you are able to share the information with others.



Picture Showing Communication



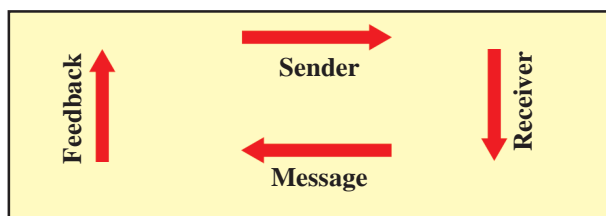
Notes

Similarly they also share their experiences with you. You must have observed that in an office the officer rings a bell to call the attendant, people stop their vehicles at road-crossings after looking to the red light of the traffic signal and then start moving after seeing the green light. In a school, students assemble for prayer after hearing the school bell. Through these means some message is conveyed and understood even without speaking or writing. All these activities of sharing or exchanging information, ideas and experiences between two or more persons are known as communication.

Communication may be defined as – “A process of sharing facts, ideas, opinions, thoughts and information through speech, writing, gestures or symbols between two or more persons”.

This process of communication always contains messages, which are to be transmitted between the parties. There are two parties to communication – one is “**Sender**”, who sends the message and the other ‘**Receiver**’, who receives it. Generally the process of communication is said to be complete when the receiver understands the message and gives the feedback or response. At road-crossings red light of the traffic signal sends the message to stop the vehicle. When people stop their vehicles by seeing the red light, it is the feedback or response. This feedback may be in any form. Even while talking to your friend ‘nodding of the head’ is treated as feedback. Thus, feedback becomes an essential element in the process of communication along with message, sender and receiver.

Hence ‘Communication Process’ includes the following elements :



Communication Process

Sender – The person who sends the message. Also known as the source.

Receiver – The person who receives the message

Message – Subject matter of communication. It may contain facts, ideas, feelings or thoughts.

Feedback – Receiver’s response or reaction or reply to the message, which is directed towards the sender.



Notes

For sending the message to the receiver or getting the feedback from the receiver we need a medium, which is called as a medium or means of communication. It carries the message to the receiver and brings the feedback from the receiver.



INTEXT QUESTIONS 7.1

- I. Write ‘T’ against a true statement and ‘F’ against a false one.
 - (i) Sharing or exchanging information, ideas and experiences between persons means communication.
 - (ii) The process of communication may not always contain a message.
 - (iii) Feedback is one of the elements of the process of communication.
 - (iv) A traffic police showing a stop sign to the public is the sender of message in the process of communication.

- II. Fill in the blanks with appropriate words/terms :
 - (i) A person who sends message is known as _____ .
 - (ii) Receiver’s response to the message is termed as _____
 - (iii) A person who receives message is called as _____
 - (iv) Subject matter of communication may contain _____
 - (v) The feedback of any message is always directed towards _____

7.2 IMPORTANCE OF COMMUNICATION

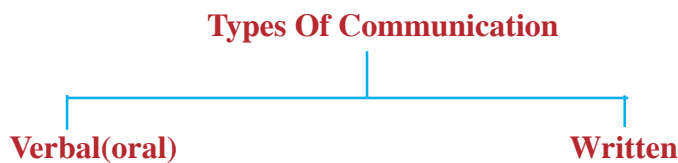
1. It is used to express facts, figures and ideas.
2. It is used within the firm as a means of controlling its operations, coordinating the activities of departments and employees and motivating personnel.
3. It provides important external links between the firm, its suppliers and customers.
4. Communication helps business to operate efficiently, as well as creates a good public image .
5. Communication educates people, widens their knowledge and broadens their outlook.
6. It tries to overcome the barriers of language and personal contact.
7. It helps people to know about new discoveries, new techniques, new products etc.
8. Due to communication more and more people are able to take advantage of achievements made by others.

7.3 TYPES OF COMMUNICATION

When we talk to others or write to them, communication takes place between us. But for such a communication, language is essential. Communication with the help of words known as **Oral/Verbal** communication is made through words spoken. Communication through spoken works is known as oral communication, which may be in the form of lectures, meetings, group discussions, conferences, telephonic conversations, radio message etc. In written communication, message is transmitted through written words in the form of letters, memos, circulars, notices, reports, manuals, magazines, handbooks, etc.



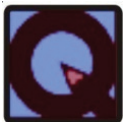
Notes



Written communication may be ‘Visual’, ‘Aural’, or ‘Gestural’. Sometimes you look into some pictures, graphs, symbols, diagrams etc. and some message is conveyed to you. All these are different forms of written(visual) communication. For example, the traffic policeman showing the stop sign, a teacher showing a chart of different animals are visual communication.

Bells, whistles, buzzers, horns etc. are also the instruments through which we can communicate our message. Communication with the help of these type of sounds is called ‘aural’ communication. For example, the bell used in schools and colleges to inform students and teachers about the beginning or end of periods, siren used in factories to inform the change of work–shift of the workers are examples of aural communication.

Communication through the use of various parts of the human body, or through body language is termed as gestural communication. Saluting our national flag, motionless position during the singing of national anthem, waving of hands, nodding of head, showing anger on face, etc. are examples of gestural communication.



INTEXT QUESTIONS 7.2

- I. Fill in the blanks with appropriate words :
 - i. Communication with the help of words is known as _____
 - ii. Communication through spoken works is known as _____
 - iii. Communication through the use of various parts of human body is known as _____



Notes

- iv. Communication with the help of pictures, symbols, diagrams etc. is known as _____
- II. Write ‘V’ to the phrase that illustrates Verbal Communication or ‘NV’ to the phrase that illustrates Non Verbal Communication.
 - i. A person reading a letter.
 - ii. A teacher looking to a student with anger.
 - iii. Saluting the national flag.
 - iv. Talking to a shopkeeper
 - v. Nodding head silently.

7.4 MEANS OF COMMUNICATION

There are various ways through which we communicate with each other. These may be called as the means of communication. In face-to-face contact we use different parts of our body or we directly talk to others while communicating our message. Where face-to-face communication is not possible, we take the help of some other means through which we usually convey our messages. For example, we may use letters to convey written messages; talk to others over telephones; send telegrams and use various other modern other modern machines like computers, fax machine, etc. to communicate our messages. The means to be used in our communication process depend upon the purpose of communication. For example, to send any urgent message we generally use telephone; for any important matter for which a written document is required, we use letter, telegram, fax, etc. Now-a-days modern technology has given us a wide option to choose the means according to our requirement and liking. Let us discuss some of the important means of communication commonly used in business.

Letters : Letters are a written form of communication. These can be sent or received by individuals or organisations. Written messages in the form of letters can be delivered to the receivers through special messenger, post offices or private couriers.

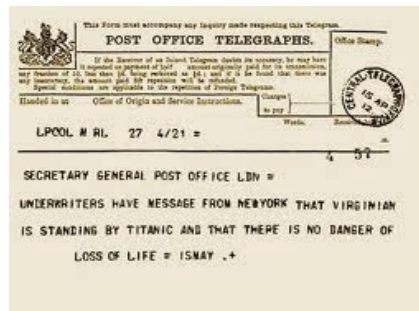


Letter Writing

This method is mostly used where fact-to-face communication is difficult or other means are not easily available. It helps in keeping a record of the communication. The cost involved is low in this means of communication.

Telegrams : It is also a form of written communication by which messages can be sent quickly to distant places. It is generally used when there is an urgency of communicating any important message. It transmits message much faster than

ordinary postal mail. This facility is available in all telegraph offices, where on payment of specific charge, we send our message. Charges are payable on the basis of number of words used in writing the message including the address of the receiver and sender's name. Hence, telegraphic messages are written in brief.



A figure of a Telegram

Telegrams can be sent as ordinary or express. Express telegrams travel faster than ordinary telegrams, for which extra charge is to be paid. To send telegrams to foreign countries cablegrams are used. Telegrams can also be sent by using telephone, which is called as phonogram. Here by ringing up the telegraph office through a telephone, the message can be recorded and later the telegraph office transmits the message to the receiver.

Telephones : Telephone is a very popular form of oral communication. It is widely used for internal and external business communications. Long distance communication is facilitated by STD (Subscriber Trunk Dialing) while

international communication can be made through ISD (International Subscriber Dialing) facilities. Both government and private agencies provide telecom services. Telephone is mostly preferred as it helps in establishing instant contact between the parties to communications. In business firms as well as government and private offices automatic switchboards



A figure of Telephone

known as private automatic branch exchange (PABX) are installed to facilitate internal as well as external communication.

Now-a-days mobile phones are very popular as they give an access to the receiver at any time, anywhere. This is an improvement over the fixed line telephone. It possesses many modern features like Short Messaging Services (SMS), Multi Media Messaging Services (MMS) etc., by using these services written messages can be sent to the receivers. Both private as well as government organizations provide these services. MTNL, BSNL, Airtel, Idea, Hutch, Reliance and Tata are the leading mobile service providers in our country through CDMA (code division multiple access), and GSM (global system for mobile communication).



Notes



Notes

Telex : Telex provides a means of printed communication using Teleprinter. Teleprinters consist of machines installed at different places which are connected to a central exchange through cable. In each machine a standard keyboard is fitted. Any message typed by using those keyboards at one end is automatically typed at the other end. Hence instant transmission is possible.



Telex Machine

Fax : Fax or facsimile is an electronic device that enables instant transmission of any matter, which may be handwritten or printed like letters, diagrams, graphs, sketches, etc. By using telephone lines this machine sends the exact



Fax Machine

copy of the document to another fax machine at the receiving end. For sending any message, the documents on which message, diagram or drawing is typed or drawn has to be put in the fax machine and the fax number (a telephone number) of the other party has to be dialed. Then the fax machine at the receiving end will instantly produce the replica of the matter. This is the most

commonly used means of written communication in business. The main advantages of Fax system are easy operation, instant transmission of handwritten or printed matters, over any distance Telephone machine also records each transaction of communication. The only limitation is that fax machine accepts document up to a standard size. Again, as a usual practice, a copy of the same document is sent to the receiver through post for their record. Telephone receiver at the other end also makes a photocopy of the document immediately after receiving the message through fax machine, because there may be chances that the ink used by the machine may fade away after some time.

E-mail : Electronic mail, popularly known as e-mail is a modern means of communication. The system makes use of electronic methods of transmitting and receiving information. In this case individuals, through the internet, open an e-mail account in their name from any ISP (Internet Service Provider). Then letters,



E-mail Communication

messages, pictures or sounds can be sent through their computer to the e-mail accounts of other individuals. Whenever the other person will access his e-mail account he receives the message. The information is communicated audio visually and the process is extremely fast. This method is gaining popularity with increased use of internet among the users.

Voice Mail : It is a computer-based system for receiving and responding to incoming telephone calls. It records and stores telephone messages through computer memory. The call can get the required information by dialing the voice mail number and then following the instructions of the computer. The individuals can also record their messages through voice mail. The receivers at their own convenience can get the message from the machines and take action accordingly. You can get information regarding admission, examination and result of NIOS through an interactive Voice Mail System, which has been installed at its headquarters at NOIDA. You can dial any of the two telephone numbers, 0120-4626909 or 0120-4626910 to get information from the voice mail.



Voice Mail System

Teleconferencing : Conference generally refers to meeting of people for consultation or discussion regarding any common issues. Here people sit together and interact face to face with each other. But, teleconferencing is a system through which people interact with each other without physically sitting in front of others. People can hear the voice and see the picture of others and also respond to their queries even if sitting in different countries. It requires the use of modern electronic devices like telephone, computers, television etc. For every teleconferencing a central controlling unit is required that facilitates the entire process of communication. There are two different types of teleconferencing one, audio-conferencing and other, video-conferencing. Let us know more about them.



A Scene of Teleconferencing

There are two different types of teleconferencing one, audio-conferencing and other, video-conferencing. Let us know more about them.

Audio-Conferencing- It is a two-way audio communication system in which the participants listen to the voice and respond immediately sitting at different places. People may listen to the voice through radio or television and put their queries by using telephone.



A Scene of Audio Conferencing

Notes

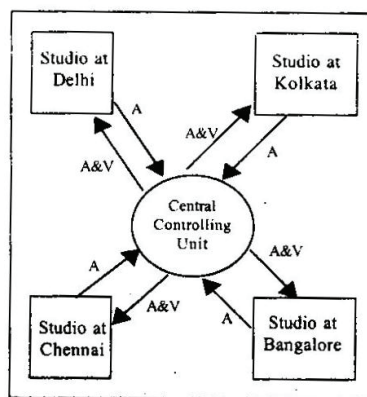




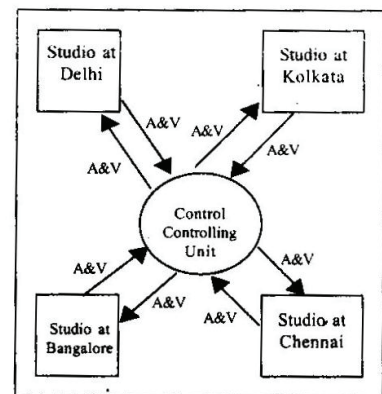
Notes

Video-conferencing– Besides listening to the voice, the participants of the conference can also see the picture of each other while talking themselves. This is called video-conferencing. There are two different types of video conferencing process.

- i. **One-way video and two-way audio :** In this system, the participants can listen to the voice and see the picture of the persons sitting in the studio. The audience maintains a contact with the studio through telephone and the persons in the studio listen to the voice of the participants.
- ii. **Both way audio and video :** Here participants at both the ends i.e., studio as well as audience end, are able to listen to the voice and see the picture of each other while talking amongst themselves.



One-way video and two-way audio



Both way video and audio

7.5 BARRIERS TO COMMUNICATION

Though communication is a pervasive activity, it is often unsatisfactory in practice. The interchange of ideas and information is blocked by several barriers. The barriers to effective communication are described below :

1. **Badly Expressed Message:** Often the message is expressed in poorly chosen words or empty phrases. There is lack of coherence, inadequate vocabulary and inappropriate language. This lack of clarity and precision leads to unnecessary clarifications, costly errors and misunderstanding. Often the translation of the information is faulty and the message is irrelevant. This *language* or *semantic problem* may also arise because different people interpret the same words or symbols differently due to difference in their education, perception and background. This semantic barrier can be overcome by broadening the outlook of every manager so that he can understand the mind of other persons.
2. **Screening or Filtering:** Successive transmissions of the same message may be rendered less accurate because of its filtration. At each level



Notes

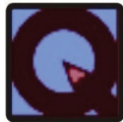
the message is screened by the receiver and only such information is passed further which gives a favorable impression of the sender. This premature evaluation of the communication distorts the message. Some managers fail to communicate due to their laziness or on the assumption that everybody knows. A manager must develop cooperative relationship with his subordinates. he should listen to and understand their attitude to avoid filtering of information.

3. **Inattention:** Sometimes, people fail to read bulletins, notices, minutes and reports. They do not listen the communication attentively. Subordinates may believe that the information is not important enough to communicate. Such errors of judgment make communication ineffective. Superiors have the tendency of non-listening. There may be lack of motivation to communicate due to poor facilities or delay in transmission.
4. **Unclearified Assumptions:** When the assumptions underlying the message are not clarified, misunderstanding may arise between the sender and the receiver of the message. For instance, a customer sends a message that he will visit the vendor's plant at a particular time assuming that the vendor will provide transportation, boarding and lodging facilities. But the vendor assumes that the customer is arriving to attend a wedding and will make a routine call at the plant. These unclearified assumptions will spoil their relationship.
5. **Resistance to Change:** Human beings by nature prefer to avoid disturbances in their daily routine and generally resist new ideas. They want to maintain the *status quo*. Everybody likes to receive that information which confirms his present belief and tends to ignore any thing that is contrary to such belief. When the communication involves a change that seriously affects employees, they may not take the message seriously. Changes affect different people differently and one may take time to think through the full meaning of a message. A manager should provide sufficient time and assistance to enable employees to adjust themselves to change.
6. **Mutual Distrust:** Effective communication is impossible when there is lack of confidence and mutual understanding between superior and subordinates. *Ill*-considered judgment or illogical decisions may prompt subordinates to delay action. In the absence of an open mind and willingness to see things through the eyes of others, people perceive same things differently. Management should create an atmosphere of mutual trust and confidence to enable people to appreciate each others point of view.



Notes

7. **Status and Position :** Subordinate may not disclose the facts fully because of the fear of the consequences of such disclosure. They may deliberately mislead the superior or may hesitate to seek clarifications due to the feeling that it will lower down their prestige. Superiors tend to keep maximum possible information with them to avoid listening to the subordinates. The barrier created by differences in status or position and fear can be removed through a free and fair two-way flow of information throughout the organization.
8. **Complex Organization Structure:** An organization structure involving several layers of supervision, use of staff specialists and a long chain of command is a major barrier to effective communication. Communication may break down at various levels of supervision. Organizational distance between workers and top management inhibits a free and fast flow of information and ideas along the chain of command. Management must improve the organization structure to remove this barrier.



INTEXT QUESTIONS 7.3

I. Match the columns correctly

Column A

Column B

- | | |
|---|--|
| <ol style="list-style-type: none"> a. Telegram b. Mobile Phones c. Fax d. Voice Mail e. E-mail | <ol style="list-style-type: none"> i. Receiving and sending mails through internet ii. Instant transmission of a printed document. iii. Short Messaging Service iv. Payment according to number of words used. v. Computer based system of receiving and responding to incoming telephones calls. |
|---|--|

II. Multiple Choice Questions

- i. A system of communication in which payment is made according to number of words used, is called.

(a) Mobile Phones	(b) Telex
(c) Telegrams	(d) Pager

**Notes**

- ii. Which of the following is an example of visual communication?
(a) A person saluting the national flag
(b) A person reading a letter
(c) A peon ringing a bell in the school
(d) A traffic policeman showing the stop signal.
- iii. Which of the following is not an element of communication process?
(a) Sender (b) Receiver
(c) Message (d) Feedback to other than a sender
- iv. The communication with the help of pictures, symbols, diagrams is called as:-
(a) Verbal Communication (b) Oral Communication
(c) Visual Communication (d) Written Communication
- v. Which of the following means of Communication is used for short messaging service?
(a) Fax (b) Telegram
(c) Voice Mail (d) E-mail

**WHAT YOU HAVE LEARNT**

- Process of sharing facts, ideas, opinions, thoughts, information through speech, writing or gestures and symbols between individuals is known as communication.
- Elements of communication process are sender, receiver, message and feedback.
- Communication can be verbal or non-verbal.
- Communication with the help of words is known as verbal communication and without using words is called non-verbal communication.
- Verbal communication may be oral or written.
- Non-verbal communication may be visual, aural or gestural.
- There are various ways through which we communicate our message. These are called means of communication.
- Letters, Telegrams, Phones, Telex, Fax, E-mail, Pages, Teleconferencing are means of communication normally used to send the message to distant places.



Notes



TERMINAL EXERCISE

1. Define 'communication' in about 20 words.
2. Name the elements of the communication process.
3. What is meant by Business Communication?
4. "Letters are the best means of communication". Do you agree with this statement? Give reason.
5. Give a short description of Voice Mail in about two sentences.
6. Explain the meaning of 'verbal communication'.
7. Give any four points highlighting importance of communication in business.
8. "Telephone is a very popular form of oral communication". Do you agree? Give reasons.
9. Differentiate between Verbal and Non-Verbal communication.
10. Illustrate the communication process with the help of a diagram.
11. Explain the meaning of communication and its process.
12. State the different types of Non-verbal communication.
13. "E-mail is the fastest method of transmitting written messages". Explain.
14. You are an exporter and you want to mail an exact copy of a quotation to an importer in USA. Which means of communication would you use and why?



ANSWER TO INTEXT QUESTIONS

- 7.1** I. (i) T, (ii) F, (iii) T, (iv) T
 II. (i) Sender, (ii) Feedback, (iii) Receiver, (iv) Facts, ideas, feelings or thoughts, (v) Sender
- 7.2** I. (i) Verbal communication (ii) Oral communication, (iii) Gestural communication, (iv) Visual communication
 II. (i) V, (ii) NV, (iii) NV, (iv) V, (v) NV
- 7.3** I. (a)-(iv), (b)-(iii), (c)-(ii), (d)-(v), (e)-(i)
 II. (i) c, (ii) d, (iii) d, (iv) c, (v) b

ACTIVITY FOR YOU

- Make a list of various means of communication available at your locality. Give priority to any one means as per your requirement. Consider the cost involved and the benefits you derive from that means of communication while giving priority.



POSTAL AND COURIER SERVICES

Are you facing any difficulty while studying this course material? Have you been able to comprehend the lessons you have studied so far? If not, please feel free to write to National Institute of Open Schooling (NIOS) about your specific problems. The NIOS will definitely find out a solution to your problem. But the question is how will you convey your problems? In the previous lesson, you learnt about various means of communication. By using any of those means you can communicate with us. In that lesson, you also learnt that letters are very common and convenient means of written communication. If you write a letter to us, then how it will reach to us? Who will bring it to us? Well, it is the post office or any other private courier service provider, which will do it. It acts as a middleman between the sender and the receiver. The sender posts the letter at the post office and the post office takes all necessary steps to deliver the letter to the person concerned. In addition to this, the post office also performs some other services. In this lesson we will learn more about various services rendered by the post office.



OBJECTIVES

After studying this lesson, you will be able to:

- explain the meaning and nature of postal services;
- state various services provided by post offices and private courier services providers;
- describe the importance of postal services; and
- recognise the role of private courier services.

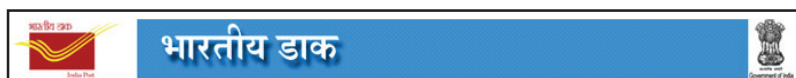
8.1 MEANING OF POSTAL SERVICES

You must have been to a Post Office. What did you do there? You may have purchased stamps or posted a letter. Sometimes, you may also have sent money or parcels, or you may have deposited your savings in the post office. The services of carrying letters and parcels, arranging remittance of money,



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accepting deposits of money, etc. are the various services offered by the post office, which the public can avail of. All these services are known as postal services.



8.2 NATURE OF POSTAL SERVICES

Postal services originated with the necessity of communicating written messages. In the past also, one could exchange messages in writing. But, then there used to be the practice of some individuals known as 'runners' being engaged to go from place to place to deliver the messages. Even trained pigeons were used to carry letters from one place to another. The postal system, which we have today, became effective with the spread of roadways and railways as means of transport. In India, until 1837, the postal service was used solely for sending official mail. After 1837, the postal services were made available to the public. In course of time, Post Offices offered several other services including remittance of money, delivery of parcels, banking, insurance and many other such services.

As you know, a Post Office serves a variety of functions, thereby making the nature of postal services divergent. Let us look into the nature of postal services. Post office services are administered by Government of India throughout the country and the charges for all these services are minimal, which the common man can afford, while postal services are also provided by some private courier companies such as Blue Dart, Blaze Flash, DHL etc. It is viewed as the most dependable means of written communication. It is also used by the common man as the most reliable means of sending money through money orders to persons staying at far off places. It is also the most commonly used means for delivery of articles of value. The banking services provided by Post Offices attract a large number of people both from rural and urban areas due to easy accessibility and wide network of post offices. One of the most interesting feature to note is that all these varied postal services give us several options, which we can use according to our need and convenience. For example, to write a letter, we may use a post card or inland letter or an envelope.

8.3 SERVICES RENDERED BY POST OFFICES (TYPES OF POSTAL SERVICES)

Indian postal services are mainly concerned with collection, sorting, and distribution of letters, parcels, packets, etc. Besides, a number of other services are also provided to the general public as well as business enterprises. Let us



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classify all those facilities under the following main headings.

- i. Mail services
- ii. Remittance services
- iii. Banking services
- iv. Insurance services
- v. Other services

8.4 MAIL SERVICES

You send letters to your friends and relatives on different occasions. Similarly, you make correspondence with NIOS regarding your problems. On special occasions, you may send greeting and gifts to your friends. In all these situations, post office helps you in sending your message and also in bringing messages for you through a type of service known as mail service. Mail service is one of the main services of post office that deals with collection of letters and parcels from the sender to distribute among the receivers. Indian Postal service deals with both inland and international mails. An inland mail is one where the sender and receiver of the mail reside within the same country. On the other hand, where the sender and receiver of the mail reside in different countries it is called International Mail.

While sending a written message, the sender can make use of a post card, inland letter card or envelop. For sending an article in a packet or parcel, a wrapper (thick paper or cloth) can be used. These are the alternative means of sending any mail through the post office. Let us know more about these means of mail service.

i. Post Card

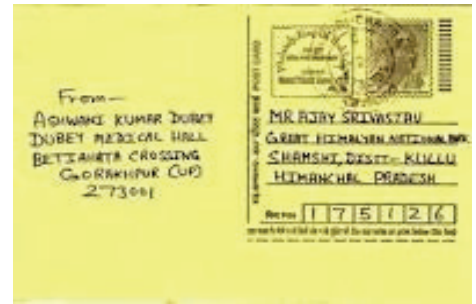
Post card is the cheapest means of written communication. It is a card on both sides of which we can write our message. It has a specified space to write the address of the receiver. In the post office, two different types of post cards are available. One is 'ordinary post card' and the other is 'competition post card'. While ordinary post cards are used for writing letters, competition post cards are used to send reply to questions asked in various competitions announced through radio, television, newspapers and magazines. Although the size of both the post cards is same, they differ in terms of colour and price.

While writing on the post card one important point you should remember is that, if you print your message in words or picture on any side of the post card then you have to pay additional postage. This type of card is called a printed post card. You must have seen a greeting card of post card size on one side of which a picture or a message is printed. This is also a printed post card.



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In post offices reply post cards are also available, which are attached with the post cards to send a message. By sending those you can get a reply from the addressee (receiver). Actually they are two ordinary post cards joined together. One post card is to be used for sending the message and the other for getting the reply. The sender writes his/her own address in the reply post card and sends both without detaching them. The receiver detaches the post card with the message and sends the reply to the sender on the reply post card.



Post Card

ii. Inland Letter

Like post card, written messages can also be sent using inland letter. The blank inland letters are sold by post offices and an inland letter is commonly used for sending messages within our country. Unlike post card, the written portion of the inland letter is folded and sealed. Only names and addresses of the receiver and the sender remain open. Thus, these ensure secrecy of the message. However, no enclosure is allowed inside the inland letter. A special type of letter just like inland letter is used for sending messages to foreign countries. It is known as “aerogram”.



Inland Letter

iii. Envelope

You have learnt that messages can be written on the post card or on the inland letter card. But post cards are not suitable for sending confidential messages. Again in inland letter it is not possible to send any enclosure although it ensures secrecy of the message. Now, suppose you want to send your application or bio-data seeking employment in any organisation. Can you send it through mail? Yes, for sending



Postal - Envelope

these, you need a postal envelope or an ordinary envelope with postage stamps affixed on it. It is a small size paper packet having one side open. After keeping your enclosure in it, you need to close it and sent it to the receiver.

Postal Envelopes are available at all post offices. These are widely used for mailing letters and other documents in all government and private offices as well as in business firms. Besides sending letters we can also mail certain lightweight enclosures like photographs, greeting cards through envelopes. In a post office you can find different types of envelope like, ordinary envelope, envelope for registered mail, etc. In these envelopes there is no need to affix any additional postage if the weight of your enclosure is upto a certain limit. If it exceeds that limit, then additional postage will have to be affixed according to the postal rates. In case the size of your enclosure does not fit those envelopes available at the post office you can prepare your own envelope or purchase it from the market and affix postage according to the weight. Even otherwise, there is no compulsion of using the envelopes available at the post offices.

**Notes**

iv. Parcel Post

Suppose you want to send a book to your friend who is staying in the nearby town. Can you send it through post? Yes, it can be sent through the parcel service of Post office. Let us learn about it. The postal facility through which articles can be sent in the form of parcels is known as Parcel Post. It provides reliable and economical parcel delivery service. Under parcel post services, parcels of specified size and weight can be sent across the country as well as outside the country. Postal charges vary according to the weight of the parcel. Separate postage is to be paid for inland and foreign parcel post.



Picture of a Parcel Post

v. Book Post

Articles in the form of printed materials, printed books, periodicals, greeting cards can also be mailed as book post. Under book post, envelopes containing books or documents should only be closed but not sealed. It should be mentioned on the face of the envelope as “Book Post”. The postage



Book Post



Notes

on Book post mails is less than the postage on sealed envelopes.



INTEXT QUESTIONS 8.1

Fill in the blanks with appropriate words

- i. Areogram is used to send written message to _____.
- ii. Ordinary post cards and competition post cards differ with respect to _____.
- iii. Postal charges on ordinary inland parcels vary according to _____.
- iv. The postage on Book Post mail is _____ than that on sealed envelopes.
- v. Inland letter cards should be used instead of post cards when the sender of a message wants to convey any _____ message.

8.5 REMITTANCE SERVICES

Suppose, you are working at a place far away from your home and you want to send money to your family. You can send it through the remittance service offered by the post office. It provides Money Order and Postal Order facility with the help of which people can transfer money from one place to another within as well as outside the country. Let us know more about money order and postal order.

a. Money Order

Money can be sent through post office under money order service. Money order is an order issued by one post office to another post office to pay a certain sum of money only to the person named therein. If you want to send money then first you have to fill up a money order form which is available at all post office on payment. The duly filled in form along with the money to be remitted is then handed over to the post office. In a single money order form we can send a maximum amount of Rs. 5,000/-. The money order form also contains some space where you can write down your message for the addresses. The filled in form is then sent to the post office where payment is to be made. The postman carries the form with him and after obtaining the signature from the addressee, handed over the money to him. For this service, post office charges a specific commission

A Money Order Form

from the sender, which varies according to the amount of money sent. For the convenience of customers, post office offers different types of money order services like Ordinary Money Order, Telegraphic Money Order, Satellite Money Order, Speed post Money Order, etc. For the convenience of businessmen it also offers Corporate Money Order service.

b. Postal Order

Like Money Order, we can also send money through postal order i.e., Indian Postal Order (IPO). It is a convenient method of sending money from one place to another and is mainly used for remitting examination fees or while applying for any job. Postal Orders are available at all post offices in different denominations like Re.1/-, Rs.2/-, Rs.5/-, Rs.7/-, Rs.10/-, Rs.20/-, Rs.50/-, and Rs.100/-. We can buy Postal orders on payment of prescribed charges and send it to the payee after mentioning his name and specifying the name of the post office, where it is intended to be encased. The payee after receiving the postal order produces it for payment at the post office mentioned there in. To ensure payment to the right person, we can cross the postal order by putting two parallel diagonal lines on its top left hand side corner just like crossing a bank draft or a cheque. The effect of crossing a postal order is that the payment can be collected through the payee's account at the post office or bank. This method of remittance is mostly used for official purposes.



A Picture of Postal Order

8.6 BANKING SERVICES

You know that banks deal with money. A bank accepts deposits from the public and grants loans and advances to those who are in need of funds. Besides accepting deposits and lending money, a bank also helps the customers keeping their valuables under safe custody, sending money from one place to another, providing business information, etc. Post offices undertake some of these services like accepting deposits from the public and withdrawal of deposits. Thus, we may say these are the banking services offered by post office. Under this service it offers various schemes to encourage the savings and motivate people to save. Let us learn about some of the important savings schemes offered by post office.



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- i. **Post Office Savings Bank Account:** It is a type of account in which we can deposit our savings in post offices and withdraw it whenever required. A minimum amount of Rupees Fifty is required to open the account and we can deposit a maximum of Rupees one lac in our account in the case of individual. The account can be jointly operated and in that case the maximum limit of deposit can be raised to rupees two lac. Money can be withdrawn from the account by using withdrawal slips or cheques. Post office pays interest on our deposits, which is totally exempted from income tax.
- ii. **5-Year Post Office Recurring Deposit Scheme:** A Recurring Deposit account can be opened with a minimum amount of Rs 10/ with is a multiple of Rs.5/- without any maximum limit. The deposit is to be made every month for a period of 5 years. After one year, 50% of the deposit can be withdrawn only once during the five year period. There is no restriction to open more than one recurring deposit account in the name of a single individual. On maturity INR 10/ account fetches INR 728.90. This account can be continued for another 5 years on year to year basis.
- iii. **Post Office Time Deposit Account:** Any individual can open this account with a minimum balance of Rs.200/-, without any maximum limit. The depositor makes deposit in lump sum and that amount matures after the expiry of a fixed period like one, two, three or five years. Interest on this account is given on annual basis but computed quarterly. This account can also be opened by a Trust. The deposit amount as well as interest income is exempted from income tax.
- iv. **Post Office Monthly Income Scheme:** Under this scheme a fixed sum of money is deposited for six-years and the depositors get the interest on it every month. A minimum amount of Rs.1,500/- and maximum of Rs.4.5 lakh in individual account and Rs.9 lakh in case of joint account can be deposited. In addition to interest the deposit amount also earns bonus at the rate of 5% which is payable on maturity. Both interest as well as bonus is exempted from income tax. This account is suitable for retired employees or any body who wants a regular income just like pension or salary.
- v. **6-Year National Savings Certificates (VIII Issue) Scheme:** National Savings Certificates (NSC) can be purchased from the post office by - (i) an adult for himself or herself or for any minor or by any minor; (ii) two adults jointly; or (iii) a trust. Minimum amount of deposit is Rs.100/- and there is no maximum limit of deposit. These certificates are available in denominations of Rs.100/-; Rs.500/-; Rs.1, 000/-; Rs.5, 000/-; and Rs.10, 000/-. Interest is compounded half-

yearly and payable at maturity. After 6 years, these certificates can be encashed from the post office.

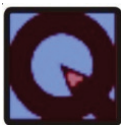
Interest income is treated as re-investment and is subject to tax rebate.

This deposit scheme is very popular among the income tax payers.

- vi. 15 Year Public Provident Fund Account (PPF Account):** Individuals can open this account in their own name or in the name of their minor child. In this account at least one deposit is required in every year. An account holder can deposit upto a maximum Rs. 70,000/- in a year, which can be deposited either in lump sum or in maximum of 12 installments. A minimum deposit of Rs. 500/- is required to be made each year. The amount of each deposit should be in multiple of Rs. 100/-. That means you cannot deposit any amount like Rs. 1,250/- or Rs. 3,785/-, rather it may be like Rs.1, 200/- or Rs. 3,700/-. Loan facility is available after 3 years whereas withdrawal of money from the account is allowed from the 7th year onwards. The deposit amount gets rebate under income tax and the interest income is fully tax-free.
- vii. Kissan Vikas Patra Scheme:** In this scheme a fixed sum of money gets doubled within a certain period. Money can be deposited in Kissan Vikas Patras by- (i) any adult for himself or herself or for any minor; (ii) two adults jointly; or (iii) a trust. These are available in the denomination of Rs.100/-, Rs.500/-, Rs.1,000/-, Rs.5,000/-, and Rs.10, 000/- at all post offices while Kissan Vikas Patra of Rs.50, 000/- denomination is available only at General Post Offices (GPO). There is no maximum limit of investment. Money can be withdrawn before its maturity but there is a minimum period called lock-in period within which your money cannot be withdrawn.
- viii. Senior Citizen Saving Scheme:** In this scheme a person can deposit only once in the multiples of Rs 1000/ but not exceeding Rs 15,00,000/ . Maturity period is 5 years. It can be operated individually or jointly with spouse. The age should be 60 years or more, and interest is payable on 31 March, 30 June and 31 December, in the first instance and thereafter, interest shall be payable on 31 March, 30 June, 30 Sept and 31 December.



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INTEXT QUESTIONS 8.2

Fill in the blanks with appropriate words.

- (i) The maximum amount of money one can deposit in a Post Office PPF account during a year is Rs _____.
- (ii) In a single money order form we can send a maximum amount of Rs. _____.



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- (iii) To ensure payment to the right person we can _____ the postal order.
- (iv) Loan facility is available to PPF account holder after completion of _____ years.
- (v) After completion of _____ years a NSC can be encashed.

8.7 INSURANCE SERVICES

In addition to dealing with mail and remittance of money, post offices also provide life insurance coverage to individuals. Do you know what is insurance? Insurance is a contract between two parties whereby one party agrees to pay a fixed sum of money to the other party on the happening of any event that causes damage or loss to that party. The party who agrees to pay money on happening of any event is called insurer, and the other is called assured. As per the contract, the insured pays fixed amount (called premium) either in lump sum or in instalments to the insurer for a fixed period. If any such event happens during that period and the insured or assured suffers a loss, then the insurer has to pay the agreed amount to him or his family members. Post offices offer life insurance under two schemes; (i) Postal Life Insurance (PLI), and (ii) Rural Postal Life Insurance (RPLI). Let us learn the details about these schemes.

i. Postal Life Insurance

Postal Life Insurance (PLI) was initially introduced for postal employees. Over the years it has been extended to the employees of central and state governments, public sector undertakings, universities, government aided institutions, nationalised banks and financial institutions. The post office allows the employees of these organizations, who are below 50 years of age, to insure their life on payment of a fixed premium for a particular period. It undertakes to pay a certain sum of money either on the death of the insured or on the expiry of a specified period.

ii. Rural Postal Life Insurance

Just like postal Life Insurance, the Post Offices also provide life Insurance coverage to the people living in rural areas and the weaker sections of society, which is known as Rural Postal Life Insurance (RPLI). Under RPLI, the insured person pays a very low premium for the insurance coverage.

8.8 OTHER POSTAL SERVICES

So far you have learnt about the several postal services like mail, remittance, banking and insurance services. Apart from these services, post office also provides various other services like-

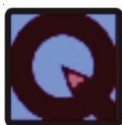
- i. **Sale of Stamps:** In addition to postal stamps, various other types of stamp like revenue stamp, share transfer stamps, recruitment stamp etc. are also sold at post offices.



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Revenue stamps are used while getting a receipt from the receiver if the amount of transaction exceeds Rupees five hundred. Share transfer stamps are used for transferring shares or other securities in the name of others. Similarly, recruitment stamps are required for paying fees for various examinations conducted for recruitment of candidates.

- ii. **Sale of Forms:** Post office facilitates sale of different forms like passport forms, UPSC (Union Public Service Commission) forms, SSC (Staff Selection Commission) forms and forms of other national level competitive examinations.
- iii. **Bill Payment:** Post office also collects payment of telephone, electricity, and water bills from the consumers.
- iv. **Pension Payment:** For the convenience of pensioners, Government of India has made necessary arrangement for payment of pension through post office. Military, railways, coalmines, telecom pensioners can avail of this facility from the nearest post offices.
Post office also provides the facility of old age pension to senior citizens. Ministry of Social Welfare and State Governments grant this old age pension.
- v. **Post Shoppes:** Post shoppes are the small retail shops established for sale of postal stationery items, greeting cards and small gift items to the customers. These shops are found within the premises of some post offices.
- vi. **Philately:** Special and commemorative postage stamps as well as special covers (envelopes) are issued by the Postal Department that cover a wide range of themes reflecting the rich natural and cultural heritage of the country. Important national and international events, famous personalities and institutions are honoured through the medium of commemorative postage stamps and envelopes. These stamps enjoy wide popularity in the world of philately.
- vii. **Gramin Sanchar Sewak Scheme:** With a dream to provide telephone facility to every home, *Gramin Sanchar Sewak* Scheme has been launched. It is a joint effort of Department of Post and Bharat Sanchar Nigam Limited (BSNL) Under this scheme, the postmen while delivering mails from door to door will also carry a mobile phone with them. People can make use of that phone by paying the specified charge to the postman. This facility is available only in rural areas of our country.



INTEXT QUESTIONS 8.3

Which of the following statements are 'True' and which are 'False':

- (i) A Government employee who is 52 years of age can insure his life at post office.



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- (ii) A financial transaction involving an amount of Rs. 600/- does not require any revenue stamp to be affixed on the receipt.
- (iii) In post shoppe ready-made garments are sold.
- (iv) Post office offers Rural Postal Life Insurance facility for the benefit of weaker sections of our society.
- (v) Gramin Sanchar Sewak Scheme is only available in rural areas.

8.9 SPECIALISED MAIL SERVICES

For convenience of people post office also offers various mail services having some extra advantages like sending mails faster, ensuring certainty of delivery of mails, compensating the sender in case of loss or damage to the mail during transit etc. You can avail of the benefit of all these facilities by paying additional postage. Let us learn the details about these services.

i. Certificate of Posting

When ordinary letters are posted, the post office does not issue any receipt because we generally drop them in the letterbox of the post office or in our locality. However, if a sender wants to have a proof that he/she has actually posted the letters, then a certificate can be obtained from the post office on payment of prescribed charge. This is called 'certificate of posting'. In order to have such a certificate you just need to write the complete address of the receiver and sender on a plain paper and affix the required postage on it. This paper along with the letters is handed over to the post office. The post office will put its seal on that paper and return it to you. This paper now serves as an evidence of posting the letters. But remember to write UPC on the face of your mail. UPC stands for 'Under Postal Certificate'.

It may serve as an evidence of posting in case of any dispute about communication.

ii. Registered Post

Sometimes we want to ensure that our mail is definitely delivered to the addressee otherwise it should come back to us. In such situations, the post office offers registered post facility through which we can send our letters and parcels. These mails are handed over to the post office after affixing additional postage as registration charge. On receiving the mail the post office immediately issues a receipt to the sender, which also serves as a proof that the mail has been posted. Remember, the post office will never accept your letters unless you write your complete address on the letters. To distinguish them from ordinary mail, all registered mails are super scribed as "Registered Post" on their face.

Do you want to confirm that your letter has been delivered to the addressee? Here post office provides another facility. Normally registered posts are handed over to the addressee after getting their signature on some postal documents.

But it is not intimated to the sender unless he specifically asks for it. But if the sender wants to have intimation then an “Acknowledgement Due Card” can be sent along with the registered mail. This form is signed by the receiver (addressee) on delivery of the article and returned to the sender by post. The Acknowledgement Due Cards are available at all post offices on payment of specific charges. The sender of the registered post is required to buy one card, write his complete postal address on it and tag it to envelope. The envelope must be subscribed as ‘Registered post with AD’.

iii. Insured Post

While mails are in transit they can get damaged or lost, resulting in a loss to the sender. Can the post office be held liable for the loss or damage of the article in postal transit? In case of ordinary letters, registered letters or parcels, post office cannot be held liable for any loss or damage to the article. However, there is a provision that a sender can insure the letter or parcel, so that, in case of any loss or damage to the letter or parcel, the post office shall compensate for it. Thus, insured post is a type of mail service through which valuable articles may be sent after insuring these up to a specific amount. The insurance premium is paid to the post office according to the value for which the mail is insured. Here post office acts as the insurer and is liable for the loss or damage to the extent of the value insured for. Only registered mails are allowed to be sent through insured post. Remember, your letter or parcel will not be accepted for insured post unless it is packed and sealed as required by the post office.

iv. Speed Post

Speed post service was introduced on 1st August 1986. Sometimes because of some urgency or to avoid delay we want that our mail should reach the addressee at the earliest. Here post office provide time-bound as well as guaranteed mail delivery through its Speed Post Services. Under this service, letters, documents and parcels are delivered faster i.e., within a fixed time frame. This facility is available at specific post offices. The post office charges relatively more postage for speed post than that of ordinary mail and it varies according to distance. This service is available 24 hours at specific speed post centers. Post office picks up speed post mail from the doorstep of the senders who sent bulk mail on a regular basis.

v. Post Restante

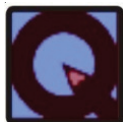
When it is necessary to send letter to a person whose exact address is not known you can send it to the postmaster of that area in which the receiver resides. These letters are called Post Restante Letters. While sending such letters you have to specifically mention ‘post restante’ or ‘care of postmaster’ on the face of the letters. With this indication the letter will be retained at the

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post office at the receiving end and delivered to the addressee on his calling the postmaster concerned. The post office at the receiving end retains such letters for a maximum period of 14 days. Then it is returned back to the sender or to the Return Letter Office. This facility is particularly suitable for tourists and travelling salesmen who are not sure about their address in a particular place, or for any other person looking for a fixed address at a new place.



INTEXT QUESTIONS 8.4

Which of the following statements are true and which are false?

- i. Speed post service is available in all post offices.
- ii. Only registered mail is allowed to be sent through insured post.
- iii. Post Restante mail is retained by the post office at the receiving end only for a week.
- iv. For insured post service, additional postage is payable depending on the distance between the two post offices.
- v. Certificate of posting does not entitle the sender of mail to claim compensation if the letter is lost in transit.

8.10 MAIL TRANSMISSION

Post office collects letters and parcels either through its counters or by installing letterboxes. People drop letters in these boxes at any time according to their convenience and post office collects these once or twice everyday during office hours. You may find these boxes outside every post office and also at some specific places for the convenience of the public. But have you ever noticed that in some places there may be letterboxes with different colours like red, green, blue and yellow. Why are they so? Actually the main purpose of installing letterboxes with different colours is to segregate mails of different destination at the time of receiving them. This facilitates quick sorting and delivery of letters.

Let us see which box collects which type of mail:

- Red boxes are meant for collection of mails, which are not local.
- Green boxes are meant for collection of local mail.
- Blue boxes are meant for collection of mails addressed to metro cities.
- Yellow boxes are meant for collection of mails addressed to all capital cities.

What happens when you hand over your letters to the post office or drop your letters in the letterboxes?

- Post office collects those letters;
- Verifies the amount of stamp affixed on it and defaces the stamps by putting its seal;



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- Sorts the letters according to their destination (i.e., the locations where these are to be delivered);
- Puts mails in different packets or bags as per their destination;
- Sends those packets to different post offices at the receiving end;
- The receiving post offices then open those packets and put their seal on the letters.
- Sort the mails on the basis of locality of the addressees;
- Finally the postmen personally deliver the letters to the respective addresses.
- You might be thinking how the postbags or packets are conveyed from one post office to the other. Let us get to know about this. For short distance, mailbags are carried
- Through roadways with the help of motor vehicles, auto rickshaws and cycles etc. But for long distance mails, the most convenient mode is railways. In our country Railway Mail Service (RMS) facilitates sending and receiving mail by railway. You might have seen the offices of the RMS inside the premises of almost all big railway stations all over the country.
- The mails that move through railways, motor vehicle, cycles etc., are called **Surface mail**.
- Besides sending mails through roadways and railways, Indian Postal Department has also made necessary arrangement to send mails through airways wherever air linkage is available.

All international mails are forwarded through airways. So the mail carried on by air transport is known as **Airmail**.

8.11 POSTAGE FOR MAIL SERVICE

You might be thinking, how a post card or inland letter card moves across the country at the same postage irrespective of the distance it travels? In our country you will find uniform rate for all types of mails (except speed post) that move within the country. The postage generally varies according to the weight of the mail. In case of sending mail outside the country or by speed post, the postage varies on the basis of weight as well as distance.

The payment to post office for the service of carrying mails is made through postal stamp. It is required that we should buy postal stamps from the post office and affix them on our mails. But this is not the only way to pay for the service we avail of from the post office. Let us know the various ways of paying postage while sending our mails through post office.

- Postal Stamp:** While sending envelopes and parcels we buy postal stamps from the post office and affix them on our mail before we



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drop them in the letterbox or handover at the counter in the post office. But in case of post cards, inland letter cards and postal envelopes, which are available at post offices there is no need to affix stamps separately as the postage is already included in the price of these items. You might have noticed printed postal stamps on the face of these items. Remember, the postage you pay while buying these items is only for the minimum permissible weight of your documents. If the weight of your letters or parcels exceeds that limit you have to affix additional postage.

- ii. **Franked postage:** In large offices where hundreds of letters have to be sent everyday, the post office provides another facility to affix stamps through a machine known as 'franking machine'. This machine can print postage of different denominations, which are called franked postage. The letters to be stamped are inserted in the machine and by operating different buttons of this machine impression of required amount of postage can be made. A franking machine prints postage in brick red ink. These machines can be hired under a license from the post office. The post office gives it to the license holder after setting the machine according to the value of postage paid by the latter. The machine will stop printing when the total value of the postage is used up. It can be again reset by the post office on further payment for its use.
- iii. **Payment without affixing any stamp:** You might have noticed that in some mails no postal stamp is affixed. Then how do they come to you? Actually these are certain types of mail where the postage is paid by the sender either well before dispatching the mail or by the receiver after receiving the mail. For example, in case of newspapers and periodicals the sender pays the postage before dispatching the mail and in case of business reply cards the addressee pays the postage after receiving the mail. The Postal Department carries braille literatures free of charge.
- iv. **Computerised Slip:** In some post offices now-a-days computer generated slips are pasted on the mails. There is no need to affix any postal stamp separately.

The amount of postage paid, date and time is mentioned on the slip. This facility is available for registered letters, speed post letters, etc. and not for ordinary letters.



INTEXT QUESTIONS 8.5

Match the phrases in column A with those in column B:

Column A

- i. Green Letter Box
- ii. Franking Machine
- iii. Affix inadequate postage
- iv. Business Reply Card
- v. Wrong address of receiver on letter

Column B

- (a) Returned the letter to the sender
- (b) No postage is paid by the sender
- (c) Double the amount of deficiency in postage payable by addressee
- (d) Local Mails
- (e) Printing of postage

Notes



8.12 HOW DOES POST OFFICE FACILITATE BUSINESS TRANSACTIONS

Besides carrying mail through various means as discussed earlier, post office offers some special services to the business firms like:

- facilitating selling of goods through **Value Payable Post**;
- carrying letters from the customers without any pre-payment of postage through '**Business Reply Post**';
- facilitating advertisement of the products through **Media Post**;
- providing reliable and time-bound parcel service through **Express Post**;
- offering various pre-mailing services to big mailers through **Business Post**.
- allowing transfer of huge amount of money through **Corporate Money Order** and
- making special arrangement to collect mails through **Post-bag and Post box** facility.

Let us know further about these facilities.

- i. **Value Payable Post (VPP)** : Sometimes we want to buy certain goods, which are not available in any local shop. In such a case we can always make a request to the seller located at a distance to send the goods to us. Here post office gives a very good option to the seller to use its Value Payable Post (VPP) service. Under this service post office receives the properly packed goods from the seller and carries those to the customers. After receiving the total amount (that includes the price of the goods and the VPP charges) from the customer it delivers the goods. Then the post office sends the money to the seller.



Notes

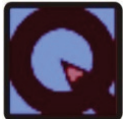
- ii. **Business Reply Post :** We know that creation of customers is one of the important marketing objectives of every business. To achieve this objective businessmen always look for prompt reply and reaction from their customers if customers' opinion is sought for. In this regard post office allows the customers to send their reply through business reply post, which does not require any postage from the sender. The post office recovers the postage from the addressee later on. To avail of this facility businessman can obtain a licence from the post office after paying a prescribed fee for it. That licence number should be clearly printed on the card or envelope along with phrases like- "Business reply card/envelope, No postage will be paid by the addressee, No postage stamps necessary if posted in India". The address of the receiver must be printed on the face of the card or envelope.
- iii. **Media Post :** Under this service, the postal department allows the corporate and government organizations to reach the customers through advertisement on post card, inland letter card, aerogramme and other postal stationeries. Public awareness messages may be printed by government on postal stationery.
- iv. **Express Post :** Post office offers a reliable, speedy and economical parcel service to the corporate and business customers through its express post. It provides a time bound door-to-door delivery of parcels upto 35 kgs. in weight.
- v. **Business Post :** Post office gives another opportunity to the business customers by undertaking their premailing activities through business post. Pre-mailing activities include collection from sender's doorstep, insertion of goods in packet, pasting and addressing as well as franking of mails, etc.
- vi. **Corporate Money Order :** Like individuals, business organizations can also transfer money through money order. For them, the post office offers Corporate Money Order Service. It enables business organization to transfer upto Rupees one crore to any part of the country. This facility is available at post offices connected with satellite.
- vii. **Post-box and Postbag :** You know that postman delivers different types of mail at the doorstep of the addressee. In addition to this, post office also provides post box and postbag facilities to the receivers of the unregistered mails. Under this facility a particular number and a box or a bag is allotted at the post office to the receiver on payment of a specific rent. Post office keeps all mails addressed to that number in those boxes or bags. Then the addressee makes necessary arrangement to collect the mails as per his convenience. In case of post box the addressee needs

to collect the mails from the post office by opening its allotted box, but in case of postbag the addressee can carry the bag to his/her office and open the bag there. Any firm or individual may hire such a box from the post office. This facility is mostly suitable for:

- business firms which want to receive their mail promptly;
- bulk mail receiver;
- mail order business;
- those who do not have any fixed address; and
- those who do not want to disclose their names and addresses.



Notes



INTEXT QUESTIONS 8.6

Fill in the blanks with appropriate words :

- (i) Post office offers pre-mailing services to the business enterprises through _____ post.
- (ii) Advertisement of products and services can be done through post office by using the facility of _____ post.
- (iii) Business _____ post does not require any postage to be affixed by sender.
- (iv) In corporate money order, money can be sent upto Rs. _____
- (v) Through _____ mails can be received without disclosing receivers the identity to the sender or public.

8.13 IMPORTANCE OF POSTAL SERVICES

Postal services are important for the public in general and business in particular. The following points highlight the importance of Postal Services:

1. **Cheaper means of communication:** Postal mail services are available at relatively much lower rates than any other means of communication. Newspapers and journals have large circulation and reach the people even in remote villages because of postal services. This is made possible because newspapers and magazines can be sent at concessional rates.
2. **Encourage Savings:** People of ordinary means are encouraged to make small savings through the various small savings schemes run by the post offices. Besides, savings through the post offices are allowed tax concession, e.g. savings in National Savings Certificates and Public Provident Fund. There is also provision for prizes to be given to people saving in post offices.
3. **Safe remittance of money at lower rate:** The cheapest and most common means of remitting money is by money order through post offices. If money is to be sent urgently, it can be done by Telegraphic Money Order. Postal order is another mode of transfer of money.



Notes

4. **Promotion of trade:** Availability of postal services has facilitated the growth and expansion of both internal as well as external trade. Trade enquiries are made and business deals are finalised through correspondence. Placing order, intimation of sending goods, reminders for payments are mostly communicated by post. Cheques, drafts and valuable documents are also sent by post. The registered mail containing valuable documents can be insured for specified amounts to cover the risk of loss in postal transit. Mail order business totally depends on postal mail and parcel delivery service.
5. **Facilitate distant learning:** Open Schools, Open Universities and other institutions offering distant and correspondence education, educate learners by sending instruction materials through post. They also make all correspondence with the learners through post office. Thus, students in far off places can get the advantages of learning their lessons without the necessity of attending regular classes.

8.14 PRIVATE COURIER SERVICES

There are some private operators who provide mail services to the public. They are known as private couriers. They collect letters and parcels and deliver them at the place of the addressee.

Private couriers provide quick service in collection and delivery of letters, parcels, packets etc. No postage is required to be affixed on letters and parcels if sent through couriers. The charges payable for



private courier service are generally higher in comparison to post office. Again these charges are also not uniform. Private couriers are popular in big cities and towns.

The main features of private couriers services are as follows:

- i. It provides a quick means of communication.
- ii. It provides facilities for national as well as international communication.
- iii. All kinds of articles are handled by it except gold and jewellery.
- iv. Besides using railways, roadways and airways for carriage of articles, some agencies use telephone, telex and fax services for transmission of messages.
- v. It undertakes full responsibility of safe and timely delivery of articles.
- vi. It collects articles from the doorstep of senders and delivers them to the receivers.



INTEXT QUESTIONS 8.7

- I. Which of the following statements are True and which are False?
- PIN facilities quick and easy sorting of mails.
 - Department of post works under the Ministry of Finance, Govt. of India.
 - Post office does not help in distant learning programme.
 - Cheques and valuable documents can be sent to people by post.
 - Private couriers do not carry parcels.
- II. Multiple Choice Questions
- Which one of the following is not as a type of Postal Services?
 - Mail Service
 - Banking Service
 - Remittance Service
 - Lockers Service
 - Which of the following type of Insurance policy is provided by Post Office?
 - Endowment Policy
 - Whole Life Policy
 - Rural Postal Life Insurance Policy
 - Joint Life Policy
 - Which of the following is a remittance Service provided by Post Office?
 - Pension Payment
 - Bill payment
 - Money order
 - Post Office monthly Income Scheme
 - Which of the following is not a specialized Mail Service provided by Post Office?
 - Registered Post
 - Sale of Stamp
 - Speed Post
 - Insured Post
 - Which of the following is a Private courier Service?
 - Post-Box and Post Bag
 - Business Post
 - Overnite Express
 - Value Payable Post.



Notes



WHAT YOU HAVE LEARNT

- The various services offered by Post Office are called Postal Services. These services include carrying of letters and parcels, arranging remittances of money, accepting deposits, insuring life of the people etc.



Notes

- Collection of letters and parcels from the sender to deliver them to the receiver is called mail service. Post office offers mail services through post card, envelope, inland letter, parcel post, book post etc. It also provides specialized mail services through certificate of posting, registered post, insured post, speed post, post restante.
- Money can be transferred from one place to another through remittance service of post office. It offers money order or postal order facilities through which people can send money to distant places.
- Post office encourages saving habit among people by offering various saving schemes like post office savings bank account, 5-years post office recurring deposit scheme, post office time deposit account, Post office monthly income scheme, 6-years National Saving Certificate (VIII issue) Scheme, 15-years Public Provident Fund Account, Kissan Vikas Patra Scheme, etc.
- Individual's Life can be insured through Post Office through Postal Life Insurance as well as Rural Postal Life Insurance Schemes.
- Post office facilitates business transactions by offering VPP, Business Reply Post, Media Post, Express Post, Business Post, Corporate Money Order, Post Bag or Post Box.
- Importance of Postal services - it provides cheaper means of communication, encourage savings, helps in sending money at lower rate, promotes trade and facilitates distance learning.
- Private couriers with the help of their own network also provide mail services in our country. They provide quick service in collection and delivery of letters, percales etc.



TERMINAL EXERCISE

1. Make a symbol of Indian Post in you note book.
2. Distinguish between inland mail and international mail.
3. What is meant by Gramin Sanchar Sewak Scheme?
4. State the features of 15 years Public Provident Fund Account.
5. What purpose does PIN serve in mail services?
6. Distinguish between VPP (value payable post) and Business Reply Post.
7. What are the different colours of letterboxes available in Post Offices? What purpose does they serve?
8. State the different types of Post Card available in Post Offices.
9. Distinguish between money order and postal order.
10. Explain the different schemes of Life Insurance available at Post Offices.

**Notes**

11. State the features of Private Courier service.
12. Describe suitability of Post Bag facility offered by Post Office.
13. Describe the remittance services offered by Post Office.
14. What is meant by Postal Service? Explain any two services provided by Post Office.
15. Explain any four Saving Schemes operated through Post Office.
16. How does Postal Service facilitate business transactions?

**ANSWER TO INTEXT QUESTIONS**

- 8.1** (i) Foreign countries, (ii) Colour and price, (iii) Weight,
(iv) Less, (v) Secret/confidential
- 8.2** (i) Rs. 70, 000/-, (ii) Rs. 5, 000/-, (iii) Cross,
(iv) Three, (v) Six
- 8.3** (i) False, (ii) False, (iii) False, (iv) True, (v) True
- 8.4** (i) False, (ii) True, (iii) False, (iv) False, (v) True
- 8.5** (i) d, (ii) e, (iii) c, (iv) b, (v) a
- 8.6** (i) Business, (ii) Media, (iii) Reply, (iv) One crore,
(v) Post bag or post box
- 8.7** I. (i) True, (ii) False, (iii) False, (iv) True, (v) False.
II. (i) d, (ii) c, (iii) c, (iv) b, (v) c

ACTIVITY FOR YOU

1. Visit the nearest post office and get the prevailing postal rates for ordinary posts in envelope, registered post, money order fees, charges for postal order competition post card, certificate of posting etc.
2. Go to the nearest post office and enquire about the benefits of National Saving Certificate and Kissan Vikas Patra.

YOUR ATTENTION PLEASE

In this lesson various information provided for postal facilities and schemes is applicable for the year 2011. For latest information regarding these you are advised to contact your nearest post office.



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बैंकिंग सेवाएं

किसी कस्बे अथवा शहर की गलियों में घूमते हुए आपने केनरा बैंक, पंजाब नेशनल बैंक, स्टेट बैंक ऑफ इंडिया, यूनाइटेड कॉमर्शियल बैंक आदि के साइनबोर्ड भवनों पर लगे हुए देखे होंगे। इन नामों से क्या पता चलता है? क्या आपने कभी इनके बारे में जानने की कोशिश की है? यदि आप किसी ऐसी इमारत में जाएंगे, जिनमें ये बैंक खुले हुए हैं, तो आपको किसी व्यापारिक कार्यालय की तरह का माहौल दिखाई देगा। आप देखेंगे कि कर्मचारी काउंटर्स के पीछे अपने सामने खड़े व्यक्तियों से बातचीत कर रहे हैं। आप यह भी देखेंगे कि कुछ व्यक्ति एक काउंटर पर रूपया जमा कर रहे हैं, जबकि कुछ अन्य व्यक्ति किसी दूसरे काउंटर पर से रूपया प्राप्त कर रहे हैं। काउंटर्स के पीछे उस कार्यालय में मेज भी रखी हुई है, जिन पर ऑफीसर बैठे हुए हैं। उस कार्यालय के एक ओर आपको एक चैम्बर (पार्टीशन लगा छोटा कमरा) भी दिखेगा, जहां प्रबंधक बैठा होगा, जिसकी मेज पर कुछ कागज भी रखे हुए होंगे। यह एक बैंक का कार्यालय है। आइए, हम बैंकों तथा उनके कार्यकलापों के विषय में अधिक जानकारी प्राप्त करें।



उद्देश्य

इस पाठ को पढ़ने के बाद आप

- 'बैंक' की परिभाषा बता सकेंगे;
- 'बैंकिंग' की भूमिका का वर्णन कर सकेंगे;
- विभिन्न प्रकार के बैंकों की पहचान कर सकेंगे; और
- एक व्यापारिक बैंक के कार्यों का वर्णन कर सकेंगे।

9.1 बैंक का अर्थ

सरकार द्वारा प्राधिकृत कोई संगठन जो अपने ग्राहकों से जमा स्वीकार करता है, ब्याज का भुगतान करता है, बैंकों का समाशोधन करता है, ऋण देता है, वित्तीय लेनदेनों हेतु मध्यस्थ का कार्य करता है तथा अन्य वित्तीय सेवाएं उपलब्ध करता है, उसे बैंक कहते हैं।

आप जानते हैं कि खाना, कपड़ा, बच्चों की शिक्षा, मकान आदि के दिन प्रतिदिन के खर्चों को पूरा करने के लिए लोग धन अर्जित करते हैं। उन्हें भावी खर्चों, जैसे विवाह, बच्चों की उच्च शिक्षा, मकान बनवाने तथा अन्य सामाजिक व्ययों को पूरा करने के लिए भी धन की

आवश्यकता रहती है। ये बड़े खर्चे हैं, और यदि वर्तमान आय से कुछ धन बचाकर रखा जाए तो इनको पूरा किया जा सकता है। बुढ़ापे और बीमारी के लिए भी कुछ पैसे बचाकर रखना आवश्यक होता है, क्योंकि ऐसे समय में लोगों को आजीविका कमाना संभव नहीं हो पाता है।

प्राचीन काल में भी लोगों को बचत करने की आवश्यकता प्रतीत होती थी। वे अपने घरों में ही पैसे को जमा (होर्ड) करके रखते थे। इस प्रथा के कारण आवश्यकता पड़ने पर बचत से उनकी जरूरतें पूरी हो जाती थी। किन्तु इस प्रथा में चोरी, डकैती तथा अन्य किस्म की घटनाओं से होने वाली हानि का जोखिम अधिक होता था। इसलिए, लोगों को ऐसे स्थान की आवश्यकता हुई, जहां वे अपनी बचत सुरक्षा सहित जमा कर सकें, इस आश्वासन के साथ ही वे अपनी जमा राशि से आवश्यकता पड़ने पर पैसे निकाल सकते हैं। यह सेवा बैंक देता है। व्यावसायिक तथा अन्य कार्यों के लिए उचित ब्याज दर पर बैंकों से ऋण भी मिलता है। बैंक एक वित्तीय संस्थान है जो जमा स्वीकार करता है तथा धन का उपयोग ऋण देने में करता है।

बैंक एक वैध संस्थान है जो कि जमा धन स्वीकार करता है तथा माँग पर निकासी करता है। यह व्यक्तियों तथा व्यवसायिक संस्थाओं से धन का लेन-देन करता है।

बैंक और भी कई उपयोगी सेवाएं प्रदान करता है- जैसे हुंडियों (बिल) की राशि की वसूली करना, विदेशी बिलों का भुगतान करना, जेवरात तथा अन्य मूल्यवान वस्तुओं का सुरक्षित रखना, व्यावसायिक संगठन की साख क्षमता को प्रमाणित करना आदि।

बैंक कई अन्य सेवाएँ प्रदान करता है जैसे- बिल का भुगतान, जेवरात को सुरक्षित रखना, व्यवसाय की साख का ध्यान रखना आदि।

बैंक साधारण जनता और व्यावसायिक संगठनों से जमा राशि स्वीकार करता है। कोई भी व्यक्ति, जो भविष्य के लिए बचत करना चाहता है, वह बैंक में अपनी बचत जमा कर सकता है। व्यापारी माल की बिक्री से राशि अर्जित करता है, जिसमें से उसे खर्चों को चुकाना पड़ता है। वह बिक्री से प्राप्त राशि बैंक में आसानी से जमा कर सकता है और इस जमा राशि का उपयोग समय-समय पर होने वाले खर्चों को पूरा करने के लिए कर सकता है। बैंक इन जमाकर्त्ताओं को दो आश्वासन देता है :

- (क) जमा राशि का सुरक्षा का, और
- (ख) आवश्यकता पड़ने पर इस जमाराशि को वापस देने का।

जमा राशि पर बैंक ब्याज देता है, जो मूल राशि में जोड़ दिया जाता है। जमाकर्त्ता के लिए यह एक बड़ा अभिप्रेरण होता है। यह जनता के बीच बचत करने की आदत को बढ़ावा देता



टिप्पणी



भारतीय स्टेट बैंक



विभिन्न बैंकों के चिन्ह



है। बैंक जमा राशि के आधार पर किसानों, व्यापारियों तथा उपक्रमियों को उत्पादन कार्यों के लिए ऋण तथा अग्रिम भुगतान भी देता है। इस प्रकार बैंक देश के आर्थिक विकास में तथा सामान्य रूप में जनता की भलाई के लिए योगदान करते हैं। बैंक ऋणों पर ब्याज भी लेते हैं। यह ब्याज की दर जमा राशि पर दी जाने वाली ब्याज की दर से सामान्यतः अधिक होती है। व्यावसायिक संगठन तथा जन साधारण के लिए दी जाने वाली विभिन्न सेवाओं के लिए बैंक फीस भी लेता है। ऋणों से प्राप्त ब्याज की रकम, जो जमा राशि पर दिए जाने वाले ब्याज से अधिक होती है, तथा अन्य विभिन्न सेवाओं से प्राप्त फीस बैंक की आय के प्रमुख साधन होते हैं, जिनसे वे अपने प्रशासनिक व्ययों को चुकाते हैं।

बैंकों द्वारा किए जाने वाले कार्य 'बैंकिंग कार्य' कहलाते हैं। बैंकिंग कार्यों में जमा स्वीकार करना और ऋण देना अथवा द्रव्य का विनियोजन शामिल है। द्रव्य उपलब्ध करा कर तथा कुछ विशेष सेवाएं प्रदान कर, जो माल तथा सेवाओं का विनिमय में सहायक होती हैं, यह व्यापारिक कार्यकलापों को सरल बनाता है। इस प्रकार 'बैंकिंग' व्यवसाय की एक महत्वपूर्ण सहायक सेवा है। न केवल यह माल के उत्पादन तथा सेवाओं के लिए धन प्रदान करता है, बल्कि क्र्रेताओं तथा विक्रेताओं के बीच इनके विनिमय को भी सुविधाजनक बनाता है।

आप शायद जानते होंगे कि बैंकिंग से संबंधित कुछ कानून भी हैं, जो हमारे देश में बैंकिंग कार्यकलापों का नियमन करते हैं। बैंकों में राशि जमा करना तथा बैंकों से ऋण लेना वैधानिक व्यवहार है। बैंकों पर भी सरकार का नियंत्रण रहता है तथा कभी हद तक बैंक जनता के विश्वास पर निर्भर करते हैं। जनता के विश्वास के बिना वे जीवित नहीं रह सकते।

9.2 बैंकों तथा साहूकारों (मनीलैंडर्स) में अंतर

आप यह सोच रहे होंगे कि बैंक भी साहूकार की ही भांति होते हैं, जो ऋण लेने वालों को धन उपलब्ध कराते हैं तथा ऋण की रकम पर ब्याज लेते हैं। किन्तु ऐसा नहीं है। एक बैंक साहूकार से बहुत भिन्न होता है। एक बैंक दो प्रमुख कार्य करता है- प्रथम, यह जमा स्वीकार करता है, दूसरा इसके आधार पर वह ऋण देता है। जबकि साहूकार अपने निजी धन से ऋण प्रदान करता है तथा प्रायः अन्य व्यक्तियों से जमा धन स्वीकार नहीं करता। निम्न तालिका के द्वारा आप बैंकों तथा साहूकारों के बीच अंतर स्पष्ट कर पाएंगे :

आधार	बैंक	साहूकार
1. अस्तित्व	बैंक व्यवस्थित संस्थान होते हैं।	साहूकार व्यक्ति होते हैं।
2. कार्यकलाप	बैंकिंग क्रियाकलापों में शामिल हैं- जमा धन स्वीकार करना तथा ऋण देना।	प्रायः जमा धन को स्वीकार करना साहूकार के क्रियाकलापों में नहीं होता।
3. ग्राहक	बैंक सामान्यतः जन साधारण की आवश्यकताओं को तथा विशेषकर व्यापारिक समुदाय की आवश्यकताओं को पूरा करता है।	साहूकार किसानों तथा गरीब लोगों की आवश्यकताओं को पूरा करता है।

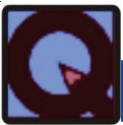
4. जमानत	बैंक जमानत के रूप में मूर्त तथा व्यक्तिगत जमानत मांगते हैं।	साहूकार प्रायः उधार लेने वालों को जेवरात अथवा भूमि गिरवी रखकर ऋण देते हैं।
5. ऋण वसूली की प्रक्रिया	ऋण वसूली की प्रक्रिया लचीली होती है।	ऋण वसूली की प्रक्रिया सख्त तथा दृढ़ होती है।
6. ब्याज की दर	भारतीय रिजर्व बैंक द्वारा ऋणों पर ब्याज की दर तय की जाती है।	ब्याज की दर साहूकार ही तय करता है तथा प्रायः बहुत ऊंची होती है।



बैंकिंग की भूमिका

व्यवसाय तथा व्यक्तियों की निजी आवश्यकताओं के लिए बैंक धन उपलब्ध कराता है। वह राष्ट्र की अर्थव्यवस्था में एक अहम भूमिका निभाता है। आइए हम बैंकिंग की भूमिका के विषय में जानकारी प्राप्त करें।

- यह जनता के बीच बचत की आदत को प्रोत्साहित करता है और इस प्रकार उत्पादन कार्यों के लिए धन उपलब्ध कराता है।
- जिन व्यक्तियों के पास अतिरिक्त धन है और जिन लोगों को विभिन्न व्यापारिक कार्यों के लिए धन की आवश्यकता होती है, उनके बीच ये मध्यस्थ का कार्य करता है।
- बैंक द्वारा धन की प्राप्ति और भुगतान के माध्यम से यह व्यावसायिक व्यवहारों को सुविधाजनक बनाता है।
- व्यवसायियों को यह अल्प अवधि तथा दीर्घ अवधि के ऋण तथा अग्रिम भुगतान प्रदान करता है।
- आयात-निर्यात व्यवहारों को भी सरल बनाता है।
- किसानों, लघु उद्योगों और स्वयं रोजगार करने वाले व्यक्तियों तथा बड़े औद्योगिक घरानों को भी यह साख प्रदान कर राष्ट्रीय विकास में सहायक होता है जिससे देश का संतुलित आर्थिक विकास होता है।
- उपभोग की टिकाऊ वस्तुओं, मकान, मोटर गाड़ियों आदि के क्रय करने के लिए ऋण प्रदान कर यह जनसाधारण के रहन-सहन के स्तर को ऊंचा उठाने में मदद करता है।



पाठगत प्रश्न 9.1

उपयुक्त शब्दों द्वारा रिक्त स्थानों की पूर्ति कीजिए।

- एक बैंक जनता से जमा धन स्वीकार करता है और उन व्यक्तियों को _____ देता है, जो विभिन्न उद्देश्यों को पूरा करना चाहता है।
- अतिरिक्त धन रखने वाले व्यक्तियों और ऋण लेने वाले व्यक्तियों के बीच बैंक _____ का कार्य करता है।



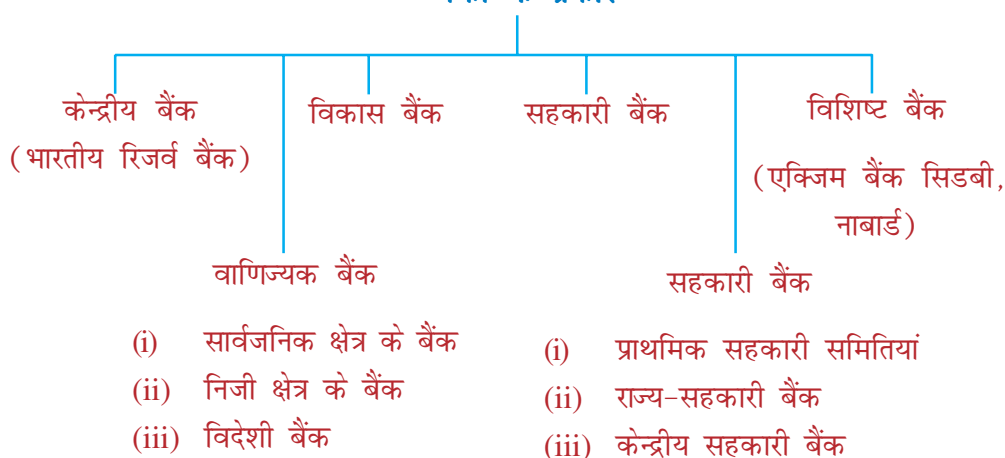
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- iii. बैंक व्यापारिक कार्यों को सुविधाजनक बनाता है और इसे व्यापार का एक महत्वपूर्ण _____ माना जाता है।
- iv. मुद्रा के स्थान पर _____ द्वारा बैंक भुगतानों को सरल बनाती है।
- v. _____ अपनी निजी सम्पत्ति से ऋण देता है तथा सामान्यतः अन्य व्यक्तियों से जमा धन स्वीकार नहीं करता है।

9.3 बैंकों के प्रकार

हमारे देश में विभिन्न प्रकार के बैंक कार्य करते हैं, जो कृषि, व्यवसाय, पेशे आदि में लगे विभिन्न वर्गों के लोगों की वित्तीय आवश्यकताओं की पूर्ति करते हैं। कार्यों के आधार पर भारत के बैंकिंग संस्थानों को निम्नलिखित प्रकारों में वर्गीकृत किया जा सकता है :

बैंकों के प्रकार



आइए, अब इन बैंकों के विषय में विस्तार से जानकारी प्राप्त करें।

क) केन्द्रीय बैंक (सेन्ट्रल बैंक)

देश की बैंकिंग प्रणाली के नियमन एवं उसे निर्देशन प्रदान करने वाले बैंक, केन्द्रीय बैंक कहलाते हैं। इस प्रकार के बैंक सामान्य जनता के साथ व्यवहार नहीं करते हैं। ये प्रमुखतः सरकारी बैंकर के रूप में कार्य करते हैं। ये सभी बैंकों के जमा खातों का रिकार्ड रखते हैं और आवश्यकता पड़ने पर इन बैंकों को धन प्रदान करते हैं। केन्द्रीय बैंक अन्य बैंकों को निर्देशन प्रदान करता है तथा जब कभी उनकी कोई समस्या होती है, तो उसका समाधान भी निकालता है। अतः इसे बैंकर्स बैंक भी कहते हैं। भारतीय रिजर्व बैंक हमारे देश का केन्द्रीय बैंक है।



केन्द्रीय बैंक सरकारी आय और खर्च का, जो विभिन्न मदों में होते हैं, रिकार्ड भी रखता है। यह सरकार को मौद्रिक एवं साख नीतियों पर परामर्श देता है तथा बैंक जमा राशि और दिए



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जाने वाले ऋण की ब्याज दरें भी निर्धारित करता है। इसके अतिरिक्त केंद्रीय बैंक का एक और महत्वपूर्ण कार्य है, पत्र-मुद्रा (करेंसी नोटस) का निर्गमन, देश में उनके चलन के नियमन के लिए विभिन्न विधियों का प्रयोग करता है। केंद्रीय बैंक के अतिरिक्त अन्य कोई बैंक देश में मुद्रा निर्गमन का कार्य नहीं कर सकता है।

ख) वाणिज्यिक बैंक (कमर्शियल बैंक)

वाणिज्यिक बैंक एक ऐसा बैंकिंग संस्थान है, जो जनता से जमा-धन स्वीकार करता है तथा अपने ग्राहकों को अल्प अवधि के ऋण एवं अग्रिम प्रदान करता है। अल्प अवधि के ऋण प्रदान करने के साथ वाणिज्यिक बैंक, व्यावसायिक उपक्रमों को मध्यम-अवधि तथा दीर्घ-अवधि के ऋण भी प्रदान करते हैं। आजकल कुछ वाणिज्यिक बैंक व्यक्तियों को दीर्घकालिक गृह-ऋण भी देने लगे हैं। वाणिज्यिक बैंकों के और भी बहुत से कार्य हैं, जिनकी चर्चा इस पाठ में बाद में की गई है।

वाणिज्यिक बैंकों के प्रकार : वाणिज्यिक बैंकों के तीन प्रकार हैं - सार्वजनिक क्षेत्र के बैंक; निजी क्षेत्र के बैंक; और विदेशी बैंक।

i) सार्वजनिक क्षेत्र के बैंक : ये ऐसे बैंक हैं, जिनमें अधिकांश साझा (स्टेक) भारत सरकार अथवा भारतीय रिजर्व बैंक का होता है। सार्वजनिक बैंक के उदाहरण हैं- स्टेट बैंक ऑफ इंडिया, कारपोरेशन बैंक, बैंक ऑफ बड़ौदा, देना बैंक आदि।



ii) निजी क्षेत्र के बैंक : निजी क्षेत्र के बैंकों में अंश पूंजी का अधिकांश भाग निजी व्यक्तियों द्वारा अभिदत्त (Subscribe) किया जाता है। ये बैंक सीमित दायित्व वाली कम्पनियों के रूप में पंजीकृत होते हैं। उदाहरण के लिए - 'बैंक ऑफ राजस्थान लि.', 'डेवलपमेंट क्रेडिट बैंक लि.', 'लार्ड कृष्णा बैंक लि.', 'भारत ओवरसीज बैंक लि.' आदि।



iii) विदेशी बैंक : ये बैंक पंजीकृत होते हैं और इनका मुख्यालय विदेश में होता है, किन्तु हमारे देश में इनकी शाखाएं कार्य करती हैं। हमारे देश में कार्यरत ऐसे कुछ बैंकों के नाम हैं : 'हांगकांग बैंक तथा शंघाई बैंकिंग कारपोरेशन (HSBC)' 'सिटी बैंक', 'अमरीकन एक्सप्रेस बैंक', 'स्टैंडर्ड एंड चार्टर्ड बैंक', 'ग्रिंडले बैंक' आदि। 1991 में वित्तीय क्षेत्र के उपरान्त हमारे देश में कार्यरत विदेशी बैंकों की संख्या में वृद्धि हुई है।



ग) विकास बैंक

मशीनों तथा उपकरणों का क्रय करने, आधुनिकतम तकनीक का प्रयोग करने अथवा विस्तार और आधुनिकीकरण के लिए व्यवसाय में प्रायः मध्यम से दीर्घ अवधि तक के लिए पूंजी की



आवश्यकता होती है। इस प्रकार की वित्तीय सहायता विकास बैंक प्रदान करते हैं। वे विकास के लिए अन्य उपायों को भी अपनाते हैं जैसे कम्पनियों द्वारा निर्गमित अंशों तथा ऋणपत्रों में अंशदान करना, भारतीय औद्योगिक वित्तीय निगम (IFCI) और राज्य वित्तीय निगम (SBCs) भारत में विकास बैंक के उदाहरण हैं।



घ) सहकारी बैंक

सहकारी बैंक एक ऐसी वित्तीय इकाई है जो अपने सदस्यों से संबंधित है जो अपने बैंक के स्वामी होने के साथ-साथ उसके ग्राहक भी हैं। सहकारी बैंक सामान्यतः उन व्यक्तियों द्वारा स्थापित किए जाते हैं जो एक ही क्षेत्र में रहते हैं अथवा एक ही पेशेवर वर्ग से संबंधित हैं अथवा समान हित रखते हैं। सहकारी बैंक सामान्यतः अपने सदस्यों को बैंकिंग तथा वित्तीय सेवाओं की एक बड़ी श्रृंखला उपलब्ध कराते हैं।

जो लोग अपने आपसी हितों को संयुक्त रूप से पूरा करना चाहते हैं वे प्रायः सहकारी समिति कानून के अंतर्गत एक सहकारी का गठन कर लेते हैं। जब एक सहकारी समिति बैंकिंग व्यवसाय करने लगती है तो उसे सहकारी बैंक कहते हैं। ऐसी समिति को व्यवसाय शुरू करने से पहले भारतीय रिजर्व बैंक से एक लाइसेंस लेना होता है। किसी भी सहकारी बैंक को समिति के रूप में कार्य करने के लिए जिले अथवा राज्य के सहकारी समिति पंजीयक (रजिस्ट्रार) की पूर्ण निगरानी में कार्य करना होता है। बैंकिंग व्यवसाय करने के लिए समिति को भारतीय रिजर्व बैंक द्वारा बनाए तथा निर्गमित किए जाने वाले नियमों तथा निदेशों का अनुपालन करना होता है।

सहकारी बैंकों के प्रकार

हमारे देश में तीन प्रकार के सहकारी बैंक कार्यरत हैं। ये हैं, प्राथमिक साख समितियां, राज्य सहकारी बैंक तथा केन्द्रीय सहकारी बैंक। ये बैंक तीन स्तरों पर गठित होते हैं- ग्राम अथवा नगर स्तर पर, जिला स्तर पर तथा राज्य स्तर पर।

- i) **प्राथमिक साख समितियां** : ये समितियां ग्राम अथवा नगर के स्तर पर गठित की जाती हैं। इनके सदस्य ऋण लेने वाले तथा गैर-ऋण लेने वाले, दोनों ही प्रकार के होते हैं, जो एक ही क्षेत्र में रहने वाले होते हैं। प्रत्येक समिति का कार्यकलाप वहीं तक ही सीमित रहता है, जिससे सदस्य एक दूसरे की जानकारी भी प्राप्त कर सकें तथा सभी सदस्यों के कार्यों की निगरानी करके धोखाधड़ी को रोक सकें।
- ii) **केन्द्रीय सहकारी बैंक** : ये बैंक जिला स्तर पर कार्य करते हैं। उसी जिले में कार्यरत श्रमिक साख समितियां इन बैंकों की सदस्य होती हैं। ये बैंक अपने सदस्यों (अर्थात् प्राथमिक साख समितियां) को ऋण प्रदान करते हैं और प्राथमिक साख समितियों तथा राज्य सहकारी बैंकों के बीच एक कड़ी का कार्य करते हैं।
- iii) **राज्य सहकारी बैंक** : ये शीर्ष (उच्चतम स्तर) सहकारी बैंक हैं जो देश के सभी राज्यों में स्थापित हैं। वे धन का संग्रह करते हैं तथा उसको सभी उचित विधियों द्वारा

विभिन्न क्षेत्रों में वितरित करने में सहायक होते हैं। राज्य सहकारी बैंक से धन केन्द्रीय सहकारी बैंकों तथा प्राथमिक सहकारी समितियों के माध्यम से ऋण लेने वालों तक पहुंचता है।

ड) विशिष्ट बैंक

कुछ ऐसे बैंक भी हैं, जिनका कार्य विशिष्ट कार्य क्षेत्र में स्थापित किए जाने वाले व्यवसाय की समस्त आवश्यकताओं को पूरा करना है। एक्विजिब बैंक, सिडबी और नाबार्ड ऐसे बैंकों के कुछ उदाहरण हैं। वे किसी विशिष्ट कार्य क्षेत्र में अपने को लगाते हैं और इस प्रकार विशिष्ट बैंक कहलाते हैं। आइए इन बैंकों के विषय में और अधिक जानकारी प्राप्त करें।

i) भारत का आयात-निर्यात बैंक (एक्विजिब बैंक) : यदि आप अपने देश से विदेशों में निर्यात करने अथवा विदेशों से आयात करने के लिए कोई व्यवसाय स्थापित



करना चाहते हैं तो आयात-निर्यात बैंक आपको आवश्यक जानकारी तथा सहायता प्रदान कर सकता है। यह बैंक निर्यातकों तथा आयातकों को ऋण देता है तथा अंतर्राष्ट्रीय बाजारों के विषयों में सूचना प्रदान करता है। यह निर्यात अथवा आयात के अवसरों, इनमें निहित जोखिमों तथा प्रतियोगिता आदि संबंधी जानकारी भी देता है।

ii) भारतीय लघु उद्योग विकास बैंक (सिडबी) : यदि आप एक व्यवसाय अथवा उद्योग की लघु लकड़ी स्थापित करना चाहते हैं तो सिडबी आसान शर्तों पर ऋण दे सकता है। लघु औद्योगिक इकाइयों का आधुनिकीकरण करने, नवीन तकनीक का प्रयोग करने तथा विपणन संबंधी कार्यों के लिए भी यह वित्तीय सहायता प्रदान करता है। सिडबी का उद्देश्य लघु उद्योगों का प्रसार करना, उनकी वित्तीय आवश्यकताओं को पूरा करना तथा उनका विकास करना है।



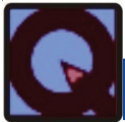
iii) कृषि एवं ग्रामीण विकास के लिए राष्ट्रीयकृत बैंक (नाबार्ड) : कृषि तथा ग्रामीण क्षेत्रों को वित्तीय सहायता देने वाला यह एक केन्द्रीय अथवा शीर्ष संस्थान है। यदि कोई व्यक्ति कृषि कार्यों अथवा अन्य कार्यों जैसे हथकरघा द्वारा बुनाई,



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मत्स्य पालन आदि में लगा हुआ है, तो नाबार्ड उसे अल्प अवधि तथा दीर्घ अवधि दोनों प्रकार की साख

प्रदान कर सकता है। यह वित्तीय सहायता विशिष्ट रूप से सहकारी साख कृषि, लघु उद्योगों, कुटीर एवं ग्रामीण उद्योगों, हस्त शिल्प तथा संबंधित आर्थिक कार्यों के लिए ग्रामीण क्षेत्रों में प्रदान करता है।



पाठगत प्रश्न 9.2

निम्नलिखित कथनों में बैंकों के प्रकार को पहचानिए :

i. कम अंशदान होने की स्थिति में एक कंपनी के अंशों तथा ऋणपत्रों में अंशदान करने वाला बैंक।



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- ii. विदेशों में उत्पाद का निर्यात करने के लिए सहायता एवं जानकारी प्रदान करने वाला बैंक।
- iii. व्यक्तियों के समूह द्वारा आपसी हितों को पूरा करने के लिए गठित बैंक।
- iv. बैंक, जो करेंसी नोटों का निर्गमन करता है।
- v. एक वाणिज्यिक बैंक, जिसमें सरकार का अधिक साझा होता है।

9.4 वाणिज्यिक बैंकों के कार्य

वाणिज्यिक बैंकों के कार्यों को मुख्य रूप से दो वर्गों में बाँटा जा सकता है :

- i. प्राथमिक कार्य, और
- ii. द्वितीयक कार्य

आइए, इनके बारे में विस्तार से जानकारी प्राप्त करें।

I. प्राथमिक कार्य

यह मुख्य कार्य हैं जो प्रत्येक बैंक को अनिवार्य रूप से करने पड़ते हैं अथवा हम कह सकते हैं कि जो संगठन इन कार्यों को करते हैं उन्हें बैंक कहते हैं।

एक वाणिज्यिक बैंक के प्राथमिक कार्यों में शामिल हैं :

- i. जमा राशि स्वीकार करना, और
- ii. ऋण तथा अग्रिम प्रदान करना।

i) जमा राशि स्वीकार करना : एक वाणिज्यिक बैंक का सर्वाधिक महत्वपूर्ण कार्य है, जनता से जमा राशि एकत्रित करना। जिन लोगों की आय तथा बचत अधिक है उनके लिए इन धन को बैंक में जमा करना आसान होता है। जमा की प्रकृति के अनुसार जमा की गई राशि पर ब्याज भी मिलता है। इस प्रकार बैंक के पास जमा राशि अर्जित ब्याज की रकम के साथ बढ़ती जाती है। ब्याज की दर ऊंची होने पर, जनता को बैंक में अधिक राशि जमा करने की प्रेरणा मिलती है। बैंक के पास जमा राशि सुरक्षित भी रहती है।

ii) ऋण तथा अग्रिम प्रदान करना : एक वाणिज्यिक बैंक का दूसरा महत्वपूर्ण कार्य है ऋण देना तथा अग्रिम प्रदान करना। ये ऋण तथा अग्रिम जनता तथा व्यवसाय संगठन को दिए जाते हैं, जिनकी ब्याज की दर, विभिन्न जमा राशि खातों पर दी जाने वाली ब्याज की दर से ऊंची होती है। ऋण तथा अग्रिम पर ली जाने वाली ब्याज की दर, ऋण के उद्देश्य तथा अवधि और ऋण भुगतान की विधि पर निर्भर करती है, अतः यह भिन्न-भिन्न होती है।

अ) ऋण : ऋण एक निश्चित अवधि के लिए दिया जाता है। सामान्यतः व्यापारिक बैंक अल्प अवधीय ऋण ही देते हैं। किन्तु अवधि ऋण (Term Loan) अर्थात् एक वर्ष से अधिक के लिए भी ऋण दिए जा सकते हैं। ऋणी को ऋण की सम्पूर्ण रकम एक मुश्त में भी दी जा सकती है और किश्तों में भी। ऋण साधारणतया कुछ परिसम्पत्तियों की



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जमानत के आधार पर ही दिए जाते हैं। सामान्यतः ऋण का भुगतान किशतों में होता है। किन्तु यह एक मुश्त रकम में भी भुगतान किया जा सकता है।

ब) अग्रिम : अग्रिम एक साख-सुविधा है, जो बैंक अपने ग्राहक को प्रदान करते हैं। यह सुविधा ऋण से इस अर्थ में भिन्न होती है कि ऋण लंबी अवधि के लिए दिए जा सकते हैं, जबकि अग्रिम अल्प अवधीय होते हैं। फिर, अग्रिम देने का उद्देश्य होता है - व्यवसाय की दिन-प्रतिदिन की आवश्यकताओं को पूरा करना। अग्रिम पर लिया जाने वाला ब्याज विभिन्न बैंकों में भिन्न-भिन्न होता है। ब्याज, ली गई राशि पर लगाया जाता है, स्वीकृत राशि पर नहीं।

अग्रिम के प्रकार : नकद साख, अधिविकर्ष तथा बिलों के भुनाने के माध्यम से बैंक अल्प अवधि की वित्तीय सहायता प्रदान करता है।

(क) नकद साख (कैश क्रेडिट) : यह एक सुविधा है, जिसमें बैंक ग्राहक को एक निर्धारित राशि निकालने की स्वीकृति देता है। यह निर्धारित राशि ग्राहक के खाते में जमा कर दी जाती है। ग्राहक इस राशि को आवश्यकता के अनुसार खाते से निकाल सकता है। निकली गई वास्तविक राशि पर ब्याज लगाया जाता है। ग्राहक के साथ तय हुई शर्तों व निबंधन के अनुसार नकद साख प्रदान की जाती है।

(ख) अधिविकर्ष : अधिविकर्ष भी बैंक द्वारा प्रदान की जाने वाली साख सुविधा है। एक ग्राहक को, जिसका बैंक में चालू खाता होता है, खाते में जमा राशि से अधिक रकम निकालने का अधिकार मिल जाता है। यह एक थोड़े समय की सुविधा होती है। अधिविकर्ष की सुविधा में एक निर्धारित राशि-सीमा तय कर दी जाती है, जो परि सम्पत्ति की जमानत पर अथवा व्यक्तिगत जमानत पर अथवा दोनों ही पर प्रदान की जाती है।

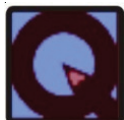
(ग) बिल भुनाना : बैंक अल्प अवधीय वित्तीय सुविधा बिलों के भुनाने के माध्यम से भी प्रदान करता है। अर्थात् बिल के परिपक्व होने से पूर्व ही बिल की राशि का भुगतान कर देता है। इस राशि से वह निश्चित दर से बट्टा काट लेता है। पार्टी को बिल भुगतान तिथि तक राशि के लिए रूकना नहीं पड़ता है। जब कभी कोई बिल देय तिथि पर अनादरित हो जाता है, तो बैंक ग्राहक से बिल की रकम वसूल कर सकता है।

II. द्वितीयक कार्य

जमा राशि स्वीकार करने तथा ऋण प्रदान करने, के प्राथमिक कार्यों के अलावा बैंक बहुत से अन्य कार्य भी करता है, जिन्हें द्वितीयक कार्य कहा जाता है। ये कार्य निम्नलिखित हैं :



- i. साख पत्र, तथा ट्रेवलर्स चैक आदि निर्गमित करना।
- ii. जेवरात, महत्वपूर्ण दस्तावेज तथा प्रतिभूतियों को सेफ डिपोजिट खाने अथवा लॉकर्स के माध्यम से सुरक्षा प्रदान करना।
- iii. ग्राहकों को विदेशी मुद्रा की सुविधा देना।
- iv. एक खाते से दूसरे खाते में तथा बैंक की एक शाखा से दूसरी शाखा को चैक, पे-ऑर्डर, डिमांड-ड्राफ्ट के माध्यम द्वारा रूपया हस्तांतरण करना।
- v. किसी मशीन, मोटरगाड़ी या वस्तुओं के उधार क्रय पर अपने ग्राहकों की ओर से गारंटी प्रदान करता है।



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निम्नलिखित में से सही और गलत कथन छांटिए तथा सही के सामन 'सही' तथा गलत के सामने 'गलत' अक्षर लिखिए।

- i. ऋण तथा अग्रिम भुगतान दोनों बैंकों द्वारा अपने ग्राहकों को दीर्घ अवधि के लिए प्रदान किए जाते हैं।
- ii. बैंक हमारे जेवर तथा महत्वपूर्ण दस्तावेज अपने पास सुरक्षित रखते हैं।
- iii. बैंक विद्यार्थियों के अध्ययन के लिए उचित ब्याज दर पर ऋण देते हैं।
- iv. बैंकों द्वारा बिलों को मुफ्त भुनाया जाता है।
- v. अधिविकर्ष के माध्यम से एक ग्राहक अपने खाते में जमा राशि से अधिक राशि निकाल सकता है।

9.5 केन्द्रीय बैंक

भारतीय रिजर्व बैंक की स्थापना 1 अप्रैल 1935 को पहले से ही स्थापित भारतीय रिजर्व बैंक 1934 में संशोधित करके की गई थी। भारतीय रिजर्व बैंक का केन्द्रीय कार्यालय प्रारम्भ में कलकत्ता में स्थापित किया गया। परन्तु बाद में 1937 में इसे बम्बई स्थानान्तरित कर दिया गया। केन्द्रीय कार्यालय वह कार्यालय है जहां नीतियों बनाई जाती है और गर्वनर बैठते हैं। यद्यपि पहले यह प्राइवेट अधिग्रहण में था। परन्तु राष्ट्रीयकृत होने पर 1949 में भारत सरकार ने इसे अपने अधिकार में ले लिया था। इसका मुख्य कार्य बैंकों को दिशा निर्देश जारी करना, समय-समय पर स्थानीय व सहायिता बैंकों को सहायता करना तथा केन्द्रीय बोर्ड द्वारा जारी आदेशों का पालन करना है।

9.6 बैंक जमा खाता

आप यह पढ़ चुके हैं कि बैंकों के मुख्य कार्य जन साधारण से जमा राशि स्वीकार करके उसे व्यवसायियों तथा अन्य जिन्हें ऋण की आवश्यकता है, को उधार देना है। वास्तव में जो धन बैंकों में जमा किया जाता है वह अधिकतर व्यक्तियों का बचाया गया धन होता है। जैसा आप जानते हैं कि यदि कोई धन कमाता है तथा जिनकी नियमित आमदनी है वह न केवल इसे दिन प्रतिदिन के व्ययों में खर्च करता है वरन् वह अपनी भविष्य की आवश्यकताओं के

लिए इसका थोड़ा भाग बचाने का प्रयत्न करता है। धन, भविष्य में विभिन्न मदों जैसे बीमार होने की स्थिति में दवाईयों के लिए, शादी के व्ययों के लिए अथवा बच्चों की पढ़ाई के लिए अथवा धार्मिक उत्सवों इत्यादि के लिए, बचाया जाता है। बचाये गये धन को घर में रखा जा सकता है। परन्तु घर में रखने से क्या यह सुरक्षित रहेगा? इसकी चोरी हो सकती है। इसके अतिरिक्त बचाया धन घर में किसी आमदनी के बगैर बेकार पड़ा रहेगा। इसीलिए व्यक्ति अपनी बचत को ऐसे स्थान पर रखते हैं जहां वह सुरक्षित रहे तथा उससे कुछ कमाई कर सके। बैंक ऐसे स्थान हैं जहां धन एक बार जमा करने से सुरक्षित रहता है तथा उसे ब्याज भी मिलता है। इस पाठ में हम जमा खाते जो हम बैंकों में खोल सकते हैं के प्रकारों के विषय में पढ़ेंगे तथा चर्चा करेंगे कि एक बचत खाता कैसे खोला जाता है तथा परिचालित किया जाता है।

9.7 बैंक जमा खातों के प्रकार

बैंक जमा विभिन्न व्यक्तियों के लिए विभिन्न उद्देश्यों की पूर्ति करते हैं। कुछ व्यक्ति नियमित रूप से नहीं बचा सकते हैं। वे बैंक में धन तभी जमा कराते हैं जब उनकी अतिरिक्त आमदनी होती है। तब जमा का उद्देश्य धन को भविष्य के लिए सुरक्षित रखना है। कुछ व्यक्ति बैंक में धन को लम्बे समय के लिए जमा करना चाहते हैं ताकि वे ब्याज कमा सकें अथवा अपनी बचत को ब्याज सहित फ्लेट खरीदने के लिए या वृद्धावस्था के हस्पताल के व्यय चुकाने के लिए संचित करते हैं। इन अंतर्गों को ध्यान में रखते हुए बैंक विभिन्न प्रकार की जमा खाते खोलने की सुविधा प्रदान करते हैं। जो लोगों के विभिन्न उद्देश्यों एवं सुविधाओं के अनुकूल होते हैं।

उद्देश्यों की पूर्ति के आधार पर बैंक जमा खातों को निम्न भागों में वर्गीकृत किया जा सकता है :

- i. बचत बैंक खाता
- ii. चालू जमा खाता
- iii. सावधी जमा खाता
- iv. आवर्ती जमा खाता।

आइये उपरोक्त खातों की प्रकृति के विषय में संक्षिप्त रूप से जानें।

i) बचत बैंक खाता : यदि किसी व्यक्ति की आमदनी सीमित है तथा वह भविष्य की आवश्यकताओं के लिए धन बचाना चाहता है तो इस उद्देश्य के लिए बचत बैंक खाता सबसे अधिक उपयुक्त है। इस खाते को प्रारम्भिक न्यूनतम जमा राशि (जो विभिन्न बैंकों में विभिन्न हैं) जमा करके खोला जा सकता है। इस खाते में धन किसी समय भी जमा कराया जा सकता है। इसमें से धन या तो रूपया निकालने वाले फार्म अथवा चैक जारी करके अथवा ए.टी.एम. कार्ड द्वारा निकाला जा सकता है। साधारणतया बैंक इस खाते से धन निकालने की संख्या पर प्रतिबंध लगाते है। ब्याज इस खाते में जमा की गई राशि के शेष पर दिया जाता है। बचत बैंक खाते पर ब्याज की दर विभिन्न बैंक में विभिन्न होती है तथा यह समय-समय पर बदलती रहती





टिप्पणी

- है। इस खाते में बैंक द्वारा निर्धारित न्यूनतम शेष रखना पड़ता है।
- ii) **चालू जमा खाता :** बड़े व्यवसायियों, कंपनी तथा स्कूल, कॉलेज तथा अस्पताल जैसी संस्थानों को भुगतान बैंक खाते के माध्यम से करना होता है। चूंकि बचत बैंक खाते से धन निकालने की संख्या पर प्रतिबंध होता है इसलिए यह खाता उनके लिए उपयुक्त नहीं है। इसीलिए एक ऐसे खाते की आवश्यकता है जिससे वे कितनी बार ही धन निकाल सकें। इनके लिए बैंक चालू खाता खोलते हैं। बचत बैंक खाते की तरह इस खाते में भी खाता खोलते समय एक निश्चित न्यूनतम राशि की आवश्यकता होती है। इस जमा खाते में बैंक शेष राशि पर कोई ब्याज नहीं देता है। अपितु खातेधारी को प्रतिवर्ष एक निश्चित राशि परिचालन व्यय के रूप में देनी होती है। खाता धारकों की सुविधा के लिए, बैंक जमा शेष से अधिक राशि निकालने की अनुमति देते हैं। इस सुविधा को अधिविकर्ष सुविधा कहते हैं। यह सुविधा कुछ विशिष्ट ग्राहकों को बैंकों से पहले ही करार करने पर निश्चित “सीमा राशि” के लिए दी जाती है।
- iii) **सावधी जमा खाता :** (आवधिक खाता भी कहलाता है) बहुत बार व्यक्ति लम्बे समय के लिए धन बचाते हैं यदि धन को बचत बैंक खाते में जमा कराये जाये तो बैंक कम दर पर ब्याज देते हैं। इसीलिए धन को सावधि जमा खाते में जमा कराया जाता है।
- इस प्रकार के जमा खाते में राशि एक निश्चित समय के लिए जमा कराई जाती है। यह अन्तराल 15 दिन से तीन वर्ष अथवा अधिक हो सकता है तथा इस दौरान राशि निकालने की अनुमति नहीं होती। हाँ जमाकर्ता की प्रार्थना पर वह परिपक्वता से पहले राशि प्राप्त कर सकता है। इस स्थिति में बैंक मिलने वाली ब्याज की दर से कम ब्याज देते हैं। सावधि जमा खाते के ब्याज की राशि को निश्चित समय अन्तराल में निकाला जा सकता है। अवधि की समाप्ति पर जमा राशि निकाली जा सकती है अथवा इसका निश्चित अवधि के लिए नवीनीकरण कराया जा सकता है। बैंक सावधि जमा की रसीद की जमानत पर ऋण देते हैं।
- iv) **आवर्ती जमा खाता :** इस प्रकार का खाता उनके लिए उपयुक्त है जो नियमित रूप से बचत करते हैं तथा एक निश्चित समय के लिए राशि जमा करके अच्छी ब्याज कमाने की आशा करते हैं। इस खाते को खोलते समय किसी व्यक्ति को एक निश्चित राशि प्रत्येक माह एक निश्चित अवधि के लिए जमा करने का समझौता करना पड़ता है। अवधि के पूरा होने पर समस्त जमा की गई राशि कमाये गये ब्याज सहित देय होती है। जमा कर्ता को निश्चित अवधि के समाप्त होने से पहले खाता बंद करने की अनुमति है तथा वह उस समय तक की जमा की गई राशि तथा ब्याज की राशि प्राप्त कर सकता है। खाते को व्यक्तिगत अथवा संयुक्त रूप से अथवा अव्यस्क की स्थिति में अभिभावक द्वारा खोला जा सकता है। इस खाते में जमा की गई राशि पर बचत बैंक खाते से अधिक परन्तु सावधि खाते पर उसी अवधि के लिए दिये जाने वाले ब्याज से कम ब्याज मिलता है।



पाठगत प्रश्न 9.4

- I. निम्न में से कौन से कथन सही है तथा कौन से गलत है :**
- बचत बैंक खाते में जमा की गई राशि वर्तमान तथा भविष्य की आवश्यकताओं को पूरा करने के लिए प्रयोग की जाती है।
 - एक सावधि जमा खाते में प्रत्येक माह एक निश्चित राशि जमा करनी पड़ती है।
 - आवर्ती जमा खाते में जमा राशि पर ब्याज दर बचत बैंक खाते की अपेक्षा अधिक होती है।
 - चालू जमा खाता केवल व्यवसायियों द्वारा खोला जा सकता है न कि शिक्षा संस्थानों द्वारा।
 - गृह निर्माण बचत जमा खाता आवर्ती जमा खाते का एक प्रकार है।
 - सावधि जमा पर दिया जाने वाला ब्याज उस आवधि की लम्बाई पर निर्भर होता है जिसके लिए राशि जमा कराई गयी है।
 - बचत बैंक खाते में से राशि को केवल खाताधारी ही निकाल सकता है।
 - बैंक चालू जमा खाते के शेष पर ब्याज नहीं देते।
- II. उपयुक्त शब्दों से रिक्त स्थानों की पूर्ति कीजिए :**
- बचत बैंक खाते को _____ जमा राशि से खोला जा सकता है।
 - एक सावधि जमा खाते में बचत बैंक खाते की अपेक्षा _____ ब्याज मिलता है।
 - अधिविकर्ष की सुविधा _____ जमा खाता धारक को मिलती है।
 - चालू खाते से धन _____ द्वारा निकाला जा सकता है।
 - आवर्ती जमा खाते के शेष पर सावधि जमा खाते की अपेक्षा _____ ब्याज मिलता है।

9.8 बचत बैंक खाता कैसे खोला जाता है

किसी वाणिज्यिक बैंक में बचत खाता खोलने के लिए आपको सर्वप्रथम यह तय करना होता है कि आप प्रारम्भ में कितनी धान राशि जमा करना चाहेंगे। अपने नजदीकी बैंक से पूछताछ कर सकते हैं तथा मालूम कर सकते हैं कि बचत बैंक जमा खाते को खोलने के लिए न्यूनतम राशि क्या है। आपको उतनी या यदि आप चाहते हैं तो उससे अधिक राशि जमा करनी होगी। अन्य किसी बैंक (अथवा बैंक की किसी शाखा) में घुसने पर आपको एक पूछताछ खिड़की (अथवा एक खिड़की जिस पर 'मैं आपकी सहायता कर सकता हूँ' का बोर्ड लगा है) दिखाई देगी जहां आप यह पूछताछ कर सकते हैं। जमा की न्यूनतम राशि जानने के पश्चात आपको बचत बैंक खाता खोलने के लिए आवेदन पत्र मांगना चाहिए। आपको इसके लिए कोई भुगतान नहीं करना पड़ता। तब आपको निम्न कदम उठाने चाहिए।



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- i) **आवेदन पत्र भरना** : आवेदन पत्र में दिये गये रिक्त स्थानों को आवश्यक निम्न सूचना से भरना :
- आवेदक का नाम
 - उसका पेशा
 - आवासीय पता
 - आवेदक के नमूने के हस्ताक्षर
 - आवेदक के परिचय देने वाले व्यक्ति का नाम, पता, खाता संख्या एवं हस्ताक्षर।

उपरोक्त सूचना के अलावा आपको एक वचन देना होगा कि बैंक के प्रचलित नियमों एवं शर्तों का पालन करेंगे। आवेदन पत्र के अंत में आपको अपने हस्ताक्षर करने होंगे। (कुछ बैंकों में आवेदनकर्ता को पासपोर्ट आकार के दो फोटो आवेदन पत्र के साथ लगाने होते हैं)।

- ii) **परिचय** : प्रत्येक बैंक की आवश्यकता है कि एक ऐसा व्यक्ति आवेदक का परिचय दे जिसे बैंक जानता हो। यह सुविधाजनक है कि वह व्यक्ति परिचय दे जिसका खाता पहले से ही बैंक में हो। कुछ बैंक आवेदक का पासपोर्ट अथवा ड्राईविंग लाइसेंस की अनुप्रमाणित नकल स्वीकार कर लेते हैं। इस स्थिति में, व्यक्तिगत परिचय देना आवश्यक नहीं है। परिचय की आवश्यकता इसलिए होती है ताकि संदिग्ध व्यक्ति द्वारा खाता खोलने को रोका जा सके।

- iii) **नमूने के हस्ताक्षर** : प्रार्थी को प्रार्थना फार्म पर अपने नमूने के हस्ताक्षर करने होते हैं। इसके लिए कार्ड पर भी उसे अपने नमूने के हस्ताक्षर करने होते हैं। इस कार्ड पर उसका नाम तथा खाता नम्बर लिखा जाता है। साथ ही उसका फोटो भी चिपकाया जाता है।

उपरोक्त कदमों को लेने के पश्चात तथा आवेदन पत्र में दिये गये सूचना से सम्बन्धित अधिकारी की संतुष्टि के बाद नकदी खिड़की पर जमा पर्ची भरकर धन राशि जमा की जाती है। इसके पश्चात एक खाता संख्या दी जाती है जिसे आपके आवेदन पत्र तथा नमूने हस्ताक्षर कार्ड पर लिख दिया जाता है। उसी समय आपको एक पास-बुक जिस में आप द्वारा जमा कराई गई प्रारम्भिक जमा राशि लिख दी जाती है। आगे जमा राशि तथा निकाली राशि भी इसमें लिखी जाती है तथा यह आपके पास रहती है। यदि आप अपनी जमा राशि में से कुछ राशि निकालना अथवा राशि का भुगतान चैक द्वारा करना चाहते हैं तो आपको प्रार्थना पर एक चैक बुक दे दी जाती है। चैक पत्र एक छपा पत्र है जिसमें आप बैंक को एक निश्चित राशि किसी व्यक्ति को भुगतान करने का आदेश कर सकते हैं।

9.9 बचत बैंक खाते का परिचालन

खाता खोलने के पश्चात आपको इस खाते के परिचालन के विषय में जानना चाहिए। दूसरे शब्दों में आपको खाते में अतिरिक्त राशि जमा करने तथा इस खाते से धन राशि निकालने की अपनाई जाने वाली प्रक्रिया मालूम होनी चाहिए।



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i) खाते में धन राशि जमा करना

आप अपने खाते में किस प्रकार धन राशि जमा करेंगे? खाता खोलने समय प्रारम्भिक धन राशि जमा करने के लिए जमा पर्ची के प्रयोग को आप पहले से जानते हैं। यह एक छपा पत्र हैं जिसे आप बैंक से प्राप्त करते हैं।

प्रत्येक जमा पर्ची के दो भाग होते हैं जो छेदन द्वारा पर्णिकाओं में बटी होती है, दाहिने हाथ के भाग को पर्णिका (Foil) तथा बायें हाथ के भाग को प्रतिपर्णिका (Counter foil) कहते हैं। इस पर्ची को नकदी तथा चैक जमा करने पर भरा जाता है। नकदी तथा चैक जमा करने के लिए अलग-अलग जमा पर्चियां भरनी होती है।

मान लीजिए आपको अपने खाते में नकदी जमा करनी है तो आप को जमा पर्ची पर जमा की तिथि, अपना नाम, खाता संख्या तथा जमा राशि (शब्दों तथा अंकों दोनों में) लिखनी होगी। इसके अलावा जमा पर्ची पर निर्देशित स्थान पर कितने विभिन्न अंकित मूल्य के नोट (5, 10, 20, 50, 100 इत्यादि) जमा कराये जा रहे हैं एवं इन नोटों के प्रकार के सामने राशि लिखनी होती है। बैंक में नकदी प्राप्त के लिए अलग खिड़की (Conter) होती है। आपको पर्ची पर हस्ताक्षर करके नकदी के साथ उस खिड़की पर देनी होती है। प्राप्तकर्ता जमा पर्ची की पर्णिका (सीधे हाथ वाली) को रख लेता है जबकि बायें हाथ वाले भाग (प्रतिपर्णिका) पर रबड़ की स्टाम्प लगाकर अपने हस्ताक्षर करके आपको दे देता है।

The image shows two forms from the State Bank of India. The left form is a 'State Bank of India' deposit slip. It includes fields for 'ACCOUNT NO.', 'FOR THE CREDIT OF', 'AMOUNT (IN WORDS)', 'PARTICULARS', and 'CASH OFFICER / PASSING OFFICER'. The right form is a 'State Bank of India' pay-in slip. It includes fields for 'BRANCH', 'NOTE', 'PARTICULARS', 'AMOUNT (IN WORDS) RUPEES', and 'DEPOSITED BY (Signature)'. Both forms show a deposit of 500 Rupees.

नकदी की बजाय, मान लीजिए, आपको चैक जमा करना है जिसे आपने अपने कार्यालय, जिसमें कार्यरत हैं, वेतन के भुगतान के रूप में प्राप्त किया है। आप दूसरे बैंक से रूपया लेने के बजाय आप इसे अपने बैंक खाते में जमा करना चाहेंगे। आपका बैंक चैक की राशि एकत्रित करेगा तथा आपके बचत बैंक खाते में जमा कर देगा।

चैक को जमा करने के लिए आपको दोबारा जमा पर्ची का प्रयोग करना होगा। जिसमें आपको जमा करने की तिथि, खाता संख्या, खाताधारी का नाम, चैक का क्रम संख्या तथा तिथि, जिस बैंक पर चैक लिखा गया उसका नाम तथा पता तथा चैक राशि दोनों अंकों व शब्दों में, आदि विवरण भरने होते हैं। पर्ची पर हस्ताक्षर करके, आपको चैक को पर्णिका के साथ लगाकर, चैक प्राप्त खिड़की पर प्रस्तुत करना होगा। खिड़की पर बैठा व्यक्ति पर्णिका संगलन चैक को साथ रख लेगा तथा प्रतिपर्णिका पर रबड़ स्टाम्प लगाकर तथा अपने हस्ताक्षर करके आपको वापिस कर देगा। कुछ बैंकों में खिड़की समीप एक बक्सा रखा होता है। जमाकर्ता को, 'रबड़ स्टाम्प' भी खिड़की पर उपलब्ध होती है। जमाकर्ता को रबड़ स्टाम्प को पर्णिका तथा



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प्रतिपर्णिका पर लगानी होती है। इसके पश्चात् प्रतिपर्णिका को अलग करके चैक को पर्णिका सहित बॉक्स में डालना होता है।

ii) खाते से राशि निकालना

आप अपनी बचत को भविष्य के प्रयोग के लिए जमा करते हैं। धन की आवश्यकता किसी भी समय हो सकती है। इसीलिए आपको यह जानना चाहिए कि खाते से आप अपना रूपया कैसे वापिस ले सकते हैं। उपरोक्त अनुभाग में आप बचत बैंक खाते में धन राशि जमा करने की प्रक्रिया के विषय में पढ़ चुके हैं। आइये आपके खाते से धन राशि निकालने की प्रक्रिया के विषय में जाने। इनका प्रयोग कर रूपया निकाला जा सकता है।

- रूपया निकालने वाले फार्म
- चैक
- ए.टी.एम. कार्ड

a) **रूपया निकालने वाले फार्म (आहरण पत्र) :** प्रत्येक बैंक में रूपया निकालने के लिए छपा फार्म होता है, जिसे आहरण पत्र कहते हैं। जिसे खाताधारी जमा खातों से रूपया निकालने के लिए प्रयोग कर सकता है। फार्म में रूपया निकालने की तिथि, खाता संख्या, निकालने वाली राशि (अंको तथा शब्दों में भरना होता है) तथा उस खाताधारी के हस्ताक्षर होते हैं। आपको इसे अपनी पास बुक सहित उस खिड़की पर देना होता है जहां से आपका खाता परिचालित हो रहा है। खिड़की पर संबंधित अधिकारी

अपरकम्य/NOT NEGOTIABLE		बचत बैंक आहरण पत्र SAVINGS BANK WITHDRAWAL FORM	
भारतीय स्टेट बैंक/State Bank of India		शाखा/BRANCH	
साक्षरधारी: यह फार्म चैक नहीं है इस फार्म के साथ पास बुक को पेश करना अनिवार्य है अन्यथा भुगतान प्राप्त नहीं होगा। NOTE: This form is not a cheque. Payment will be refused if the pass-book is not produced with this form.		खाता क्रमांक ACCOUNT NUMBER	
रूपया इसका भुगतान आह्वान को ही दें।/PLEASE PAY SELF ONLY			
रूपये/Rupees			
तथा राशि को मेरे/हमारे बचत बैंक खाता क्र. में क्रेडेड करें। AND DEBIT THE AMOUNT TO MY/OUR ABOVE SAVINGS BANK ACCOUNT.			
टोकन नं. Token No.	क्र. नं. No.	नकद रूपय/PAY CASH	₹/Rs.
स्क्रोल नं. Scroll No.	क्र. नं. No.	पारितोका अधिकारी/Passing Officer	जमाकर्ता/Depositor(s)

आहरण पत्र फार्म

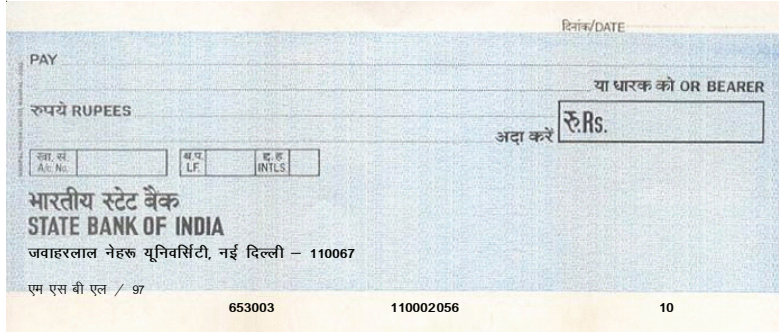
साधारणतया फार्म को खाते में शेष तथा रिकार्ड में नमूने के हस्ताक्षर से फार्म के हस्ताक्षर का मिलान करके भुगतान हेतु पास कर देता है। निकाली गई राशि को पास बुक में लिखा जाता है तथा खिड़की पर भुगतान कर दिया जाता है यदि राशि एक विशेष सीमा (कहिए ₹ 5000) के अंतर्गत है, अन्यथा एक टोकन जिसपर एक संख्या होती है दे दिया जाता है। इसे निकाली जाने वाली राशि प्राप्त करने के लिए नकदी भुगतान खिड़की पर प्रस्तुत किया जाता है।

b) **चैक :** खाताधारी के रूप में आप अपने बचत बैंक खाते से या तो राशि निकालने वाले फार्म को भरकर तथा हस्ताक्षर करके या चैक जारी करके रूपया निकाल सकते हैं।

अन्य पक्षों के भुगतान हेतु चैक जारी किये जा सकते हैं। इस प्रकार दूसरे पक्ष (व्यक्ति) को दिये गये चैक की राशि उसके द्वारा बैंक से भी निकाली जा सकती है अथवा दूसरे बैंक से धन एकत्रित करने हेतु चैक जमा किया जाता है।

चैक द्वारा रूपया निकालने की प्रक्रिया वही है जो रूपया निकालने वाले फार्म को भरकर तथा हस्ताक्षर करके की जाती है। जिसे ऊपर समझाया गया है। दोनों स्थितियों

में निकाली गई राशि को बैंक की पुस्तकों में अपेक्षित बचत खाते में लिखा जाता है। शेष जमा पर ब्याज की राशि भी बैंक द्वारा खोले गए अलग-अलग खातों में दर्शाई जाती है। इन्हें जब कभी खाताधारी बैंक में पासबुक प्रस्तुत करता है, तो पासबुक में लिखा जाता है।



चैक का नमूना

c) **ए.टी.एम. कार्ड** : बैंक अपने जमा कर्ताओं को ए.टी.एम. कार्ड जारी करते हैं जिससे कि वह अपने खाते में से राशि सरलता से निकाल सकें। इस कार्ड का प्रयोग स्वचालित टैलर मशीन (ए.टी.एम.) के माध्यम से बचत बैंक खाते एवं चालू खाते दोनों से रूपया निकालने के लिए किया जा सकता है। यह एक चुम्बकीय कार्ड होता है। इसके परिचालन के लिए एक गुप्त नम्बर का प्रयोग करना होता है। रूपया निकालने की यह सर्वाधिक सुविधाजनक पद्धति है।

- **टैलर काउंटर** : शीघ्र लेन देन के लिए बैंकों में टैलर पद्धति है। दो प्रकार के टैलर खिड़कियां होती हैं। (i) मानव संचालित (ii) स्वचालित टैलर काउंटर।

अधिकतर बैंक साधारणतया एक सीमा तक (जो ₹ 5,000 से ₹ 10,000 तक) व्यक्तियों द्वारा परिचालित टैलर काउंटर से बचत बैंक खाता से पैसा निकालने की छूट देते हैं। खिड़की पर प्रस्तुत चैक अथवा रूपया निकालने वाले फार्म को खाते के शेष, खाताधारी के हस्ताक्षर तथा अन्य विवरणों का खिड़की पर बैठा व्यक्ति जांच करता है तथा वही व्यक्ति भुगतान करता है।



टैलर प्रणाली

स्वचालित टैलर काउंटर पर ए.टी.एम. स्थापित कर दी जाती हैं जिनके माध्यम से 24सौं घंटे नकद लेन देन हो सकता है। आपके खाते के शेष जांच करने, नमूने के हस्ताक्षर से मिलान करने तथा नकद भुगतान देने के लिए किसी व्यक्ति की नियुक्ति की आवश्यकता नहीं है। आइए सीखें कि एक ए.टी.एम. मशीन किस प्रकार कार्य करती है?

जब बैंक एक ए.टी.एम. लगाता है तो वह प्रत्येक खातेदार को एक चुम्बकीय कार्ड





और गुप्त कोड नम्बर देता है। इस कोड नम्बर को व्यक्तिगत पहचान (PIN) कहते हैं। जब भी किसी कार्डधारी को रूपया निकालना होता है अथवा जमा कराना होता है तो वह सबसे पहले अपनी पहचान कराता है। इसके लिए वह अपने PIN को बताता है। ए.टी.एम. के परिचालन के लिए यह आवश्यक है। कार्ड जैसे ही मशीन में डालेंगे तो यह आपसे आपका PIN पूछेगी। PIN की प्रविष्टि के लिए आप या तो की-बोर्ड का प्रयोग या फिर मशीन के पर्दे को छुएंगे।



एक बार आपकी पहचान हो जाए तो मशीन आपको पैसा निकालने अथवा जमा कराने के सम्बंध में दिशा निर्देश देगी। जमा कराने के लिए ए.टी.एम. केन्द्र से एक विशेष लिफाफा मिलेगा जिसमें आप राशि रख देंगे। जमा का बटन दबाने पर यह लिफाफा स्वमेव मशीन में चला जाएगा। बैंक अधिकारी ऐसे लिफाफों को नियमित अन्तराल पर निकाल लेते हैं तथा सम्बन्धित खातों के जमा में प्रविष्टि कर देते हैं। इसी प्रकार से रूपया निकालने के लिए इसके बटन को दबाएंगे अथवा पर्दे को छुएंगे। तत्पश्चात जितनी राशि निकालनी है वह बताएंगे। पूरी राशि आपके लिए तुरन्त मशीन में से बाहर आ जाएगी।



पाठगत प्रश्न 9.5

I. निम्न में कौन से कथन सही हैं तथा कौन से गलत हैं :

- बचत बैंक खाता खोलते समय जमा पर्ची का प्रयोग करना होता है।
- बचत बैंक खाते से चैक द्वारा रूपया निकालने के लिए खाताधारी रूपया निकालने वाले फार्म का प्रयोग नहीं कर सकता।
- एक बचत बैंक खाताधारी, बचत बैंक खाता खोलते समय, दूसरे व्यक्ति का परिचय नहीं दे सकता है।
- किसी खातेधारी को बैंक में जमा राशि तथा बैंक से निकाली राशि का एन्ट्री कराने के लिए बैंक पास-बुक प्रस्तुत करनी चाहिए।
- बचत बैंक खाता खोलने के लिए आवेदन पत्र बैंक से बिना किसी भुगतान के उपलब्ध होता है।
- चैक द्वारा तीसरे पक्ष को भुगतान हेतु चैक पर पक्ष का नाम अवश्य लिखना होता है।
- चैक बुक केवल खाताधारी की प्रार्थना पर बैंक द्वारा दी जाती है।
- बचत बैंक खाता खोलने के तुरन्त पश्चात बैंक पास-बुक जारी कर देता है।

II. उपयुक्त शब्दों से रिक्त स्थान भरिए :

- बैंक द्वारा जमा पर्ची की प्रति पर्णिका _____ को वापिस कर दी जाती है।

- ii. जमा पर्ची के सीधे हाथ वाले भाग को _____ कहते हैं।
- iii. जमा से पहले चैक को जमा पर्ची के _____ के साथ संलग्न करना होता है।
- iv. चैक का भुगतान करने से पहले, खाताधारी के हस्ताक्षर _____ से मिलान करने होते हैं।
- v. टेलर पद्धति खाताधारी द्वारा शीघ्र _____ में सहायक होती है।
- vi. बचत बैंक खाते में राशि _____ खिड़की पर जमा कराई जा सकती है।



9.7 ई-बैंकिंग (इलेक्ट्रॉनिक बैंकिंग)

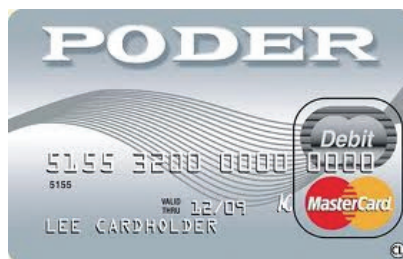
ई-बैंकिंग को नए तथा परंपरागत बैंकिंग उत्पादों तथा सेवाओं को इलेक्ट्रॉनिक माध्यमों से तथा संचार माध्यमों से सीधे ग्राहकों को समर्पित करने के रूप में परिभाषित किया जा सकता है। ई-बैंकिंग में ऐसे तंत्र सम्मिलित हैं जो वित्तीय संस्थानों, ग्राहकों, व्यक्तियों अथवा व्यवसायों को सार्वजनिक तथा निजी नेटवर्क, इंटरनेट के माध्यम से उनके खातों से संबंधित लेन-देन करने अथवा वित्तीय उत्पादों तथा सेवाओं की जानकारी कराते हैं। सूचना तकनीक तथा संचार की अत्याधुनिक विधियों का विकास होने से बैंकिंग सेवाओं को भी अब कम्प्यूटरीकृत कर दिया गया है। अब बहुत से बैंक शाखाओं में आप देखेंगे कि बैंकिंग व्यवहारों का रिकार्ड कम्प्यूटर के द्वारा रखा जाता है। आपके खाते में जमा राशि की सूचना अब कम्प्यूटर से प्राप्त हो सकेगी। बहुत से बैंकों में आजकल कैशियर टैलर के स्थान स्वचालित टैलर मशीन (ए.टी.एम.) लगा दी गई है। कम्प्यूटर तथा संचार का अन्य इलेक्ट्रॉनिक मशीनों द्वारा बैंकिंग कार्यकलाप करना, इलेक्ट्रॉनिक बैंकिंग अथवा 'ई-बैंकिंग' कहलाता है। आइए, अब हम भारत में प्रयुक्त बैंकिंग का आधुनिक विधियों की जानकारी प्राप्त करें।

• स्वचालित टैलर मशीन (ऑटोमेटिक टैलर मशीन)

किसी बैंक शाखा अथवा अन्य स्थान पर लगाई मशीन जिससे ग्राहक मूल बैंकिंग क्रियाकलाप (खाते का शेष जानना, रूपया निकालना अथवा अंतरित करना) कर सकें चाहे बैंक बंद ही क्यों न हो, उसे स्वचालित टैलर मशीन कहते हैं। बैंकों ने संपूर्ण भारत में सुविधाजनक स्थानों पर अपनी स्वचालित टैलर मशीनें (ए.टी.एम.) लगा ली है। इनके उपयोग से ग्राहक किसी भी समय अपने खाते में राशि जमा कर सकता है अथवा उसमें से निकाल सकता है।

• डेबिट कार्ड

एक कार्ड, जो बैंक, ग्राहकों को इलेक्ट्रॉनिक माध्यम से तुरंत उनके खाते तक पहुंच उपलब्ध कराता है। बैंक अपने ग्राहकों को, जिनके बचत खाते अथवा चालू खाते, उनके यहां होते हैं, डेबिट कार्ड देने लगे हैं। ग्राहक इन कार्डों के द्वारा नकदी के स्थान पर विभिन्न वस्तु और सेवाएं खरीद सकते हैं। डेबिट कार्ड द्वारा चुकाई गई रकम ग्राहक के खाते से स्वतः



डेबिट कार्ड



टिप्पणी

ही डेबिट (घटा दी) कर दी जाती है।

• क्रेडिट कार्ड

एक वित्तीय कंपनी द्वारा जारी किया गया कार्ड जो धारक को सामान्यतः विक्रय स्थान पर ही उधार की सुविधा प्रदान करता है। क्रेडिट कार्ड पर ब्याज लगता है तथा ये सामान्यतः अल्पावधि वित्त हेतु उपयोग किए जाते हैं। साधारणतः क्रय के एक माह बाद से ब्याज प्रारंभ होता है तथा व्यक्तियों की ऋण धारण क्षमता के आधार पर उधार की सीमा पहले ही तय कर दी जाती है। बैंक, क्रेडिट कार्ड उन ग्राहकों को देता है जिनके खाते बैंक में होते हैं अथवा नहीं भी होते। ठीक डेबिट कार्ड की भांति क्रेडिट कार्ड सामान खरीदने के लिए प्रयोग किए जाते हैं। व्यक्ति को अपने साथ तब नकदी ले जाने की आवश्यकता नहीं रह जाती। क्रेडिट कार्ड धारक को बैंक एक निश्चित समय के भीतर क्रेडिट की गई रकम बैंक में जमा करने की अनुमति देता है। निर्धारित समय के भीतर कार्ड धारक द्वारा क्रेडिट की गई रकम जमा न कराने पर बैंक ब्याज लगा देता है। ब्याज की दर प्रायः बहुत ऊंची होती है।



क्रेडिट कार्ड

• नेट बैंकिंग

इंटरनेट इलैक्ट्रॉनिक माध्यम से विभिन्न बैंक खातों के मध्य वित्त के हस्तांतरण का सुरक्षित माध्यम उपलब्ध कराता है तथा साथ ही इंटरनेट पर बैंकिंग लेन-देन करने की सुविधा प्रदान करता है। सभी बैंकिंग क्रियाएं जो परंपरागत रूप से बैंक में जाकर संपन्न की जाती थी, आज इंटरनेट की पहुंच के कारण कम्प्यूटर के माध्यम से ही कर ली जाती है। क्रेडिट कार्ड लेन-देन, इंटरनेट बैंकिंग का ही रूप है। नेट-बैंकिंग के माध्यम से आप न केवल अपने खाते का शेष जान सकते हैं बल्कि आप एक स्थाई जमा खाता खोल सकते हैं, वित्त अंतरण कर सकते हैं, अपने बिजली, पानी अथवा मोबाईल फोन के बिलों का भुगतान कर सकते हैं तथा कई अन्य कार्य भी कर सकते हैं। आजकल, नेट बैंकिंग के माध्यम से आप न केवल अपने एक बैंक खाते को देख सकते हैं, बल्कि अन्य बैंक में अपने खाते को भी देख सकते हैं। अतः



नेट बैंकिंग प्रणाली

आप एक ही पर्दे पर अपने विभिन्न बैंक खातों को एक साथ देख सकते हैं। अतः जब बैंकिंग लेन-देन जैसे अंतरण, भुगतान तथा गृह ऋण हेतु आवेदन इंटरनेट के माध्यम से किए जाएं तो इसे नेट-बैंकिंग कहते हैं।

नेट-बैंकिंग व्यक्तियों को घर बैठे ही इंटरनेट के माध्यम से बैंकिंग क्रियाकलाप संपन्न करना सुलभ कराती है। परंपरागत बैंकों द्वारा उपलब्ध कराई गई नेट-बैंकिंग ग्राहकों को सभी

दिन-प्रतिदिन के लेन-देन जैसे खाता स्थानांतरण, शेष जानना, बिल भुगतान, भुगतान रोकने का अनुरोध तथा ऋण एवं क्रेडिट कार्ड हेतु आवेदन पत्र भी ऑन लाइन जमा कराने की सुविधा उपलब्ध कराती है। खाते की जानकारी किसी भी समय, दिन अथवा रात तथा कहीं से भी प्राप्त की जा सकती है।

कम्प्यूटर तथा इंटरनेट का व्यापक रूप से प्रयोग होने से बैंक अब इंटरनेट पर भी लेन-देन करने की सुविधा दे रहे हैं। जिस ग्राहक का खाता बैंक में होता है, वह बैंक की वेबसाइट पर लॉग कर सकता है तथा खाते की स्थिति की जानकारी प्राप्त कर सकता है। वह अपने बिलों का भुगतान कर सकता है, मुद्रा हस्तांतरण, स्थायी जमा तथा बिलों की राशि की वसूली आदि के लिए आदेश दे सकता है।

• फोन बैंकिंग

फोन बैंकिंग एक ऐसी व्यवस्था है जो ग्राहकों की अपने खाते तथा विभिन्न बैंकिंग सेवाओं तक पहुंच टेलीफोन के माध्यम से 24 घंटे उपलब्ध कराती है। यह एक ऐसी सुविधा है जो ग्राहकों को बैंकिंग सेवाओं का उपयोग, जैसे मौखिक भुगतान निर्देश, खाता संचलन, ऋण लेना आदि, व्यक्तिगत रूप से बैंक में जाने के बजाय टेलीफोन के माध्यम से सुलभ कराती है। बैंक का ग्राहक, जिसका खाता बैंक में हो, फोन बैंकिंग सुविधा के अंतर्गत फोन के माध्यम से स्थायी जमा, मुद्रा हस्तांतरण, डिमांड ड्राफ्ट, बिलों का संग्रहण तथा भुगतान आदि जैसे बैंकिंग व्यवहार कर सकता है। अब मोबाइल फोन का चलन बहुत बढ़ गया है, अतः मोबाइल फोन द्वारा भी फोन बैंकिंग संभव हो गई है। फोन बैंकिंग द्वारा संभव सभी कार्यों के अलावा, मोबाइल फोन द्वारा ग्राहक बैंक को संदेश दे सकता है और बैंक से संदेश प्राप्त भी कर सकता है।



पाठगत प्रश्न 9.6

I. कॉलम अ में दिए गए कथनों का कॉलम ब में दिए गए कथनों से मिलान कीजिए:

कॉलम अ

- बैंकिंग सुविधा, जो हमारे द्वारा मुद्रा लेकर न चलने पर भी हमारे बैंक खाते से भुगतान करने के लिए सहायक होती है।
- बैंकिंग सुविधा, जो हमको 24 घंटे राशि जमा कराने अथवा निकालने का अधिकार प्रदान करती है।
- इंटरनेट पर बैंकिंग व्यवहार करने

कॉलम ब

- ऑटोमेटेड टैलर मशीन (ए.टी.एम.)
- मोबाइल बैंकिंग
- क्रेडिट कार्ड



फोन बैंकिंग



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- iv. हम मोबाइल फोन पर इस सुविधा के द्वारा अपने खाते की शेष रकम की सूचना प्राप्त कर सकते हैं।
- v. बैंकिंग से क्रेडिट लेकर क्रय की हुई वस्तुओं का भुगतान करने की सुविधा
- घ) डेबिट कार्ड
- ड) नेट बैंकिंग

II. बहुविकल्पीय प्रश्न

- i. निम्नलिखित में से कौन सा कार्य सैन्ट्रल बैंक का कार्य नहीं है :
- क) देश की बैंक प्रणाली का मार्ग दर्शन करना तथा उसे लागू करना।
ख) सरकारी बैंक की तरह से कार्य करता है।
ग) जनसाधारण से व्यवहार करना।
घ) अन्य बैंकों के जमा खातों का रख-रखाव करता है।
- ii. निम्न में से कौन-सा वाणिज्यिक बैंक नहीं है :
- क) भारतीय स्टेट बैंक ख) रिजर्व बैंक ऑफ इंडिया
ग) आई.सी.आई.सी.आई. बैंक घ) पंजाब नेशनल बैंक
- iii. निम्न में से कामर्शियल बैंक द्वारा दिया गया अग्रिम नहीं है :
- क) कैंश क्रेडिट ख) ओवर ड्राफ्ट
ग) व्यापारिक सूचनाएं एकत्र करना व उन्हें देना।
घ) बिलों पर छूट देना।
- iv. फिक्स डिपोजिट एकाउंट सुविधा निम्न द्वारा उठाई जाती है :
- क) व्यापारी ख) वेतन भोगी द्वारा
ग) लम्बे समय के लिये धन की बचत करने वाले द्वारा
घ) मासिक रूप में ब्याज पाने वाले द्वारा
- v. निम्न में से कौन प्रपत्र बैंक से धन निकालने के लिए मान्य नहीं है :
- क) चैक ख) निकासी पत्र
ग) व्यक्तिगत पहचान पत्र घ) ए.टी.एम. कार्ड



आपने क्या सीखा

- बैंक एक ऐसा संस्थान है जो जनता से जमा राशि स्वीकार करता है और उन व्यक्तियों को, जिनको इसकी आवश्यकता होती है, मुद्रा उधार देता है।
- बैंक व्यापार की एक महत्वपूर्ण सहायक सेवा है।
- बैंक बचत करने को बढ़ावा देता है तथा जमाकर्ताओं और ऋण लेने वालों के बीच एक मध्यस्थ का कार्य करता है।
- यह उधार व्यवहारों में सहायक होता है, निर्यात, आयात को सुविधाजनक बनाता है, राष्ट्रीय विकास में सहायक होता है और व्यक्तियों के रहन-सहन का स्तर ऊंचा उठाता है।



टिप्पणी

- **बैंकों के प्रकार**
 - केन्द्रीय बैंक, भारत में रिजर्व बैंक, सरकारी बैंक का कार्य करता है तथा देश में कैंरेंसी नोट निर्गमित करता है। यह बैंकों का बैंक भी होता है।
 - वाणिज्यिक बैंक, अल्प अवधीय तथा मध्यम अवधीय ऋण प्रदान करते हैं और इन पर ब्याज लेते हैं। ये तीन प्रकार के होते हैं : सार्वजनिक क्षेत्र के बैंक, निजी क्षेत्र के बैंक तथा विदेशी बैंक।
 - विकास बैंक व्यवसाय के लिए मध्यम तथा दीर्घ अवधीय ऋण देता है।
 - सहकारी बैंक सदस्यों के आपसी हितों को पूरा करने के लिए गठित किए जाते हैं। भारत में प्राथमिक सहकारी साख समितियां (ग्राम्य स्तर पर), केन्द्रीय सहकारी बैंक (जिला स्तर पर) तथा राज्य सहकारी बैंक (राज्य स्तर पर) स्थापित हैं।
 - एक्विजम बैंक निर्यातकों तथा आयातकों का पथप्रदर्शन करता है तथा उन्हें सहायता प्रदान करता है।
 - नाबार्ड कृषि संबंधी तथा अन्य ग्रामीण कार्यकलापों के लिए वित्तीय सहायता प्राप्त करने में सहायक होता है।
- **वाणिज्यिक बैंकों के कार्य**
 - **प्राथमिक कार्य** : जमाराशि स्वीकार करना, ऋण, नकद साख अधिविकर्ष और बिलों को भुनाने की सुविधा प्रदान करता है।
 - **द्वितीयक कार्य** : साख पत्र देना, मूल्यवान वस्तुओं को सुरक्षित रखना, उपभोक्ता को वित्त प्रदान करना, शिक्षा के लिए ऋण देना।
- बैंक जमा विभिन्न व्यक्तियों के लिए विभिन्न उद्देश्यों की पूर्ति करते हैं। इन अंतर्गत को ध्यान में रखते हुए बैंक व्यक्तियों द्वारा उनकी सुविधा तथा उद्देश्यों की उपयुक्तता के लिए विभिन्न प्रकार के खाते खोलने की सुविधा प्रदान करते हैं। जो निम्न है :
 - बचत बैंक खाता
 - चालू जमा खाता
 - सावधि जमा खाता
 - आवर्ती जमा खाता
- आवर्ती खाते विभिन्न प्रकार के होते हैं, जैसे : गृह सुरक्षित खाता, संचित एवं बीमारी जमा खाता, गृह निर्माण जमा खाता इत्यादि।
- एक वाणिज्यिक बैंक में बचत खाता खोलने के लिए निम्न कदम उठाए जाते हैं: आवेदन पत्र भरना, सही परिचय, नमूना हस्ताक्षर।
- **ई-बैंकिंग** : सूचना तकनीकी तथा संचार के विकास के साथ बैंकिंग कार्य, क्रेडिट कार्ड, डेबिट कार्ड तथा ए.टी.एम. आदि इलैक्ट्रॉनिक माध्यम से निष्पादित किए जाते हैं।



टिप्पणी



पाठान्त प्रश्न

1. 'बैंक' की परिभाषा दीजिए।
2. 'बैंकिंग' का क्या अर्थ है ?
3. निजी क्षेत्र के वाणिज्यिक बैंक तथा भारत में कार्यरत विदेशी बैंक, प्रत्येक के दो उदाहरण दीजिए।
4. एक बैंक के ग्राहक को क्रेडिट कार्ड द्वारा क्या सुविधा प्रदान की जाती है?
5. नकद साख का क्या अर्थ है ?
6. 'विकास बैंक' क्या कार्य करता है ?
7. बैंकिंग की भूमिका का 100 शब्दों में वर्णन कीजिए।
8. केन्द्रीय बैंक का क्या अर्थ है ?
9. (i) एक्जिम बैंक (ii) नाबार्ड, क्या कार्य निष्पादित करते हैं?
10. एक वाणिज्यिक बैंक के कोई चार द्वितीयक कार्य बताइए।
11. एक वाणिज्यिक बैंक के प्राथमिक कार्यों का वर्णन कीजिए।
12. प्रत्येक का उदाहरण देते हुए विभिन्न प्रकार के वाणिज्यिक बैंकों का वर्णन कीजिए।
13. (i) अस्तित्व (ii) सुरक्षा (iii) कार्यकलाप (iv) ग्राहक के आधार पर बैंक एवं साहूकार में अन्तर कीजिए।
14. वाणिज्यिक बैंकों द्वारा निष्पादित कार्यों का वर्णन कीजिए।
15. बैंकिंग क्षेत्र में हुए आधुनिक विकास का वर्णन कीजिए। ग्राहकों को दी जाने वाली आधुनिक सुविधाओं का उदाहरण भी दीजिए।
16. सहकारी बैंक का क्या अर्थ है ? भारत में सहकारी बैंकों के प्रकारों का भी वर्णन कीजिए।
17. किसी बैंक में बचत बैंक खाता खोलने की प्रक्रिया का वर्णन कीजिए ?
18. बचत बैंक खाते में नकदी जमा करने की प्रक्रिया बताइय।
19. बचत बैंक खाते में चैक जमा करने की क्या प्रक्रिया अपनाई जाती है ?
20. बचत बैंक खाता परिचालन के लिए रूपया निकालने वाले फार्म के प्रयोग का वर्णन कीजिए ?
21. बचत बैंक खाता खोलते समय आपको आवेदन पत्र में क्या विवरण देने होते हैं?
22. बताइए कि आप अपने बचत बैंक खाते से रोकड़ कैसे निकालेंगे ?
23. बचत बैंक खाते में रोकड़ अथवा चैक जमा करने में पे-इन-स्लिप के उपयोग का विवेचन कीजिए।
24. पे-इन-स्लिप क्या है? इसकी उपयोगिता बताइए।
25. क्या आप अपने बचत बैंक खाते के शेष से अधिक राशि निकाल सकते हैं ? अपने उत्तर के समर्थन में कारण दीजिए।
26. ए.टी.एम. क्या है ? यह बैंक के ग्राहकों की किस प्रकार सहायता करता है ?
27. एक बचत बैंक खाता खोलते समय, बैंक के जानने वाले व्यक्ति से परिचय कराना क्यों आवश्यक होता है ?

28. बचत बैंक खाते से धन निकालने के विभिन्न तरीके कौन-कौन से हैं ?



पाठगत प्रश्नों के उत्तर

- 9.1 (i) ऋण (ii) मध्यस्थ (iii) सहायक (iv) बैंक (v) साहूकार
- 9.2 (i) निजी बैंक (ii) एक्जिम बैंक (iii) सहकारी बैंक
(v) केन्द्रीय बैंक (vi) सार्वजनिक क्षेत्र के बैंक
- 9.3 (i) गलत (ii) सही (iii) सही (iv) गलत (v) सही
- 9.4 I. (i) सत्य (ii) असत्य (iii) सत्य (iv) असत्य
(v) सत्य (vi) सत्य (vii) असत्य (viii) सत्य
- II. (i) न्यूनतम (ii) अधिक (iii) चालू (iv) बैंक (v) कम
- 9.5 I. (i) सत्य (ii) असत्य (iii) असत्य (iv) सत्य
(v) सत्य (vi) सत्य (vii) सत्य (viii) सत्य
- II. (i) खाताधारी/जमाकर्ता (ii) पर्णिका (iii) पर्णिका
(iv) नमूने के हस्ताक्षर (v) रूपया निकालना (vi) नकद प्राप्ति
- 9.6 I. (i) घ (ii) क (iii) ड (iv) ख (v) ग
- II. (i) ग (ii) ख (iii) ग (iv) ख (v) ग

आपके लिए क्रियाकलाप

- अपने इलाके में कार्यरत बैंकों की एक सूची बनाइए तथा उन्हें कार्यों के आधार पर वर्गीकृत कीजिए।
- किसी नजदीकी बैंक की शाखा पर जाइए तथा नकदी जमा करने वाली पर्ची एकत्रित कीजिए। इनको काल्पनिक अंकों की सहायता से भरिए।
 - विभिन्न जमा खातों को खोलने के लिए आवश्यक न्यूनतम राशि तथा
 - बचत बैंक आवर्ती तथा सावधि खातों में देय ब्याज दर, के विषय में सूचना एकत्रित कीजिए।



टिप्पणी



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INSURANCE SERVICES

You must have seen shops in the market. In these shops many articles are stored for sale. Some of you might have seen factories where machines are installed to manufacture products. You may also be knowing about trains, trucks, ships, etc. that carry goods from one place to another. All these involve lot of money and there is always a risk of loss on their way. For example, storing goods in the shop for sale involves lot of money spent on buying those products and there is always a risk that the products may get damaged before they are sold. The damage may be due to accidents like fire, natural calamities or even because of riot or theft. Similarly in factories the machines may break down causing heavy loss. During transportation the goods may get damaged or destroyed due to accident. Under all these circumstances there is always a loss incurred by the businessman. Not only the assets or properties of businessman, he himself is also not out of danger because of the risk involved in some of the activities undertaken by him on day-to-day basis. He may suffer any disease or face accident which may cause a great loss to his family.

Can these risks be avoided or minimized? Is there anything to take care of these risks? Let us learn all about it in this lesson.



OBJECTIVES

After studying this lesson, you will be able to:

- explain the nature of business risks;
- define insurance;
- explain the importance of insurance;
- identify different types of insurance;
- describe the salient features of life insurance, fire insurance, marine insurance and other types of insurance; and
- state the principles applicable to a contract of insurance.

10.1 NATURE OF BUSINESS RISKS

If you decide to engage yourself in any business activity your main objective

**Notes**

will naturally be to earn profit. It is the most important objective of every business because without profit your capital will get reduced and may be totally lost. So you will do your best to manage your business efficiently. Sometimes you may find that sale of goods produced in your factory is declining. That is a warning signal. You may then try to find out the reasons behind it. If you can identify the reasons, you may find some remedies. Suppose you find that imported goods of the same quality are being sold by competing traders at a much lower price. You have to face the loss as a result of the change in market conditions. There may be other reasons, that may also result in loss of income or profit. Goods may be lost in course of transportation. There may be accidental fire in the godown, workers of the factory may go on strike. You may not be able to anticipate or control some of these possibilities. This is the concept of risk. Risk is the possibility of loss or damage due to factors over which the businessman has little or no control.

All business activities are subject to uncertain events or happenings and may suffer loss or damage. Timely precaution can be taken to avoid some of the losses. But certain losses and damages have either to be borne by the businessman himself, or if possible, shared with others.

The possibility of loss or damage can be divided into two broad categories: uncertainties and risks. Uncertainties are the events, which cannot be foreseen. But risks can be anticipated in the light of past experience. The chances of fire in the factory or godown depend upon precautions taken to prevent its occurrence, or having necessary preparedness to keep the resulting loss to a minimum level. So, is the case with loss or damage by theft or accidents.

Now, take another type of situation. Every person has to think of his future needs when he is not able to work or suffers from old age and illness. This is not an uncertain occurrence. Illness is bound to be there for living beings sometime or the other and more likely after a certain age. It is also necessary to consider that death may strike at a time when there will be a family to be looked after and provided with a means of living.

There are also risks, which have a significant place in business. While goods are transported from place to place, there may be accidents causing, damage or loss of goods. Trains may be derailed, bridges may collapse, or airplane may crash due to engine trouble. Trucks may be looted on their way to another city. Damage may be caused to goods sent by ship at the time of loading or unloading at sea ports. Can such damages or losses be shared with any other party? Let us note how these can be shared by means of insurance.



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TYPES OF RISKS

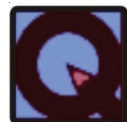
- Speculative Risk : Risks relating to business judgment based on speculation. For example change in fashion, govt. policy etc.
- Pure Risk : Risks where the chance of loss is predictable.
- Property Risk : Related to Loss of property.
- Personnel Risk : Related to life or health of the people.
- Financial Risk : Related to financial transactions of the business.
- Marketing Risk : Risk associated with marketing of goods.

10.2 MEANING OF INSURANCE

Simply speaking, insurance is the means by which risks of loss or damage can be shifted to another party called the insurer on the payment of a charge known as premium. The party whose risk is shifted to the insurer is known as the insured. Obviously insurer is generally an organization (Insurance Company), which is willing to share the loss or damage and it is also qualified to do so.

Insurance is a contract between the insurer and insured whereby the insurer undertakes to pay the insured a fixed amount, in exchange for a fixed sum known as premium, on the happening of a certain event (like at a certain age or on death), or compensate the actual loss when it takes place, due to the causes mentioned in the contract.

If you think about the basis of insurance, you will realize that it is a form of co-operation through which all the insured, who are subject to a risk, pay premium and only one or few among them who actually suffer the loss or damage is/are compensated. Actually, the number of parties exposed to a risk is very large and only a few of them might actually suffer loss during a certain period. The insurer (company) acts as an agency to spread the actual loss suffered by a few insured parties among a large number of parties.



INTEXT QUESTIONS 10.1

Which of the following statements are true and which are false?

- (i) The possibility of loss or damage to goods or human beings is known as risk.
- (ii) Change of fashion is a personnel risk.
- (iii) Losses caused by uncertain events of insured goods have to be borne by businessmen themselves.

- (iv) Some risks can be taken care of by precautions such as risk of breakdown of machinery.
- (v) Insurance is the means of shifting risks of loss to a party willing and qualified to share the loss.
- (vi) The amount paid by the insured to the insurer is known as premium.

**Notes**

10.3 IMPORTANCE OF INSURANCE

To appreciate the importance of insurance we have to discuss the benefits that we derive from it.

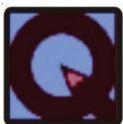
As explained in the previous section, insurance serves as a very useful means of spreading the effects of personal as well as business risks by way of loss or damage among many. Thus, the insured have a sense of security. Individuals who pay premium periodically out of current income can look forward to an assurance of receiving a fixed amount on retirement or his family being secured in the event of his death. Businessmen also pay premium for insurance of risk of loss without constant worry about the possibility of loss or damage.

Insurance plays a significant role particularly in view of the large-scale production and distribution of goods in national and international market. It is an aid to both trading and industrial enterprises, which involve huge investments in properties and plants as well as inventories of raw materials, components and finished goods. The members of business community feel secured by means of insurance as they get assurance that by contributing a token amount they will be compensated against a loss that may take place in future.

From the national economic point of view, insurance enables savings of individuals to accumulate with the insurance companies by way of premium received. These funds are invested in securities issued by big companies as well as by Government.

Individuals who insure their lives to cover the risks of old age and death are induced to save a part of their current income, which is by itself of great importance.

Insurance is also a source of employment for the people. The people get employed directly in its offices of the insurance company spread over the country and it also provides opportunities to the people to earn their livelihood by working as agent of the insurance companies.



INTEXT QUESTIONS 10.2

Fill in the blanks with suitable words given in brackets.

- (i) Insurance is a means of spreading the _____ of a few among many.
(loss, expense)



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- (ii) The members of the business community feel _____ because of insurance. (secured, unsecured)
- (iii) Insurance companies invest their funds in corporate and Government _____ (loans, securities)
- (iv) Insurance is an aid to _____ as well as commerce. (industry, trade)

10.4 TYPES OF INSURANCE

Insurance, which is based on a contract, may be broadly classified into the following types.

- (i) Life Insurance
- (ii) Fire Insurance
- (iii) Marine Insurance, and
- (iv) Other types of insurance such as burglary insurance, motor vehicle insurance, etc.

Until recently Life Insurance Corporation of India (LIC) and General Insurance Corporation with its subsidiaries happened to be the only organizations engaged in life and general insurance business in India. Now a number of other private companies have entered this service sector. Let us consider the salient feature of each of these types.

(i) Life Insurance

A contract of life insurance (also known as 'life assurance') is a contract whereby the insurer undertakes to pay a certain sum either on the death of the insured or on the expiry of a certain number of years. In return, the insured agrees to pay an amount as premium either in a lump sum or in periodical installments, annually, half-yearly, quarterly or monthly. The risk insured against in this case is certain to happen. Hence, life insurance is also referred to as life assurance. The written form of contract is known as life insurance policy. It provides for the payment of a fixed sum to the insured or his legal heirs as the case may be either on a fixed date or on the happening of an event, which is certain. Businessmen can provide for life insurance of all their employees by way of group insurance. It also develops loyalty among employees and can be used as a security for raising loans.

There are two basic types of life assurance policies (a) Whole-life policy, and (b) Endowment Policy. A whole life policy runs for the whole life of the insured and premium is payable all along. The sum assured becomes due for payment to the heirs of the insured only after his death. An endowment policy on the other hand, runs for a limited period or upto a certain age of the insured. The sum assured becomes due for payment at the end of the specified period or on the death of the insured, if it occurs earlier.



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(ii) Fire Insurance

A contract of fire insurance is a contract whereby the insurer, on payment of premium by the insured, undertakes to compensate the insured for the loss or damage suffered by reason of certain defined subject matter being damaged or destroyed by fire. It is a contract of indemnity, that is, the insured cannot claim anything more than the value of property lost or damaged by fire or the amount of policy, whichever is lower. The claim for loss by fire is payable subject to two conditions, viz; (a) there must have been actual fire; and (b) fire must have been accidental, not intentional; the cause of fire being immaterial. The basic principle applied with regard to claim is the principle of indemnity. The insured is entitled to be compensated for the amount of actual loss suffered subject to a maximum amount for which he had taken the policy. He cannot make a profit through insurance. For example, if a person takes a fire insurance policy of Rs. 20,000/- on certain goods. Out of these, goods worth Rs. 15,000/- are destroyed by fire. The insured can only claim an amount to the extent of loss i.e., Rs. 15,000/- (and not Rs. 20, 000/-) for the damage from the insurance company.

(iii) Marine Insurance

Marine insurance is an agreement (contract) by which the insurance company (also known as underwriter) agrees to indemnify the owner of a ship or cargo against risks, which are incidental to marine adventures. It also includes insurance of the risk of loss of freight due on the cargo. Marine insurance that covers the risk of loss of cargo by storm is known as cargo insurance. The owner of the ship may insure it against loss on account of perils of the sea. When the ship is the subject matter of insurance, it is known as hull insurance. Further, where freight is payable by the owner of cargo on safe delivery at the port of destination, the shipping company may insure the risk of loss of freight if the cargo is damaged or lost. Such a marine insurance is known as freight insurance. All marine insurance contracts are contracts of indemnity.

The followings are the different types of marine insurance policies

- (a) **Time Policy** – This policy insures the subject matter for specified period of time, usually for one year. It is generally used for hull insurance or for cargo when small quantities are insured.
- (b) **Voyage Policy** - This is intended for a particular voyage, without any consideration for time. It is used mostly for cargo insurance.
- (c) **Mixed Policy** – Under this policy the subject matter (hull, for example) is insured on a particular voyage for a specified period of time. Thus, a ship may be insured for a voyage between Mumbai and Colombo for a period of 6 months under a mixed policy.



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(d) **Floating Policy** - Under this policy, a cargo policy may be taken for a round sum and whenever some cargo is shipped the insurance company declares its value and the total value of the policy is reduced by that amount. Such shipments may continue until the total value of the policy is exhausted.

DIFFERENCE BETWEEN FIRE, MARINE AND LIFE INSURANCE

S.No.	Basis of Difference	Fire Insurance	Marine Insurance	Life Insurance
1.	Compensation	Amount insured or Actual loss which ever is less is given as compensation.	Purchase price of goods and 10-15 percent profit is given as compensation.	No loss is comepesable only specific amount is paid.
2.	Insurable Interest	Insurable interest must exist both at the time of taking policy as well as the time of loss.	Insurable interest must exist at the time of loss.	Insurable interest must exist at the time of taking policy.
3.	Assignment of Policy	No Assignment without permission of Insurance Company.	No Assignment without permission of Insurance Company.	No Assignment is done.
4.	Nature of Risk	Uncertain	Uncertain	Certain but the time is uncertain.
5.	Period	Normally for one year.	Normally for one year.	It is taken for a long term.
6.	Premium	Premium depends upon the amount insured. More the amount insured more will be the Premium.	Premium depends upon nature of perils.	Premium depends upon the age of the insured and term of policy.
7.	Object	To cover the risk of fire.	To cover the sea perils.	Protection and Investment.
8.	Surrender	Cannot be surrendered before expiry.	Cannot be surrendered before expiry.	can be surrendered before maturity.

(iv) **Other types of Insurance**

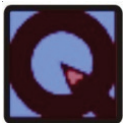
Apart from life, fire and marine insurance, general insurance companies can

insure a variety of other risks through different policies. Some of these risks and the different policies are outlined below.

- (a) **Motor vehicles Insurance:** Insurance of all types of motor vehicles-passenger cars, vans, commercial vehicles, motor cycles, scooters, etc., covers the risks of damage of the vehicle by accident or loss by theft, as also risks of liability arising out of injury or death of third party involved in an accident. Third party risk insurance is compulsory under the Motor Vehicles Act.
- (b) **Burglary Insurance:** Under this insurance the insurance company undertakes to indemnify the insured against losses from burglary i.e., loss of moveable goods by robbery and theft by breaking the house.
- (c) **Fidelity Insurance:** As a protection against the risks of loss on account of embezzlement or defalcation of cash or misappropriation of goods by employees, businessmen may get policies issued covering the risks of loss on account of fraud and dishonesty on the part of employees handling cash or in charge of stores. This is called fidelity insurance policy. The employees may also be required to sign a fidelity guarantee Bond.
- (d) **Personal accident and sickness Insurance:** These are policies which can be taken out against death or disability in special circumstances, for example by traveling through flights, etc.
- (e) **Liability Insurance:** This type of policy covers the risk of liability for the injury or death of someone else. These are two main forms as (i) Employers liability- covers the employers legal liability for the safety of each employee.(ii) Public liability- covers the liability of individuals and business for members of public visiting their premises.
- (f) **Property Insurance:** Covers a wide variety of items from goods in transit or in store to building or contents. Applies to both the business persons and the private householders.



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INTEXT QUESTIONS 10.3

Which of the following statements are true and which are false?

- (i) Marine insurance contracts are ordinary contracts while life insurance is a contract of indemnity.
- (ii) Fire insurance covers the risk of loss by fire where the cause of fire is immaterial for making a claim from the insurance company
- (iii) A ship may be insured against loss by perils of sea.
- (iv) For an endowment policy, the insured has to continue paying premium for the whole life.



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- (v) In life insurance, premium may be paid in a lump sum or in annual installments.
- (vi) In marine insurance, time policy is often used for hull insurance.
- (vii) Fidelity insurance is not compulsory for owners of business.
- (viii) The principle underlying the contract of indemnity is to ensure that the insured cannot make profit out of insurance.

10.5 PRINCIPLES OF INSURANCE

There are certain principles that may apply to the contracts of insurance between insurer and insured. These principles are discussed below.

i. Utmost goods faith

Insurance contracts are the contracts of mutual trust and confidence. Both parties to the contract i.e., the insurer and the insured must disclose all relevant information to each other.

The insurer must honour all the promises made in the policy, intentional withholding of information invalidates the contract. For example, while entering into a contract of life insurance, the insured must declare to the insurance company if he is suffering from any disease that may be life threatening. If he fails to do so and afterwards it is established that the insured was suffering from a disease which was the cause of his death, then the insurance company shall not be liable to pay any claim.

ii. Insurable interest

It means financial or pecuniary interest in the subject matter of insurance. It means that if there is a loss due to the damage of the insured property or to the assured life it will be the personal loss of the insured. A person has insurable interest in the property or life insured if he stands to gain from its existence or lose financially from its damage or destruction. In case of life insurance, a person taking the policy must have insurable interest at the time of taking the policy. For example, a man can take life insurance policy in the name of his wife and if later they get divorced this will not affect the insurance contract because the man had insurable interest in the life of his wife at the time of entering into the contract.

In case of marine insurance insurable interest must exist at the time of loss or damage to the property. In contract of fire insurance, it must exist both at the time of taking the policy as well as at the time of loss or damage to the property.

iii. Indemnity

The word indemnity means to restore someone to the same position that he/she was in before the event concerned took place. This principle is applicable to the fire and marine insurance. It is not applicable to life insurance, because the loss of life cannot be restored.

The purpose of this principle is that the insured is not allowed to make any profit from the insurance contract on the happening of the event that is insured against. Compensation is paid on the basis of amount of actual loss or the sum insured, whichever is less.

iv. Contribution

The same subject matter may be insured with more than one insurer. In such a case, the insurance claim to be paid to the insured must be shared or contributed by all insurers in proportion to the amount of insurance of individual insurers.

v. Subrogation

In the contract of insurance subrogation means that after the insurer has compensated the insured, the insurer gets all the rights of the insured with regard to the subject matter of the insurance. For example, suppose goods worth Rs. 20,000/- are partially destroyed by fire and the insurance company pays the compensation to the insured, then the insurance company can take even these partially destroyed goods and sell them in the market.

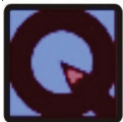
vi. Mitigation

In case of a mishap the insured must take all possible steps to reduce or mitigate the loss or damage to the subject matter of insurance. This principle ensures that the insured does not become negligent about the safety of the subject matter after taking an insurance policy.

The insured is expected to act in a manner as if the subject matter has not been insured.

vii. Causa-proxima (nearest cause)

According to this principle the insured can claim compensation for a loss only if it is caused by the risk insured against. The risk insured should be nearest cause (not a remote cause) for the loss. Only then the insurance company is liable to pay the compensation. For example a ship carrying orange was insured against losses arising from accident. The ship reached the port safely and there was a delay in unloading the oranges from the ship. As a result the oranges got spoilt. The insurer did not pay any compensation for the loss because the proximate cause of loss was delay in unloading and not any accident during voyage.

**INTEXT QUESTIONS 10.4**

Fill in the blanks using appropriate word(s).

- i. The principle of utmost good faith is based on _____ between insurer and insured.

**Notes**



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- ii. In life insurance contract the insurer must have insurable interest at the time of _____.
- iii. The purpose behind the principle of _____ is that, the insured is not allowed to make profit from the insurance contract.
- iv. If there are two or more insurers and the insurance claim is paid by one of them, other insurers have to contribute _____ to the insurer who has paid the claim.



WHAT YOU HAVE LEARNT

- Risk is the possibility of loss or damage due to causes over which we have little or no control. All business activities have to face the risks of loss or damage due to uncertain events or happenings.
- Insurance is a means by which the risks of loss or damage can be shifted to another party (the insurer) on payment of a charge known as premium. The party whose risk is shifted to the insurer is known as the insured.
- Insurance is based on a contract between the insurer and insured whereby the insurer, in exchange for a fixed sum (premium), undertakes to pay the insured a specified amount on the happening of a certain event (like the insured reaching old age), or pay the amount of actual loss when it takes place due to the risk insured.
- **Importance of Insurance:** Insurance is a simple means of sharing the burden of loss or damage among many people. It plays a significant role in business in view of the large-scale production and distribution of goods in national and international markets. It is an aid to both commercial and industrial enterprises. It enables the insurance company to invest the premium received from the various policy holders into securities which is ultimately used for national development. Insurance is also a source of employment for many people.
- **Types:** Insurance as a service activity may be classified into four broad types:

Life Insurance	:	Whole-life policy, Endowment policy
Fire Insurance	:	Time policy
Marine Insurance	:	Voyage policy, Mixed policy, Floating policy
Others Kinds of Insurance	:	Motor-vehicles insurance, Burglary insurance, Fidelity insurance, Personal accident and sickness Insurance, Liability Insurance, Property Insurance.



TERMINAL EXERCISE

1. What is meant by 'business risk'?
2. Define Insurance.
3. Why is insurance considered important? List any two reasons.
4. What does 'Endowment' life policy mean?
5. What is a 'Voyage Policy'?
6. What is meant by 'Hull' insurance?
7. How insurance is important as an aid to trade and industry? Explain.
8. How does whole life policy differ from endowment life policy? Why is life insurance also called life assurance?
9. Explain the types of risks which are covered by (i) Motor Vehicles insurance; (ii) Fidelity insurance.
10. What purpose does Marine Insurance Policy serve? Explain the different types of marine policies, which may be of use to exporters and importers.
11. A person suffering from cancer did not disclose this fact while taking a life insurance policy. Name the principle he violated and explain it about 50 words.
12. At what time there should be insurable interest in, a) Life insurance; b) fire insurance; and c) Marine insurance.



ANSWER TO INTEXT QUESTIONS

- 10.1** i. True, ii. False, iii. False, iv. True,
v. True, vi. True
- 10.2** i. Loss, ii. Secured, iii. Securities, iv. Industry
- 10.3** i. False, ii. True, iii. True, iv. False,
v. True, vi. True, vii. True, viii. True
- 10.4** i. Mutual trust and confidence, ii. Contract,
iii. Indemnity, iv. Proportionately

ACTIVITIES FOR YOU

- Students may be prepared to make enquiry about the number of shopkeepers in their localities who have got insurance cover against loss by fire.
- Students may be required to enquire from the neighbours about the number of persons who have taken life insurance policy whether whole-life or endowment policies.



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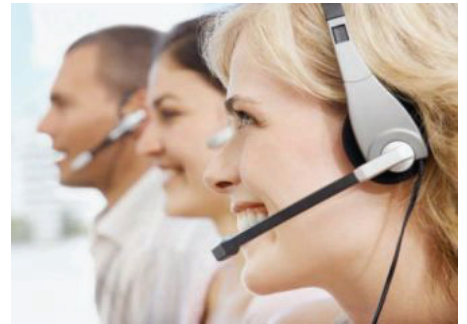


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OUTSOURCING

Outsourcing is any task, operation, job or process that could be performed by employees within your company, but is instead contracted to a other party for a significant period of time. Hiring a temporary employee while your secretary is on maternity leave is not outsourcing. In addition, the functions that are performed by the other party can be performed on-site or off-site. The most common model of outsourcing that is in the news today refers to jobs that are being sent over seas to countries like India or China. This is more commonly called off shoring. Examples include telephone call centers, tech-support and computer programming. Outsourcing has been around as long as work specialization has existed. Customized offshore outsourcing solutions have created the need of established Business Process Outsourcing (BPO) methodologies. Business process outsourcing (BPO) is the contracting of a specific business task, such as payroll, to a other party service provider. Usually, BPO is implemented as a cost-saving measure that a company requires to maintain its position in the marketplace. In this unit/lesson you, will study about the concept and importance of Business Process Outsourcing (BPO) and Knowledge Process Outsourcing (KPO).



OBJECTIVES

After studying this unit, you will be able to:

- explain the concept of Business Process Outsourcing (BPO);
- explain the concept of Knowledge Process Outsourcing (KPO);
- describe the importance of BPO and KPO; and
- identify the difference between BPO and KPO.

11.1 CONCEPT OF BUSINESS PROCESS OUTSOURCING

Business process outsourcing (BPO) can be defined as the act of giving a other party responsibility of performing what would otherwise be an internal system or service. For instance, an insurance company might outsource their claims processing program or a bank might outsource their loan processing system. Other common examples of BPO are call centres and payroll outsourcing. Typically, companies that are looking at business process outsourcing are hoping to achieve cost savings by handing over the work to a third-party that can take advantage of economies of scale by doing the same work for many companies. Or perhaps the cost savings can be achieved because labour costs are lower due to different costs of living in different countries.

BPO is often divided into two categories: back office outsourcing which includes internal business functions such as billing or purchasing, and front office outsourcing which includes customer-related services such as marketing or technical support.

BPO. It provides wide range of tactical, powerful, flexible tools which in turn helps in achieving the business objectives in a cost effective and efficient manner. To put it in simple words a BPO (business process outsourcing) is



a process in which a company delegates some of its business processes to a other party on payment of some fee by passing over total control of process to them. This in turn cuts the operational costs considerably resulting into huge profits.

BPO's are inclined to provide better customer satisfaction leading to customer retention, increased productivity, deal with competition effectively and in turn increase profitability. There are many kinds of work that can be outsourced to BPO's for e.g. Call/Help Centers, Medical Transcription, Billing, Payroll Processing, Data Entry, IT Services, Human Resources (HR) functions, etc. Due to the proximity of IT industry to BPO, this industry is also termed as ITES (Information Technology Enabled Service). But, BPO doesn't necessarily only provide IT Services.

BPO will be time and again, simply defined as, taking over non-critical business processes or a function of those processes, as well as the people and systems associated with them, in order to achieve service level improvements and cost

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savings. It is useful in leveraging the process towards driven efficiency and achieving responsiveness, branding, customer relationships and organizational excellence.

11.2 ADVANTAGES OF BPO

An important aspect of business process outsourcing is its ability to free corporate executives from some of their day-to-day process management responsibilities. Once a process is successfully outsourced, they get more time to, explore new revenue generation activities, accelerate other projects, and focus on their customers.

By outsourcing their back office operations to third world countries, companies have the following advantages:

1. **Achieve cost reductions** – This is made possible through process improvements, reengineering, and use of technologies that reduce and bring administrative and other costs under control.
2. **Key in on company's main business** – With the day-to-day back office operations taken care of, the management is free to devote more time to building the company's core businesses
3. **Obtain outside expertise** – Rather than recruiting and training personnel, BPO ensures that domain experts from another company provide the needed guidance and skills.
4. **Meet constantly changing customer demands** – Many BPO vendors provide the management with flexible and scalable services to meet the customers' changing requirements, and to support company acquisitions, consolidations, and joint ventures.
5. **Achieving revenue increases** – By outsourcing non-core processes, companies can focus on increasing their sales and market share, develop new products, expand into new markets, and enhance customer service and satisfactions.

11.3 CONCEPT OF KNOWLEDGE PROCESS OUTSOURCING

KPO is a new phenomenon that is picking pace in India. It is "Knowledge Process Outsourcing". In simple words it is the upward shift of BPO in the value chain. Old BPO companies that used to provide basic backend or customer care support are moving up this value chain. "Unlike conventional BPO where the focus is on process expertise, in KPO, the focus is on knowledge expertise."

KPO involves off shoring of knowledge intensive business processes that require specialized domain expertise, thus delivering high value to organizations by providing business expertise rather than just process expertise.

It is being claimed that KPO is one step extension of Business Processing Outsourcing (BPO). BPO Industry is shaping into Knowledge Process Outsourcing because of its favourable advantageous and future scope. But, let us not treat it only a 'B' replaced by a 'K'. In fact, Knowledge process can be defined as high added value processes chain where the achievement of objectives is highly dependent on the skills, domain knowledge and experience of the people carrying out the activity. And when this activity gets outsourced a new business activity emerges, which is



generally known as Knowledge Process Outsourcing. KPO is involved in services like valuation and investment research, patent filing, legal and insurance etc. KPO can simply be explained as an off-shoring of knowledge concentrated business processes that needs specialized domain oriented expertise.

Knowledge process outsourcing (KPO) is the allocation of relatively high-level tasks to an outside organization or a different group (possibly in a different geographic location) within the same organization. Most low-level BPO jobs provide support for an organization's non core competencies and entry-level prerequisites are simply a command of English and basic computer skills. Knowledge process outsourcing jobs, in comparison, are typically integrated with an organization's core competencies. The jobs involve more complex tasks and may require an advanced degree and/or certification. Examples of KPO include accounting, market and legal research, Web design and content creation.

KPO and BPO are often conducted through off-shore outsourcing as corporations seeking the most value for the least money source projects to countries where wages are lower. Because KPO jobs may bring in more money to the economy as BPO, countries such as India are actively promoting development of that industry

11.4 ADVANTAGES OF KPO

1. **Accelerate Reengineering Benefits:** Reengineering aims for drastic improvements in critical measures of performance such as cost, service, quality and speed. But the need to increase efficiency comes into direct conflict with the need to invest in core business. As non-core internal functions are continually put on the back seat, systems become less



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productive and less efficient. Therefore, by outsourcing a non-core function to a competent provider, the organization can realize the benefits of reengineering as an outsourcing benefit.

2. **Access to Top Class Capabilities:** Good and competent providers make extensive investments in technology, people, and methodologies. They acquire expertise by working with many clients facing similar challenges. This combination of specialization and expertise ensures the customers a competitive advantage and helps them avoid the cost of acquiring technology and training.
3. **Cash Infusion:** Outsourcing often involves the transfer of assets from customer to the provider. Equipment, vehicles, facilities, and licenses used in the current operations contain value and are sold to the vendor. The vendor uses these assets to provide services back to the client. Depending on value of the assets involved, the said sale may result in a significant cash payment to the customer. While selling these assets to the vendor, they are typically sold at book value. The book value normally is higher than the market value. In such cases, the difference between the two actually represents a credit line from the vendor to the client which is repaid in the form of price of the services over the life of the contract.
4. **Optimal use of resources:** Every organization has limitations to the resources available to it. Outsourcing allows an organization to redirect its resources, mostly human resources, from non core activities toward activities which serve the core need of customer. The organizations can redirect these human assets or at least the staff slots they represent for greater value adding activities. People whose energies are currently focused on internal activities can now be focused externally — on the customer.
5. **Solution to difficult problems:** Outsourcing is certainly one option for addressing the problem of managing difficult activities requiring core technical skills. It is essential to remember that outsourcing doesn't imply abdication of management responsibility nor does it work well as a solution to solve critical and suddenly erupting trouble of a company. However, a company can outsource only those difficult problems which it understands properly because if the organization doesn't understand its own requirements, it won't be able to communicate them to an outside provider.
6. **Focus on main business:** Outsourcing allows a company to focus on its core business by having operational non core functions assumed by an outside expert. Freed from devoting energy to these non core areas, the company can focus its resources on meeting its customers' needs.

**Notes**

7. **Best use of financial resources:** There is large amount of competition within most organizations for capital funds. The senior management is always in a fix to decide where to invest the capital funds. It is often difficult to justify non-core capital investments when core areas directly related to producing a product or providing a service compete for the same money. In this context outsourcing can reduce the need to invest capital funds in non-core business functions .Outsourcing can also improve certain financial measurements of the company by eliminating the need to show return on equity from capital investments in non core areas.
8. **Cost reduction:** Companies which attempt to do everything themselves generally incur higher research, development, marketing and deployment expenses, and all of these are passed on to the customer. The outsourcing can help a company to reduce its costs as an outside provider's lower cost structure, normally as a result of a greater economy of scale or other advantage based on specialization, reduces a company's operating costs and increases its competitive advantage.
9. **Minimum Risk:** Tremendous risks are associated with the investments made by the organizations. Markets, competition, financial conditions, Government Regulations and Technologies all change quickly. Further, it is very risky to keep up with these changes, especially those in which the next generation requires a significant investment .However, in outsourcing providers make investments on behalf of many clients, not just one and shared investment spreads risk, and significantly reduces the risk born by a single company.

11.5 DIFFERENCE BETWEEN KPO AND BPO

Knowledge Processing Outsourcing industry is entirely different from Business processing outsourcing industry. KPO require expertise having domain knowledge. They are highly skilled and business experts as they handle more dexterous work which requires experience where as BPO industry is more about size, quantity and competence. The major difference is that BPO insist for labor and requires less skilled employees while KPO requires highly knowledgable employees in the area that is outsourced like lawyers, doctors, MBA and skilled engineers .The difference between KPO and BPO can also be analyzed on the bases of cost competitiveness, the salary of KPO employee is much higher than offered to the BPO employee as the people working for KPO are highly qualified such as Engineer, Doctor, CA, Lawyer etc. BPO provides services like customer care, technical support through voice processes, tele-marketing, sales, etc. whereas KPO provides in-depth knowledge, expertise



Notes

and analysis on complex areas like Legal Services, Business & Market Research, etc. BPO requires application, understanding of business and analytical bent of mind. Employees in BPO are not- so- qualified as it focuses on communication skills whereas KPO involves skill and expertise of knowledge workers with excellent educational background.



INTEXT QUESTIONS 11.1

- I. Fill in the blanks
 - i) The outsourcing of any product is relatively easy as the product normally has,,
 - ii) is a process where customers send their work to be done at a different location?
 - iii) Converting the record of a company from paper to an electronic form is known as
 - iv) BPOs are typically divided into two categories

- II. State whether the following statements are **true** or **false**:
 - i) Under back office processes, BPO employees necessarily interact with the customer.
 - ii) Communication level is higher in back office processes as compared to calling processes
 - iii) In call centres, consultants usually have the history and the accounting information for the customers.
 - iv) Companies start outsourcing with the critical and essential processes.
 - v) Enhancing the productivity and accuracy of the business is the major reason for outsourcing.

- III. Multiple Choice Questions
 - i. Which of the following activity is not an advantage of KPO?
 - (a) Optimal use of resources
 - (b) Solution to different Problems
 - (c) Focus on main business
 - (d) Solution to different problems

 - ii. What is the full form of KPO?
 - (a) Knowledge Process Outsourcing
 - (b) Know Process Outsourcing
 - (c) Knowledge Pure Outsource
 - (d) Knowledge Process Overseas

- iii. Which of the following makes outsourcing of a product difficult as the product normally does not have?
- (a) Shape (b) Size (c) Texture (d) Value



WHAT YOU HAVE LEARNT

Business process outsourcing (BPO) is the contracting of a specific business task, such as payroll, to a third-party service provider. Usually, BPO is implemented as a cost-saving measure for tasks that a company requires but does not depend upon to maintain their position in the marketplace. Advantages of BPO are: cost reductions, attention on main business, outside expertise etc. KPO involves off shoring of knowledge intensive business processes that require specialized domain expertise, thus delivering high value to organizations by providing business expertise rather than just process expertise. Benefits of KPO are: Accelerate Reengineering Benefits, Access to Top Class Capabilities, manage difficult functions, focus on core business, make funds available for long term period etc. Main difference between the two is that BPO insist for labor and requires less skilled employees while KPO requires highly knowledge in the area that is outsourced like lawyers, doctors, MBA and skilled engineers.



Notes



TERMINAL EXERCISE

1. What do you understand by outsourcing?
2. Define Business Process Outsourcing. What are its advantages?
3. What is meant by Knowledge Process Outsourcing? Explain its advantages.
4. Distinguish between Business process outsourcing & Knowledge process outsourcing.



ANSWER TO INTEXT QUESTIONS

- I. i) Shape, Size, Texture, ii) Off shoring, iii) Data entry jobs, iv) Back office and front office outsourcing
- II. i) False, ii) False, iii) True, iv) False, v) True
- III. i) d, ii) a, iii) d

ACTIVITIES FOR YOU

- Visit a nearest BPO and a KPO center and find out various functions performed by each.
- Visit a company and find out the various functions outsourced by them.

MODULE - IV

Maximum Marks

20

Hours of Studies

45

Buying, Selling and Distribution

In today's business world mass production has necessitated the use of effective system of selling and distribution in the market. Modern technology has revolutionized the selling and distribution techniques and made today's business world a global market. These days goods and services produced in one country are readily available in other countries. This module has been designed to develop an understanding among the learners regarding the process of buying, selling and distribution of goods and services in the modern day business world, using the various methods of advertisement and sales promotion.

- Lesson 12 : Purchase and Sale**
- Lesson 13 : Channels of Distribution**
- Lesson 14 : Retail Trade**
- Lesson 15 : Advertising**
- Lesson 16 : Sales Promotion and Personal Selling**



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PURCHASE AND SALE

In your day-to-day life you require several things to satisfy your needs and wants. For example, you want milk, bread, etc. for your breakfast; clothes, cycle, medicines etc. How do you get all these things? These are all available in the market for sale and you can purchase them as and when you need them. Similarly, in business, all business enterprises are engaged in purchasing things like raw materials, machinery, etc. for production; land, building, furniture, stationery, computer etc. for office premises; and so on. Business enterprises are also engaged in selling the goods and services they produce. Thus, we find that purchase and sale are two essential activities that take place around us. Let us learn more about these in this lesson.



OBJECTIVES

After studying this lesson you will be able to

- define purchase and sale;
- explain the concept of 'selling' in business;
- describe various modes of purchase and methods of sale; and
- explain the selling procedure and the documents used in sales.

12.1 MEANING OF PURCHASE AND SALE

Purchase is a process through which a person gets the ownership of some goods or properties transferred in his name from another, on payment of money. Similarly, sale is a process through which the ownership of some goods or properties is transferred from one person (seller) to another person (buyer), for a price.

Thus, sale and purchase always go together. Whenever there is a sale, there is also a purchase and vice versa. So, basically in every sale and purchase there exist two parties. The first party who sells is known as the 'seller', and the other party who buys is known as the 'buyer'.



Let us take an example. Ramesh is a shopkeeper in your locality. He goes to the city and buys ready-made garments from the wholesalers on payment of money. Here the wholesalers are the sellers and Ramesh is the buyer. After Ramesh brings the readymade garments to his shop, you go to his shop and buy a shirt for yourself paying Ramesh its price. Here you are the buyer and Ramesh is the seller.



Thus, we find that in every sale and purchase the buyer pays money to the seller for buying goods or services for his use or consumption and the seller accepts money and thereby gives up his right over those goods and services. In this process the buyer either pays money immediately or at a later date.

Concept of Purchasing And Selling

You know that, businessmen produce goods or services for others' use. People buy those goods and services for a price and thus, the businessmen earn money from them. This money needs to be more than the amount spent in producing the goods and services. That is how a business can earn profit. Profit is the reward for risk-taking by businessmen and it is also the return on capital invested by them. So it is required that the goods and services produced by business enterprises must be sold. Sale of goods is thus necessary for the very existence of business and its growth over time. Buyer needs to consider following before purchase (i) Identify his /her needs (ii) Attributes of the commodity/ service (iii) Price affordability (iv) Social and cultural aspects.

In order to sell goods and services something more needs to be done before production is undertaken.

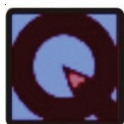
- a. It is important to identify and determine the requirement of the people and design the product or service accordingly.
- b. The customers must always derive satisfaction from what they buy and therefore continuous improvement of the product or service is required.
- c. It must be ensured that the product or service is easily available to the customers.
- d. The price of the product or service should be such that the customers can afford it.
- e. The customers should be made aware about the product or service and its related benefits both before and after sale.

All the above activities taken together are called the marketing functions of any organisation. Selling as a function is different from the marketing function, although it is a part of the marketing function.





Notes



INTEXT QUESTIONS 12.1

Fill in the blanks with appropriate words chosen from those given within brackets:

- (i) Sale and _____ always go together. (market, purchase, a shop)
- (ii) In every sale and purchase, the _____ pays money to the seller. (shopkeeper, buyer producer)
- (iii) Businessmen earn _____ because people buy goods and services for a price. (profit, money, surplus)
- (iv) Offering goods at a price which customers can afford to pay is a part of _____ function. (selling, marketing, distributing)
- (v) All activities directed towards the flow of goods and services from the producer to the consumer are part of _____. (distribution, transportation, selling)

12.2 PURCHASE AND SALE ON CASH AND CREDIT BASIS

Purchase and sale can be on cash or credit basis. If the buyer pays the price immediately while taking delivery of goods it is known as cash purchase. If the buyer is unable to make payment while taking delivery of goods and requests the seller to give him some time for payment say 15 days or 30 days and seller accepts the same this is known as credit purchase.

In today’s competitive environment seller cannot afford to stick to cash sales only. While selling goods on credit the seller should ensure the creditability and the paying capacity of the buyer.

12.3 MODES OF PURCHASE

After having some idea about purchasing and selling, let us learn about the different modes that may be adopted while purchasing goods. Goods may be purchased either by inspecting them personally or on the basis of sample or pattern examined or on the basis of description or brand name of a product. Let us learn more about these modes:

- (i) **Purchase by inspection:** Suppose you want to buy a shirt or a pen or some vegetables. Now what do you do? You will possibly go to the nearest shop and check by yourself the shirt or pen or vegetables before buying them. This is the most common method of buying known as purchasing by inspection where the buyer goes to the seller and inspects the goods or a whole lot of goods planned to be purchased. It is mostly used in case of retail buying.

**Notes**

- (ii) **Purchase by sample/ pattern:** When you want to buy goods in bulk, it is not possible to inspect the whole lot to be purchased. What you do is look at the sample or pattern and then decide which one to buy. A sample is a specimen of goods, particularly of raw materials, foodstuffs, etc. It is a representative of the bulk. Its quality largely reflects the quality of the whole lot. Similarly, pattern is a specimen of standard manufactured goods such as cloth, coir mattresses, etc. It reveals the shade, texture etc. and sometimes bears a code number. The code number can be quoted while placing orders for purchase. It is agreed upon by both the parties that the bulk supply shall be of the same quality as the sample/ pattern shown.
- (iii) **Purchase by description or brand:** In certain cases it is not possible for a seller to even show a sample to the prospective buyer. For example, a manufacturer of furniture cannot move around showing samples to the intending buyers. So, what he does instead, he carries a catalogue and price list that contains the description of goods offered for sale. Sometimes goods are standard products having specific quality and price etc. They are often given a number or a name. Sometimes the names become quite popular as brands, like Godrej Storewell, Surf, Dhara, Lifebouy, Fevicol, Pepsodent, etc. Here the buyer just needs to mention the brand name or the product described while giving the order.

12.4 METHODS OF SALE

Before buying anything, we are not always sure about how they can be actually obtained and paid for. If we go to a shop dealing with electrical goods the shopkeeper normally expects that we shall pay cash for the item we select. If the item is somewhat expensive, the buyer may not be able to afford the price immediately. The seller may allow that a small amount be paid initially and the balance be paid in monthly instalments. Again, you may come across banners on the road side that furniture will be sold by auction on a particular Sunday. You may attend the auction to bid for the chosen item. Sometimes you may have read notices of the State Government inviting tenders/quotations from businessmen for supply of certain items. These are all methods of sale. We shall now discuss these methods in detail.

- i. **Hire Purchase basis:** Sale on hire-purchase basis provides for payment of purchase price in instalments. However, the goods are regarded as being on hire until all instalments are paid. In other words, even though the goods are delivered to the buyer, the ownership right remains with the seller, and the amount that the customer pays is treated as payment for hiring the goods. If the customer fails to pay any instalment, the



seller can ask for the goods to be returned and also sue the defaulting buyer for damages. It may be noted that the customer has the right to purchase the goods by paying the total remaining amount at any stage of the instalment period. This type of sale is used in case of durable and expensive items like car, motorcycle, TV, Machinery etc.

- ii. **Sale through Instalment Payment System :** When goods are sold and payment is agreed to be made in instalments, it is known as deferred instalment plan of sale. In this case, if there is default in the payment of any instalment by the buyer, the seller cannot ask for the goods to be returned as the ownership rights pass to the buyer when goods are sold and initial payment is made. The seller can only sue the buyer in a court of law for payment of the balance due.
- iii. **Sale on approval basis :** A sale on approval is basically a conditional sale. In this type of sale, goods are delivered to the buyer on payment with the understanding that the buyer can return the goods (the whole lot or even a part of it) to the seller and claim refund within a specified period, if the goods do not meet his requirements. If the buyer does not communicate within the given time then it is assumed that the goods are sold. Sometimes this method of sale is practised with a variation. Goods are delivered to the buyer 'on approval' with the understanding that he may remit the price signifying approval or return the goods without any obligation.
- iv. **Sale through tender :** This method of sale is normally found in the case of purchases made by big organisations or government agencies where the quantity of goods required and the amount involved are very large. A tender is an undertaking to supply materials/goods indicating the terms and conditions of sale therein. This method of sale involves responses to tenders invited by intending purchasers with a view to selecting the supplier who offers the most competitive and favourable terms. The advertisement or notice inviting tenders are usually published in one or more newspapers and contains details regarding the goods to be purchased. Particulars and forms for submitting tenders are sometimes made available to the interested parties on applying in response to the advertisement. Tenderers are usually required to deposit an earnest money along with the tender. This ensures the seriousness of the interested parties. The general practice is to receive tenders in sealed covers so that the terms and conditions offered by the parties remain secret and





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are not tampered with. The sealed covers are opened in the presence of proper authorities and the most favourable tender is accepted. Thereafter, a formal contract for sale is entered into with the tenderer whose tender is acceptable, on the basis of the terms offered.

v. **Auction sale :** An auction sale refers to the sale of certain goods openly on a specific date and time so that people may bid for the goods. The goods are sold to the highest bidder. In auction sale, the goods are displayed and there is a reserve price below which goods are not to be sold. This reserve price is fixed by the seller, which may be made known to the public or kept secret. Sometimes there is also an upset price from which the bidding starts. This may also be regarded as the minimum price below which goods are not to be sold. A bid by an intending purchaser is considered an offer and if it is the highest bid, it is accepted. Once accepted, the bidder cannot go back and must pay the price and purchase it. However, the seller has the liberty not to sell even at the highest bid. Now a days, auction sales are done more commonly through the internet.



vi. **Wash sales :** You might have seen advertisements mentioning ‘Grand Clearance Sale – Discounts up to 70%’ or ‘Summer Sale’ or ‘Annual Sale’ etc. These sales are generally conducted to clear surplus or old stocks. Some sellers periodically arrange such sales to dispose off stock. Mostly these sellers offer heavy discount.

Difference between deferred instalment method and hire-purchase method

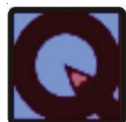
Deferred Instalment Method

Hire-Purchase Method

- | | |
|---|--|
| 1. It is essentially a contract for sale. | 1. It is essentially a contract for hiring of goods. |
| 2. The ownership rights passes to the buyer immediately at the time when the agreement is entered into. | 2. The ownership rights remain with the seller and the customer exercises his option for purchasing the goods. |
| 3. The buyer can return the goods at any stage. The seller can also take back the goods in case of non-payment. | 3. In case of default in payment the seller can sue the buyer for balance instalments.
He cannot take back possession of the goods. Similarly, the buyer cannot return the good and adjust the amount of payment due. |



Notes



INTEXT QUESTIONS 12.2

Which of the following statements are true and which are false?

- (i) In auction sale, goods are always sold to the highest bidder even when there is a reserve price.
- (ii) Sale on hire-purchase permits the buyer to return the goods at any stage.
- (iii) Goods delivered to the buyer ‘on approval’ basis are always paid for in advance.
- (iv) Earnest money payable by tenderers ensures their seriousness about the tender.
- (v) Wash sales refer to sale of goods at a discount just after rainy season.

12.5 MODES OF PAYMENT

When there is a sale, the buyer makes an offer to purchase goods for a price and the seller accepts the offer; or the seller makes an offer to sell goods for a price and the buyer accepts the offer. Now the payment for the goods may be immediate or deferred. Deferred payment can be instalment payment or full payment at the end of the agreed credit period.

- (i) **Immediate payment** : In case of immediate payment, the buyer makes full payment to the seller in cash. Of course he can make payment by cheque or draft or credit card or debit card, provided the seller agrees to it. Actually a seller is not bound to accept payment by cheque unless there is an express or implied agreement to that effect. This is the normal practice in retail buying and selling that involves small payment. For example, sale of goods for daily use like grocery, vegetables, readymade garments, low priced consumer durable goods, etc. are made on immediate cash payment.
- (ii) **Deferred Instalment plan** : Mostly known as ‘buy now – pay later’ plan, under this method the buyer pays a nominal amount to the seller at the time of purchase and takes possession of the goods. The balance is paid by him in instalments over a period of time. The instalment is a fixed amount payable monthly or quarterly to the seller and the total payment is equal to the unpaid amount and the interest charged on it. The interest charged on the unpaid amount normally reduces with payment of instalments. Sometimes, the seller can offer interest free instalments. If the buyer fails to pay any instalment, the seller can sue him for the unpaid amount. Let us take an example. Vinod went to the local shop to buy a colour television. The price of the TV set was Rs. 20,000/-. Under the deferred instalment plan he was required to pay 10

per cent of the total price initially and then pay the rest through 10 interest free monthly instalments. Thus, he had to pay Rs. 2000/- and take the television for use. He was to pay the rest at Rs 1800/- per month for ten months. If Vinod fails to pay instalments, then the seller can sue him in court to recover the unpaid amount. This method of sale is usually found in the case of goods which are less durable and have more chances of wear and tear.

- (iii) **Deferred payment at the end of credit period :** When goods are sold on credit, payment is required to be made by the buyer at the end of the agreed period of credit (say) three months. If payment is made by him earlier, the seller allows a special discount which is indicated in the invoice as the net amount payable on prompt payment before due date.

12.6 SELLING PROCEDURE

In the market, normally we move from one shop to another, enquire about the prices, compare the quality of goods and finally decide to buy the goods of our choice. But it is not so easy to buy from those producers and traders whose production centres or trade centres are situated at far off places. A procedure has to be adopted by the buyer as well as the seller and the transaction passes through various stages before it is finally concluded. In this section we shall study about the various stages involved in the process of buying and selling of goods within the geographical boundaries of a country. The knowledge about the procedure may be helpful to you as a consumer as well as a trader.

The usual procedure for selling goods, known as Selling Routine, involves the following steps :

- (i) **Enquiry from the intending buyer :** The process of sale starts with an inquiry by the intending buyer from the best available seller in terms of supply, price and quality of goods. This enquiry can be made from the secondary sources like advertisements, in newspapers, market reports, catalogues, price lists, etc. However, an enquiry normally refers to collecting information directly from the seller or the manufacturer so as to decide the best source of supply. Big business houses where regular purchases are made have printed enquiry forms.
- (ii) **Providing quotation to the intending buyers :** On receipt of an enquiry from the prospective buyer, the seller provides the required information known as quotation. The terms and conditions of sale as well as the price mentioned in the quotation from the seller's side are open for further negotiation. Sellers also use printed quotation forms.
- (iii) **Receipt of order from the buyer :** When the prospective buyer is satisfied with the terms and conditions of sale mentioned in the





quotation, he issues a formal order to the seller for supply of goods. Order forms are sometimes printed by the buyer.

- (iv) **Execution of the order :** On receiving the order, the seller usually acknowledges it and confirms its acceptance. If the order is executed at once then no confirmation is required. The order is then stamped with date of receipt, assigned a reference number and entered into the Order Received Register. If the order is from a new customer then the seller may verify the credit worthiness and/or financial status of the buyer. If the seller is satisfied with the creditworthiness of the buyer, he decides to sell him the goods. Otherwise the seller sends him a letter of regret, stating his inability to accept the order. If the goods ordered are not in stock, the date of delivery is fixed keeping in view the production time. A copy of the order is then sent to the production department with the date of delivery.
- (v) **Invoicing :** An invoice contains details of the transaction and the amount to be received by the seller from the buyer. The seller sends the invoice along with the supply of goods to the buyer. A copy of the invoice is also retained by the seller. A copy each is sent to the production department or godown and the accounts department.
- (vi) **Opening Customer's Account :** When the copy of invoice is received by the accounts department, an account is opened in the ledger in the name of the customer. This account keeps a record of the invoice price of goods sold, credit allowed to the customers and payments made by him. If there already exists an account then necessary entries are made therein.
- (vii) **Dispatch of the goods :** For release of the goods the godown or the production department requires a copy of the invoice or a delivery note from the accounts department, or both. Goods released are taken over by the packaging department where there is a final check that all goods are in accordance with the order. Then the goods are labelled and sent to the dispatch section. When the goods are dispatched a copy of the dispatch note is forwarded to the buyer. This note is also known as advice note or letter of advice, which contains full description of the goods dispatched. It also indicates how the buyer can take delivery of goods at his end. If the goods are dispatched by rail or road transport, a copy of the receipt of the transport authority is attached with the dispatch note.
- (viii) **Delivery of goods to the buyer :** After receiving the railway receipt or transport receipt from the seller, the buyer takes delivery of goods from the railway or transport authority. While taking delivery the buyer or his agent must check the goods thoroughly. If the goods are damaged, he must inform the transport authority and a claim for the damage seeking compensation should be made immediately.



Notes

(ix) **Receipt of payment and settlement of accounts:** The last step in the process is the receipt of the payment for goods sold. Payment is made according to the conditions agreed upon earlier. In inland trade, payment is generally made by means of money order, cheque, bank draft, bill of exchange, promissory note, etc. In case of regular customers, all outstanding dues are taken together and the customer is required to pay at regular intervals rather than on transaction basis. If full payment is received the account is said to be settled. Remittances received are duly acknowledged and sometimes the sellers also issue periodic statements of account. It shows the following items:

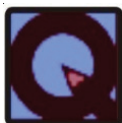
- a. The date of sale
- b. The amount of goods sold
- c. Payment received from the buyer
- d. Balance due from the buyer

Now you have fully understood that in the process of sale of goods various steps are involved. This can be made more clear with the help of a chart as given below.

(x) **Rectification of errors :** You have studied so far that the business transaction begins with the buyer's enquiry about the goods to be purchased and completes when he finally settles his account with the seller. Even though the seller is very careful while sending goods and preparing invoice, there might be certain errors. These errors can be rectified by preparing Credit note or Debit note . Let us know about these two notes in detail.

Credit Note : A document, which informs the buyer that his account has been credited with a particular amount.

Debit Note : A document, which informs the buyer that his account has been debited with a particular amount.



INTEXT QUESTIONS 12.3

I. Match the columns :

Column A

- i. Quotation
- ii. Invoice
- iii. Deferred Instalment Plan
- iv. Deferred payment
- v. Letter of Regret

Column B

- (a) Buy now pay later plan
- (b) Satisfactory terms and conditions of sale
- (c) Detail transaction with the buyer
- (d) Non-execution of order
- (e) Amount to be received by the seller



- II. Which of the following statements are 'right' and which are 'wrong'?
- (i) A customer's account mainly keeps record of payments made by the customer.
 - (ii) A 'dispatch note' is also known as 'Letter of Advice'.
 - (iii) The buyer must make a claim for damages immediately from the transport authority if he finds goods were damaged in transit.
 - (iv) A credit note is intended by the seller to rectify error of excess credit given to the buyer.
 - (v) A debit note issued by the seller informs the buyer that his account has been debited with a certain amount.
- III. Multiple Choice Questions
- i. When a person wants to buy goods in bulk, the best mode of purchase for him will be.
 - (a) Purchase by Inspection
 - (b) Purchase by Sample
 - (c) Purchase by Description
 - (d) Purchase from the nearest retailers.
 - ii. Purchase means:
 - (a) Transfer of ownership of goods by a seller in favor of a buyer
 - (b) Physical possession of goods by a person from another person
 - (c) Taking articles from a friend for use for some time period
 - (d) Taking goods/articles on rent/hire from the owner.
 - iii. Which factor should not be considered by a buyer before purchase?
 - (a) Identification of buyers used
 - (b) Attributes of the goods/commodity
 - (c) Price affordability
 - (d) Attributes of the Commodity possessed by the neighbour.
 - iv. Which of the following is not a method of sale?
 - (a) Sale on cash basis
 - (b) Sale on Hire Purchase basis
 - (c) Sale on Credit basis
 - (d) Sale under Installment system
 - v. Which of the following is not a step in the Selling Procedure?
 - (a) Enquiry by the intending buyer
 - (b) Receipt of order from the buyer
 - (c) Dispatch of goods to the buyer
 - (d) Preparation of Credit Note by the seller.



WHAT YOU HAVE LEARNT

Purchase is a process through which one person gets some goods or properties transferred in his name from another, on payment of money. Sale is a process through which some goods or properties are transferred from one person to another for cash or on credit. Sale and purchase always go together.

Selling as a function of business includes all the activities directed towards flow of goods and services from the producer to the consumer.

Goods may be purchased either by inspecting them personally or on the basis of a sample or pattern examined or on the basis of description or brand name. Methods of sale include sale on hire purchase basis, deferred instalment plan of sale, sale on approval, sale through tenders, auction sale and wash sales. Payment for purchase may be immediate, through deferred instalment plan or in the form of deferred payment at the end of the credit period.

The selling routine involves enquiry, quotation, order, execution of order, invoicing, opening customer's account, dispatch and delivery, taking delivery of goods and finally, settlement of account. Errors in sending goods or preparing the invoice may be rectified through credit note and debit note.



TERMINAL EXERCISE

1. What is meant by 'purchase'?
2. State the activities involved in selling a product.
3. What is meant by 'Auction Sale'?
4. Explain 'deferred instalment plan' as a mode of payment.
5. Describe how errors in sending goods and preparing invoice may be rectified?
6. Differentiate between deferred instalment and hire purchase methods of sale.
7. What are the various modes one may adopt to make payment for purchase of a product? Explain.
8. Explain the procedure of sale through tenders.
9. Describe the different modes for purchase of a product.
10. Explain the various methods that may be adopted to sell a product.
11. State the procedure required to sell a product.
12. What steps are required after an order is executed, as part of the Routine Selling?

Notes



**Notes****ANSWER TO INTEXT QUESTIONS**

- 12.1** (i) purchase, (ii) buyer, (iii) profit,
(iv) marketing, (v) selling
- 12.2** (i) False, (ii) True, (iii) False, (iv) True, (v) False
- 12.3** I. (i) b, (ii) c, (iii) (a), (iv) f, (v) d
II. (i) Wrong, (ii) Right, (iii) Right, (iv) Wrong,
(v) Right.
III. (i) b, (ii) a, (iii) d (iv) b (v) d

ACTIVITIES FOR YOU

- Collect newspaper cuttings showing advertisements inviting tenders and read the information carried in them.
- If any of your friend or family member is working in an office, find out from them what procedure is adopted there to purchase items like office furniture, stationery, computer, etc.



CHANNELS OF DISTRIBUTION



Are you aware that the study material of Business Studies, which is now in your hands, is prepared at the Headquarters of the National Institute of Open Schooling (NIOS) situated at Noida (UP). How did it come to your hands? Was it available at your study centre or you bought it from the market? If you got it from your study centre, then just think for a while: how did it reach your study centre? Actually, after publishing the study material, NIOS sent this material to your study centre and then you collected it from there. Similarly, the NIOS study material available in the market is directly purchased by the booksellers from NIOS. Then, the booksellers sell it to you.

Thus, the study material prepared by NIOS reached you either through your centre or through booksellers. In a similar way most of the goods and services we use in our daily life also come from the producers or manufacturers and reach us through some people. In this lesson, you will learn how the goods and services of your need reach to you.



OBJECTIVES

After studying this lesson, you will be able to:

- explain the meaning of channels of distribution;
- identify different channels of distribution;
- describe the functions of wholesalers and retailers;
- distinguish between wholesalers and retailers;

13.1 MEANING OF CHANNELS OF DISTRIBUTION

You know that the main purpose of trade is to supply goods to the consumers living in far off places. As goods and services move from producer to consumer they may have to pass through various individuals, let us take an example. A farmer living in Srinagar has an apple orchard. Once the apples are ripened he sells the apples to an agent of Delhi. The agent collects the apples from Srinagar, packs them, and sells them to a wholesaler of Delhi fruit market. The retailers

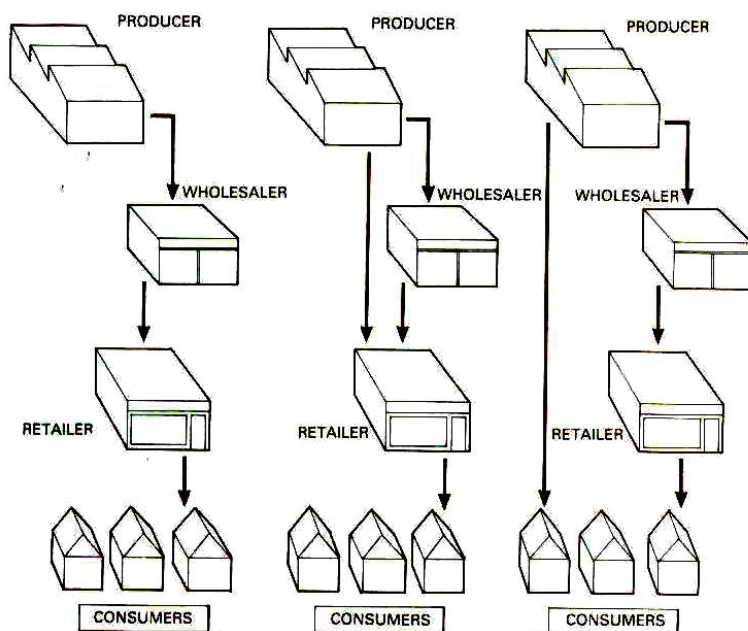


buy apples from the wholesalers in small quantities to sell them to the consumers.

Finally, we purchase apples from the vendors as per our requirement. Thus, we find that while coming from the producer at Srinagar, the product reaches the consumers by passing through several hands like an agent, a wholesaler and a retailer. All these three are called middlemen.

These middlemen are the connecting links between producers of goods, on one side and consumers, on the other. They perform several functions such as buying, selling, storage, etc. These middlemen constitute the channels of distribution of goods. Thus, a channel of distribution is the route or path along which goods move from producers to ultimate consumers.

The route taken by goods as they move from producer to consumer is known as Channel of Distribution as shown by the following figure :



13.2 TYPES OF CHANNELS

Normally goods and services pass through several hands before they reach in the hands of the consumer for use. But in some cases producers sell goods and services directly to the consumers without involving any middlemen in between them, which can be called as direct channel. So there are two types of channels, one direct channel and the other, indirect channel.

Direct channel include from Producer to Consumer. While indirect channels are of various types such as :

- (i) Producer → Agent → Wholesaler → Retailer → Consumer
- (ii) Producer → Wholesaler → Retailer → Consumer
- (iii) Producer → Agent → Consumer
- (iv) Producer → Wholesaler → Consumer and
- (v) Producer → Retailer → Consumer

Common Channels of Distribution

(i) Direct Channel

In this channel, producers sell their goods and services directly to the consumers. There is no middleman to come between the producers and consumers. The producers may sell directly to consumers through door-to-door salesmen and through their own retail stores. For example, Bata India Ltd, HPCL, Liberty Shoes Limited has their own retail shops to sell their products to consumers. For certain service organizations consumers avail the service directly. Banks, consultancy firms, telephone companies, transport services, etc. are examples of direct channel of distribution of service.

Producer → Consumer

(ii) Indirect Channel

If the producer is producing goods on a large scale, it may not be possible for him to sell goods directly to consumers. As such, he sells goods through middlemen. These middlemen may be wholesalers or retailers. A wholesaler is a person who buys goods in large quantities from producers; where as a retailer is one who buys goods from wholesalers or producers and sells ultimate by to consumers as per their requirements. The involvement of various middlemen in the process of distribution constitute the indirect channel of distribution. Let us look into some of the important indirect channels of distribution.

Producer → Retailers → Consumer

This is the common channel for the distribution of goods to ultimate consumers. Selling goods through wholesaler may be suitable in case of food grains, spices, utensils, etc. and mostly of items, which are smaller in size.

Under this channel, the producers sell to one or more retailers who in turn sell to the ultimate consumers. This channel is used under the following conditions –

Producer → Wholesaler → Retailer → Consumer

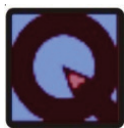
- (i) When the goods cater to a local market, for example, breads, biscuits, patties, etc.
- (ii) When the retailers are big and buy in bulk but sell in smaller units, directly to the consumers.





Notes

Departmental stores and super bazars are examples of this channel.



INTEXT QUESTIONS 13.1

Complete the following statements using suitable words:

- (i) Route or path along which goods move from the producer to ultimate consumer is known as _____.
- (ii) A retailer acts as a _____ between the wholesaler and the ultimate consumers.
- (iii) Where goods are sold through middlemen, it is known as _____ channel of distribution.
- (iv) Where goods are sold directly to consumers without using services of middlemen, it is known as _____ channel.
- (v) In the direct channel, producers sell goods to customers through door-to-door salesmen and through their own _____.

13.3 WHOLESALERS AND RETAILERS

Wholesalers and retailers are important middlemen who generally facilitate flow of goods from the producers to the consumers. Let us study in details about them.

13.3.1 Wholesalers

Wholesalers are one of the important middlemen in the channel of distribution who deal with the goods in bulk quantity. They buy goods in bulk from the producers and sell them in relatively smaller quantities to the retailers. In some cases they also sell goods directly to the consumers if the quantity to be purchased is more. They usually deal with a limited variety of items and also in a specific line of product, like iron and steel, textiles, paper, electrical appliances, etc. Let us know about the characteristics of wholesaler.

Characteristics of Wholesalers

The followings are the characteristics of wholesalers:

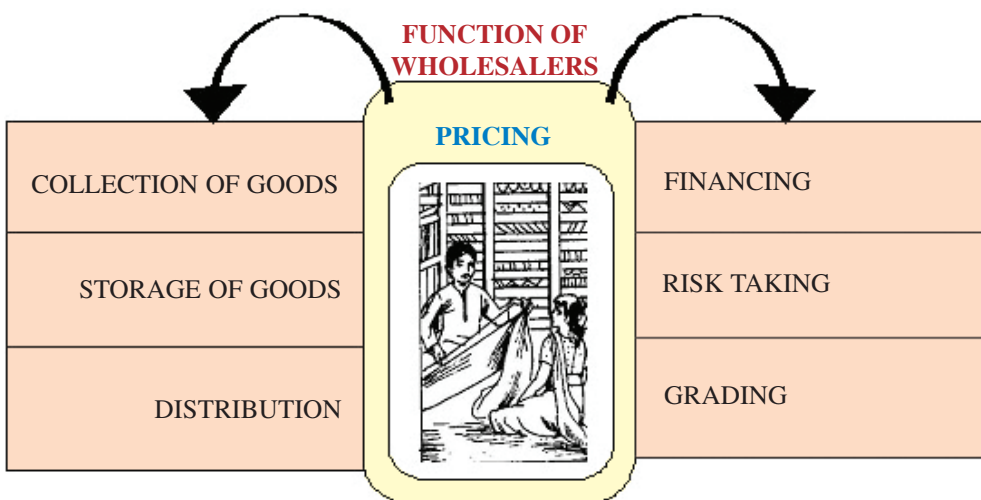
- (i) Wholesalers buy goods directly from producers or manufacturers.
- (ii) Wholesalers buy goods in large quantities and sell in relatively smaller quantities.
- (iii) They sell different varieties of a particular line of product. For example, a wholesaler who deals in paper is expected to keep all varieties of paper, cardboard, card, etc.
- (iv) They may employ a number of agents or workers for distribution of products.

- (v) Wholesalers need large amount of capital to be invested in his business.
- (vi) They generally provide credit facility to retailers.
- (vii) They also provide financial assistance to the producers or manufacturers.
- (viii) In a city or town they are normally seen to be located in one particular area of the market.

For example, you can find cloth merchants in one area, book publishers and sellers in another area, furniture dealers in a different area.

Functions of Wholesalers

You have well understood the meaning of wholesaler and listed their characteristics. Now let us know about the functions of wholesalers.



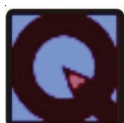
Following are the functions, which a wholesaler usually performs.

- (a) **Collection of goods:** A wholesaler collects goods from manufacturers or producers in large quantity.
- (b) **Storage of goods:** A wholesaler collects the goods and stores them safely in warehouses, till they are sold out. Perishable goods like fruits, vegetables, etc. are stored in cold storage.
- (c) **Distribution:** A wholesaler sells goods to different retailers. In this way, he also performs the function of distribution.
- (d) **Financing:** The wholesaler provides financial support to producers and manufacturers by providing money in advance to them. He also sells goods to the retailer on credit. Thus, at both ends the wholesaler acts as a financier.
- (e) **Risk taking:** The wholesaler buys finished goods from the producer and keeps them in the warehouses till they are sold. Therefore, he assumes the risks arising out of changes in demand, rise in price, spoilage or destruction of goods.





- (f) **Grading:** He classifies the goods in different categories since all the collected goods are not of same quality. He grades the goods on the basis of quality, size and weight etc. He also undertakes packaging of goods which facilitates trade. Some wholesalers also perform the function of branding. They give brand names to the products they deal in.
- (g) **Pricing:** The final prices are set by the wholesalers. They provide stability to the prices by regulating supply of goods in accordance with the demand for them. They influence market conditions, the demand for the goods and the taste of the people and make necessary arrangements to meet the demand when it comes up.

**INTEXT QUESTIONS 13.2**

Which of following statements about wholesalers are true and which are false?

- (i) They buy goods directly from retailers, for sale to customers.
- (ii) They generally provide credit facility to producers as well as to retailers.
- (iii) They collect goods in large quantities and store them safely till they are sold out.
- (iv) Wholesalers require small amount of capital investment for their business.
- (v) They are located at a number of places in different markets near the customer.
- (vi) They buy goods of a large variety in small quantities for sale.

13.3.2 Retailers

Retailers are the traders who buy goods from wholesalers or sometimes directly from producers and sell them to the consumers. They usually operate through a retail shop and sell goods in small quantities. They keep a variety of items of daily use.

Characteristics of Retailers

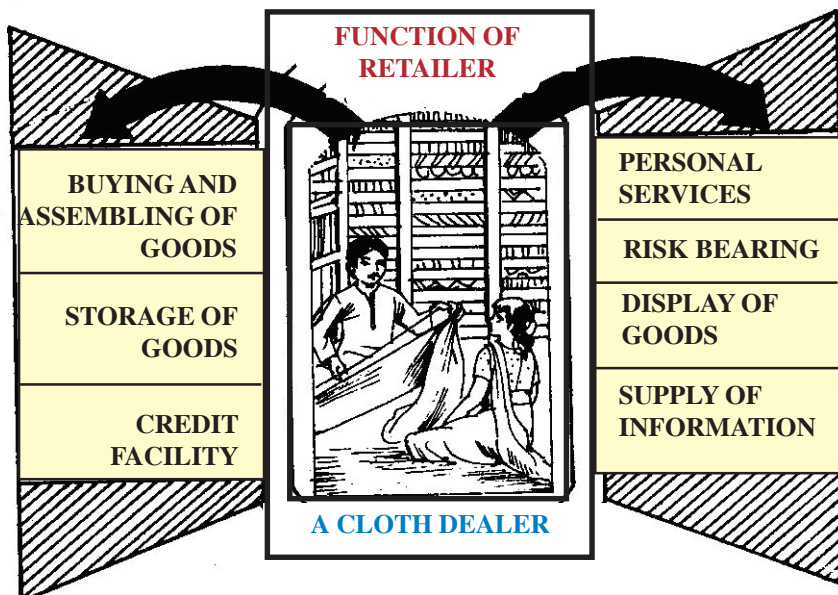
The following are the characteristics of retailers:

- (i) Retailers have a direct contact with consumers. They know the requirements of the consumers and keep goods accordingly in their shops.
- (ii) Retailers sell goods not for resale, but for ultimate use by consumers. For example, you buy fruits, clothes, pen, pencil etc. for your use, not for resale.
- (iii) Retailers buy and sell goods in small quantities. So customers can fulfil their requirement without storing much for the future.

- (iv) Retailers require less capital to start and run the business as compared to wholesalers.
- (v) Retailers generally deal with different varieties of products and they give a wide choice to the consumers to buy the goods.
- (vi) Retailers purchase the goods on credit but normally sell them for cash.
- (vii) Retailers give special attention towards the decoration and display of goods in their shops. This is done to attract customers.

Functions of Retailers

All retailers deal with the customers of varying tastes and temperaments. Therefore, they should be active and efficient in order to satisfy their customers and also to induce them to buy more. Let us see what the retailers do in distribution of goods.



- (i) **Buying and Assembling of goods:** Retailers buy and assemble varieties of goods from different wholesalers and manufacturers. They keep goods of those brands and variety which are liked by the customers and the quantity in which these are in demand.
- (ii) **Storage of goods:** To ensure ready supply of goods to the customer retailers keep their goods in stores. Goods can be taken out of these store and sold to the customers as and when required. This saves consumers from botheration of buying goods in bulk and storing them.
- (iii) **Credit facility:** Although retailers mostly sell goods for cash, they also supply goods on credit to their regular customers. Credit facility is also provided to those customers who buy goods in large quantity.





Notes

- (iv) **Personal services:** Retailers render personal services to the customers by providing expert advice regarding quality, features and usefulness of the items. They give suggestions considering the likes and dislikes of the customers. They also provide free home delivery service to customers. Thus, they create place utility by making the goods available where ever they are demanded.
- (v) **Risk bearing:** The retailers have to bear many risks, such as risk of:
 - (a) fire or theft of goods
 - (b) deterioration in the quality of goods as long as they are not sold out.
 - (c) change in fashion and taste of consumers.
- (vi) **Display of goods:** Retailers display different types of goods in a very systematic and attractive manner. It helps to attract the attention of the customers and also facilitates quick delivery of goods.
- (vii) **Supply of information:** Retailers provide all information about the behaviour, tastes, fashions and demands of the customers to the producers through wholesalers. They become a very useful source of information for marketing research.

13.4 DISTINCTION BETWEEN WHOLESALERS AND RETAILERS

You have studied about wholesalers and retailers. You might have noticed that both of them differ in their style and function. Let us find out these differences.

Wholesalers	Retailers
(i) Buy goods in large quantities	(i) Buy goods in small quantities.
(ii) Buy goods directly from producers.	(ii) Generally buy goods from the wholesalers.
(iii) Deals in limited variety of goods.	(iii) Deals in wide range of products.
(iv) Require more capital to start and run the business	(iv) Require less capital to start and run the business.
(v) Sells goods for resale purpose.	(v) Sells goods for consumption.
(vi) No direct contact with consumers.	(vi) Direct contact with consumers.
(vii) No special attention is given to decoration of shop.	(vii) In order to attract the attention of customers retailers give more attention to decoration of shop.



INTEXT QUESTIONS 13.3



Notes

I. From the sentences given below, mark (W) for those belonging to wholesalers and (R) for retailers in the boxes given against each:

- (i) Selling goods in small quantities ()
- (ii) More capital required ()
- (iii) Sale of goods for resale ()
- (iv) Dealing in a limited range of goods only ()
- (v) Direct contact with consumers ()

II. Answer the following questions:

(i) What are the types of risks borne by the retailers? Mention any two risks.

(ii) How do the producers get benefits from the functions of retailers? Write the benefits arising from any two functions.

(iii) Suppose two or three shopkeepers sell the same type of goods in your locality. From which shopkeeper would you like to purchase your requirements?

III. Multiple Choice Questions

- i. Direct Channel includes only.
 - (a) Producer → Retailer → Consumer
 - (b) Producer → Consumer
 - (c) Producer → Wholesaler → Consumer
 - (d) Producer → Agent → Consumer
- ii. The trade in which bulk quantity of goods are sold to trader is called
 - (a) Foreign Trade (b) Wholesale Trade
 - (c) In Land Trade (d) Retail Trade
- iii. Wholesaler is an important link between
 - (a) Producer and Wholesaler (b) Retailer and Consumer
 - (c) Producer and Consumer (d) Producer and Retailer

MODULE - IV

Buying, Selling and Distribution



Notes

Channels of Distribution

- iv. The likes and dislikes of consumers reach to wholesalers from time to time through-
- (a) Advertisement (b) Newspaper
(c) Retailers (d) Consumers
- v. The main features of a wholesaler is –
- (a) To advertise the products
(b) To sell the goods at cheap rates
(c) To deal in variety of goods
(d) To purchase the goods from producers and sell it to retailers



WHAT YOU HAVE LEARNT

- Channels of distribution is the route taken by goods as they move from producers to consumers. When producers sell goods and services directly to the consumers, it is a direct channel. Where a number of middlemen are involved in the process of distribution it is an indirect channel.
- Wholesalers are those middlemen in the channel of distribution who deal in goods in bulk quantity. They sell goods to retailers and in some cases directly to consumers. Wholesalers perform the functions of collection and storage of goods, distribution, financing, risk taking, grading and pricing.
- Retailers are the traders who buy goods from wholesalers and sell them to the consumers. They perform various functions as buying and assembling of goods, storage of goods, credit facility, personal services, risk bearing, display of good and supply of information.



TERMINAL EXERCISE

1. What is meant by Channels of Distribution?
2. Give four examples of services that are distributed through the direct channels.
3. Explain the different channels through which a product moves from producers to ultimate consumers.
4. Define wholesaler. How do they serve as an important link in the channel of distribution?
5. Give any four characteristics of retailers.
6. Explain the role of retailers in distribution of goods.
7. State any five differences between wholesalers and retailers.
8. Explain the functions of wholesalers.



ANSWER TO INTEXT QUESTIONS

- 13.1** (i) channel of distribution, (ii) middleman, (iii) indirect,
(iv) direct, (v) retail stores
- 13.2** (i) False, (ii) True, (iii) True, (iv) False, (v) False (vi) False
- 13.3** I. i. R ii. W iii. W iv. W v. R
- II. (i) Any two of the followings:
- a. Loss of goods by fire or theft.
 - b. deterioration in the quality of goods as long as they are not sold out.
 - c. change in fashion and taste of consumers
- (ii) a. They Help in marketing by assembling and display of goods.
- b. They bear risks that would otherwise have been borne by producers.
- c. They supply information to producers about the tastes and preferences of consumers.
- (iii) From that shop which we would like to purchase our requirements from the shopkeeper who:
- a. charges reasonable price
 - b. provides after sales services
 - c. provides variety of goods according to our tastes and preferences
 - d. provides facilities like credit sales, home delivery etc.
- III. (i) b, (ii) b, (iii) c, (iv) 4, (v)d

Notes



ACTIVITY FOR YOU

- Visit a shop nearer to your residence and find out from its functions whether it is a retailer or wholesaler.

MODULE - IV

Buying, Selling and Distribution



Notes



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14

RETAIL TRADE

You need a variety of goods for use in your day-to-day life. Where do you get all those goods? Are they all available in your local market? If not, then you must be buying those goods from the markets of the nearby town or city. Generally to buy goods as per your own choice you move from shop to shop and market to market. You may think why all these goods are not available in a single shop? Why are these goods not available at our doorstep? Yes, there are certain shops from where you can buy a variety of goods of different types as per your convenience. Goods of your choice can also be made available at your doorstep. You can also buy goods of your choice from the shops having no salesperson either to guide you or handover the goods to you. Are you surprised? You need not. You will learn how all this happens.



OBJECTIVES

After studying this lesson, you will be able to :

- state the meaning of retail trade;
- identify the different types of retail trade;
- enlist the various forms of different types of large-scale retail trade;
- enumerate the advantages and disadvantages of each type of large scale retail trade; and
- explain the meaning and different types of non-store retailing.

14.1 MEANING OF RETAIL TRADE

Small shopkeepers, who sell goods directly to the consumers, are called retailers. Pedlars, hawkers, one-price-shop or petty shopkeepers are all retailers. A retailer is the last link in the chain of intermediaries. He is an intermediary between the wholesaler and the ultimate consumer. He purchases from the wholesaler and sells in very small quantities to the consumers. He needs capital smaller than the wholesaler and usually, carries trade on cash basis. He does not specialise in any commodity and usually carries a large variety of goods in his stock. His activities are generally confined to the locality in which his shop is situated.



Notes

14.2 TYPES OF RETAIL TRADE

You have learnt about retailers in the previous section. You may be under the impression that Retailers are small shopkeepers trading in the nearby locality. However, you will be surprised to know that starting from hawkers and street traders, to super bazaars, departmental stores and Multiple shops, all undertake retail-trading business in our country. We can classify this retailing Business into two categories.

Small-scale retail trade; and b. Large-scale retail trade.

Small-scale retail trade is one where a limited variety and also limited quantity of goods are sold within a local area. It requires less capital and provides goods to a limited number of customers. On the other hand, large-scale retail trade is one where capital investment is more and it deals With large volume of goods. It caters to the needs of a large number of customers. Super bazars, Departmental stores and Multiple shops are examples of large scale retail trade organization.

In this lesson you will learn the details about small-scale retail trade.

Small-scale Retail Trade

There are varieties of retailers engaged in small scale retail trading. They can be classified as:

- (i) Itinerant Retailing
- (ii) Fixed Shop Retailing

(i) Itinerant Retailing

Itinerant retailing is a type of small-scale retail trade in which retailers move around and sell a variety of items directly to the consumers. They do not have a fixed shop where they can sell. You must have seen them distributing newspapers early in the morning; selling peanuts, bangles, toys etc. in buses and trains; selling fruits and vegetables in your locality using a cart, selling icecream, namkeens etc. on a cycle, selling rice, earthen pots or even carpets by using a cart, etc. You can also see them on pavements in your locality. In towns and cities we come across different type of itinerant retailers. There are traders who sell their articles on fixed days at different market places. In villages these market places are called “Haat” and in towns or cities they are called “weekly bazars”. The itinerant retailing also includes persons selling articles from door to door. In most cases, the price of items is not fixed and mostly settled through bargaining. Moreover, in most cases the items sold are not branded products.

(ii) Fixed Shop Retailing

Here the retailers sell goods and services from a fixed place known as ‘shop’. These shops are usually located at market places or commercial areas or near



residential localities. These shops normally deal with a limited variety of goods. The goods are stored as well as displayed in the shops.

On the basis of the type of goods which the fixed shops deal in, we can classify this form of retailing as under.

- a. General store or variety store
- b. Single line store
- c. Speciality store

Let us know the details about these stores.

a. General store or Variety Store

These stores, as the name suggest, deal with a variety of items of general use. They sell products mostly required by people for their daily use. For example, in a variety store you can find different items on toiletry, hosiery, biscuits and snacks items, grocery, cosmetic, gift items and stationery, etc. Normally these retailers make direct sale by cash only.



General Store

However, for their regular customers, these retailers may give discount, provide credit facility and also deliver goods at the customer's house free of charge.

b. Single line Store

These stores deal with a specific line of goods. You must have seen medicine shops, bookshops, toy shops, ready-made garment shops, etc. These are all single line stores. They sell goods of different size, brands, designs, styles and quality of the same product line.



Medical Store (Single Line Store)

c. Speciality Store

These stores deal with products of specific brand or company. All varieties of any particular brand or manufacturers are made available in these stores. You must have seen stores, like woodland shoe shops where products starting from shoe to apparel produced by woodland company are made available to the customers.



Ladies Shoe Shop (Speciality)


INTEXT QUESTIONS 14.1

Match the Column A with the statement given in Column B :

Column A

- (i) Super Bazar
- (ii) Itinerant retailer
- (iii) Speciality Store
- (iv) Variety Store
- (v) Single Line Store

Column B

- (a) Deals in goods of one brand only.
- (b) Sell different varieties of the same product line.
- (c) Large variety of goods of general use.
- (d) Large-scale retail trade.
- (e) Sell articles on carts.

Notes

14.3 MEANING OF LARGE - SCALE RETAIL TRADE

Suppose you want to buy new dresses, new shoes, some cosmetics and a number of goods of daily need. You visit one shop in the market to buy your dress, again for shoe, you visit another shop. Like wise, to buy all types of goods of your need you generally move from one shop to another. Sometimes goods of your choice may not be available in a particular shop. Then you need to visit other shops. Sometimes you may also face a heavy rush in the market. These are some general problems you may face in the local market.

To overcome all these problems, some of us may like to go to shops other than the small retail shops in the local market. For example, if we don't have sufficient time to visit different shops to buy the items of our need, we may like to find a shop where we can get most of our requirements and have a choice from different varieties. Or if we are very busy, we may want goods to be available to us at our home. Again, if we are in need of a well-known branded product, it may be convenient for us if there is a shop where we can get it at a reasonable price.

Is there any such shop in your local market where you can get all these facilities?

Actually these facilities are available in some retail shops in big towns and cities. They make available different types of goods under one roof. These shops are normally situated at central places and sell goods to a large number of customers. In some of these shops you will find a variety of goods and in some shops you will find goods of single type like shoes, shirts, etc. made by single manufacturer. All these shops buy goods in large quantities and sell them to individual consumers as retailers do. Sometimes big manufacturers also sell their products directly to the customers by opening their shops in different parts of the country.

Now can you tell what is the meaning of 'Large-scale retail trade'?

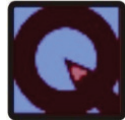


Large scale retail trade is a type of trade in which either single type of goods or a variety of goods are made available to a large number of consumers in a big shop under a single roof or may be made available at the convenience of customers.

FEATURES OF LARGE-SCALE RETAIL TRADE

The followings are some of the common features of large-scale retail trade.

- (i) It deals in a variety of goods of daily need and makes these goods available to the customers at their convenience.
- (ii) It purchases goods in bulk directly from the manufacturers, thus avoiding middlemen in the process of purchase of goods.
- (iii) It provides service to a large number of customers.
- (iv) The size of the shops/stores is comparatively bigger than the local retail shops/stores.
- (v) It requires huge capital investment to start and run the business.
- (vi) It generally sells goods to the customers on cash basis.



INTEXT QUESTIONS 14.2

Fill in the blanks with suitable words :

- (i) Sale of goods and commodities in _____ quantities directly to consumers is called retail trade.
- (ii) When a shopkeeper sells groceries and other items of needs to customers through his shop, he is engaged in _____ activities.
- (iii) When one or more types of goods are sold to customers through big shops it is called _____ retail trade.
- (iv) In large-scale retail trade, shops are located at _____ and sell goods to _____ number of customers.
- (v) Large scale retail shops may be opened by big _____ to sell their products directly to the customers.

14.3 FORMS OF LARGE-SCALE RETAIL TRADES

In India, generally we find the following types of Large-scale retailing business

- (i) Departmental Store
- (ii) Multiple Shops
- (iii) Super Bazar

Let us discuss the details about all these.

14.4 DEPARTMENTAL STORES

A Departmental Store is a large-scale retail shop where a large variety of goods

are sold in a single building. The entire building is divided into a number of departments or counters. In each department specific type of goods like stationery items, books, electronic goods, garments, jewellery etc. are available. All these departments are centrally controlled under one management.

Once you enter such a store you can do all your shopping by moving from one department to another. To encourage people to do all their shopping in one store, these stores also provide facilities like restaurant, telephone, toilets, ATM etc. for the conveniences of customers.



Departmental Store

The departmental stores are very popular in USA and Europe. In our country you can find such stores in big cities. *Ebony* and *Shoppers' Stop* in Delhi, *Spencer* in Chennai, *Kid's Kemp* in Bangalore are some examples of departmental stores.

Features of Departmental Stores

After getting an idea about a departmental store, let us identify its features:

- (i) These are generally located at the main commercial centres of the cities and towns, so that, customers from different localities can easily come to buy goods as per their convenience.
- (ii) The size of the stores is very large and divided into many departments or counters.
- (iii) Each department deals with particular type of goods, say, one department sells electronic goods, another sells ready-made garments, a third keeps food items, and so on.
- (iv) The management and control of all departments is centralised.
- (v) The Departmental Stores allows customers to enjoy shopping. It enables the customers to buy everything under one roof.
- (vi) Facilities such as restaurant, rest rooms, telephone, ATM (Automated Teller Machine), etc. are also made available to customers inside the store.
- (vii) These stores allow the customers to buy goods against a credit card.
- (viii) Customers may also avail of free home delivery facilities from these stores.

Advantages of Departmental Stores

Followings are the advantages of a departmental store:

- (i) **Convenience of shopping:** Since a large variety of goods are sold under one roof, you need not move from one bazaar to another or from one





shop to another to buy goods. It saves your time and effort. Also, for the convenience of the customers these stores provide toilet, restaurant, rest room and telephone service and ATM facility inside the store.

- (ii) **Wide choice of products:** A wide variety of products from different manufacturers are sold in these stores. Thus, a customer has a wide choice of goods from which he/ she can select the best product as needed.
- (iii) **Economies of large-scale purchase and sale:** Departmental stores buy goods on large scale. So it can bypass wholesalers and gets the goods directly from the manufacturers. This way it enjoys the benefits of discounts from the manufacturers. Again, due to large volume of sale, the cost of operations of business is also low.
- (iv) **Mutual advertisement:** While visiting departmental store customers are often attracted by goods displayed in different departments. Hence, there is a chance that the customers may buy goods other than those they originally had in mind. Thus, each department advertises for other departments.
- (v) **Efficient management:** Since these stores are organised on a large scale basis, they normally employ efficient and competent staff to provide best services to the customers. In spite of these advantages, the departmental stores have certain limitation also. Let us make note of these:

Limitations of Departmental Stores

The followings are the limitations of departmental stores:

- (i) **Heavy Investment:** Since departmental stores require large space for storing varieties of goods, huge amount of capital is required to start and manage a departmental store.
- (ii) **Distance from residential areas:** The departmental stores are normally located in places far from the residential areas. Therefore, customers from far away localities find it inconvenient to buy goods from these stores. Again, to buy goods of daily use, people prefer going to small shop situated in their residential areas.
- (iii) **High cost of business operations:** The cost of location (in the form of rent or purchase price of building), decoration of building, employment of large number of employees and provision of various facilities for the convenience of customers increases the operating cost of a departmental store.
- (iv) **High price:** High operating cost and better quality of goods lead to high price being charged for the goods in departmental stores.
- (v) **Lack of personal attention:** In departmental stores there is no direct contact between the owner and the customers. It is the employees of the store who interact with customers. The owners directly do not get information about the tastes and preference, likes and dislikes, of their customers.



INTEXT QUESTIONS 14.3

Whether the following statements relating to Departmental Stores are true or false, write 'T' for true and 'F' for false against each statement :

- (i) A departmental store is a retail shop where different goods are sold at different counters/ departments in the same building.
- (ii) The different departments like electronic goods, garments etc are managed separately for convenience of control.
- (iii) There is direct contact between the customers and the owner of the departmental store through various departments.
- (iv) Departmental Stores offer additional services to customers apart from the goods available for sale.
- (v) These stores are conveniently located in residential areas for the benefit of large number of customers.
- (vi) Departmental stores offer goods at high prices to customers due to the high cost involved in maintaining and operating the store as well as providing various facilities for customers.

Notes



14.5 SUPER BAZAR

Super Bazar is another kind of large-scale retail organisation from where we can buy most of our household requirements for a week or a month on one visit. Let us learn about this form of large scale retailing system in detail.



A picture of Super Bazar

Meaning of Super Bazar

Super Bazar is a large scale consumers' co-operative store, which sells a wide variety of products like food items, vegetables, fruits, groceries as well as durable consumer goods all under one roof. It is formed with the objective of selling goods of daily necessity to its members and also to the general public at a reasonable price by eliminating the middlemen in the process of distribution.



Features of Super Bazar

The features of Super Bazar are:

- (i) These stores are set up in the form of co-operative societies.
- (ii) These are centrally located and also establish their branches near the residential localities. Some Super Bazars have their mobile van, which is taken to the residential areas for sale of goods.
- (iii) It deals in standard quality products only.
- (iv) These stores are often run on self-service basis. You can pick up the goods of your choice from the open shelves and take them to the cash counter for making payment. In some Super Bazars salesmen are also employed to assist the customer in the process of selection of goods.
- (v) These stores are managed by elected members of the co-operative society.
- (vi) Super Bazars purchase goods in bulk from the manufacturers or government agencies and sell them to the members and general public at a reasonable margin of profit.
- (vii) In Super Bazar goods are sold only on cash basis.
- (viii) The capital of Super Bazar is provided by the members of co-operative society.

Advantages of Super Bazar

Following are the advantages of super bazar.

- (i) **Variety of goods:** Super bazars deal with a wide range of goods of daily household need.
- (ii) **Quality goods:** It provides standard quality items to the customers. Chances of adulteration and duplication are not there.
- (iii) **Low Price:** Due to economies of large-scale purchase and avoidance of middlemen the goods are available at a cheaper price in super bazar.
- (iv) **Low operating cost:** In a super bazar normally services of salesmen and shop assistants are not available. This reduces the cost of operation.
- (v) **Benefits to members:** The members of the society get the goods at a concessional rate. In case of surplus or profits they also get dividend according to their share holding.
- (vi) **Freedom of selection:** A customer can find goods of different brands at one place. This makes comparison and selection easy. You can take your own time to select items of your choice.
- (vii) **State control:** In India most of the super bazars are controlled by Central and State Governments. This helps to maintain price and possibilities of creating artificial shortage of goods can be avoided.



Notes

Limitations of Super Bazar

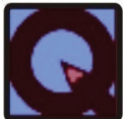
Following are some of the limitations of super bazar:

- (i) **Heavy investment:** Super bazars require large amount of capital to start and run them.
- (ii) **Lack of efficient management:** Because of insufficient funds, benefits of professional management are not available to the super bazar.
- (iii) **No credit facility:** Goods are sold to the customers only on cash basis. Credit facility is not available to them.

14.6 DIFFERENCE BETWEEN DEPARTMENTAL STORE AND SUPER BAZAR

Let us see how super bazars are different from the departmental stores.

Basis	Departmental Store	Super Bazar
(i) Ownership	These stores are owned by private individuals	Super bazaars are owned by co-operative societies.
(ii) Facilities	Certain facilities like restaurant, toilet, telephone, etc. are made available to the customers.	No such facilities are made available to the customers.
(iii) Price of goods	Prices of goods are generally higher than market rate	Goods are sold at a cheaper rate in comparison to departmental stores.
(iv) Credit facility	Sometimes goods can be sold on credit basis.	Sales are made only on cashbasis.



INTEXT QUESTIONS 14.4

- I. Indicate whether the following statements about Super Bazar are right or wrong. Write 'R' for a right statement and W for a wrong one:
- (i) Like departmental stores, super bazars also sell a variety of goods in one building only.
 - (ii) They are organised as cooperative societies where the members provide the capital.
 - (iii) Goods are sold on credit basis for the convenience of members of the co-operative society.
 - (iv) Super Bazars cannot afford to hire professional managers leading to inefficiency in their operations.
 - (v) To provide goods at cheaper rates, super bazars offer inferior quality goods for sale.



- II. Identify the type of large scale retail trade the following sentence refer to :
- (i) Sale of goods is through different outlets located at different places.
 - (ii) Goods are generally available at a price higher than its market price elsewhere.
 - (iii) The stores are mostly controlled by a group of consumers.
 - (iv) A number of facilities are offered to customers apart from the product for sale.
 - (v) Goods of the same type are sold to customers.
- III. From the following sentences relating to large scale Retail Trade choose the suitable word(s) from those given in brackets :
- (i) Goods are generally purchased in bulk from _____ (manufacturers, middlemen) for sale to the consumers.
 - (ii) Goods are made available to consumers mostly _____(under same roof, in different shops)
 - (iii) It sells goods to _____(limited, large) number of customers.
 - (iv) Goods are sold on _____ (credit, cash) basis to customers.
 - (v) The amount of capital investment required in large-scale retail trade is _____ (mostly equal to, much greater than) the capital investment in local retail shops.

14.7 MULTIPLE SHOPS

In the previous section, we learnt that in a departmental store, the whole business is carried on in one building and the customers are drawn to it. Now we shall read about multiple shops under which customers are approached by big manufacturers, by setting up shops near customers. Have you ever observed that there are some retail stores running in your town / city having the same name, same design and dealing in the same type of products under a single brand name?



A Picture of Multiple Shops

**Notes**

Yes, you may say, there is Bata Shoe shop, HMT watch shop, McDonalds restaurant, etc. These are the multiple shops. They sell similar range of commodities at the same price in all their shops.

These shops are usually owned and run by big manufacturers / producers. They open a number of branches at different localities in a city or in different cities and towns in a country. Thus, these shops are also called 'Chain Stores'.

Features of Multiple Shops

To make the concept clear about this type of retail selling, let us learn the various features of multiple shops.

- (i) Under the same management and ownership these shops are operated at different places near the customers.
- (ii) All shops are decorated in the same manner to facilitate easy recognition by customers.
- (iii) Multiple shops deal in similar types of goods mostly of everyday use e.g., shoes, textiles, watches, automobile products, etc.
- (iv) The price is uniform in all the shops for similar items. The head office fixes the price. This practice avoids bargaining and cheating.
- (v) All multiple shops are managed and controlled by the head office.
- (vi) All multiple shops generally sell goods on cash basis.
- (vii) The goods are purchased or produced at a central place and then supplied by the head office to different branches for sale.

Advantages of Multiple Shops

The multiple shops offer the following advantages to buyers and sellers. Let us learn about them:

- (i) **Easy identification:** All multiple shops are often built alike. They have similar shop-front, display and decoration. This helps the customers to recognise the shops easily.
- (ii) **Elimination of middlemen:** Multiple shops are generally owned by big manufacturers. So the middlemen are eliminated in the distribution process.
- (iii) **Economies of large-scale:** These shops enjoy the benefits of large-scale purchase or production of goods. Also, due to common advertisement these shops are able to save on the cost of advertising.
- (iv) **Low Price:** The customers can get the goods at a cheaper rate because of low operating cost and elimination of middlemen in the process of distribution.
- (v) **No bad debts:** All sales are strictly made on cash basis. Hence the question of loss due to bad debts does not arise.

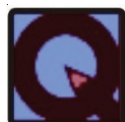


- (vi) **Public confidence:** Standard quality and uniform price of the products help in winning the confidence of customers. The customers get the genuine and standard goods directly from the manufacturer. The chances of duplication of goods and cheating do not arise in these shops.
- (vii) **Convenient location:** These shops are usually located in the main markets and in busy shopping centre. So the customers can buy goods of their choice easily from these shops.

Limitations of Multiple Shops

Inspite of all the above advantages, multiple shops also suffer from some limitations.

- (i) **Limited choice:** These shops deal in limited variety of products. So the choice of the customer is restricted to the brand of goods available in these shops.
- (ii) **No credit facility:** Since the sales are made on cash basis the customer cannot avail of credit facilities from these shops.
- (iii) **No bargaining:** The prices of the products are fixed by the head office. Individual shops have no control over it. So the customer cannot bargain with salesmen while buying the goods.
- (iv) **Lack of initiative:** These shops are generally managed by the branch managers and they follow strictly the instructions of the head office. Hence they generally do not take initiative and do not have any special interest in satisfying the customers.



INTEXT QUESTIONS 14.5

Fill in the blanks with suitable words relating to Multiple Shops:

- (i) Various shops selling similar range of products at _____ price and usually run by big manufacturers are called multiple shops.
- (ii) For easy identification, all multiple shops of the same manufacturer have similar display and _____ .
- (iii) Since all sales are on cash basis there is no risk of _____ .
- (iv) Due to elimination of _____ goods are available to customers at low prices.
- (v) The multiple shops are centrally managed by the _____ leading to lack of initiative on the part of branch managers.
- (vi) Customers get standard quality and genuine goods through multiple shops leading to public _____ in the products.
- (vii) Multiple shops provide _____ variety of products for customers through their branches.

**Notes**

(viii) These shops provide _____ of location through their presence in main markets and busy shopping centre.

Difference between Departmental Stores and Multiple Shops

You have learnt about Departmental Stores and Multiple Shops as two different types of largescale retail trade organisation. Now you may give the difference between these two types and compare it with the answer given at the end of this lesson.

Basis Departmental Stores Multiple Shops

- (i) Location These stores are located at These shops are located the central places. at different location near the customers.
- (ii) Decoration Adopt different decoration as Uniform, decoration and decided by the owners. appearance as decided by the head office.
- (iii) Varieties of goods Deals in a wide variety of goods Deals in a few items of of different manufacturers. one manufacturer.
- (iv) Price of goods Price of goods is high and differs Price is uniform in all the from one departmental store to shops. another.
- (v) Credit facility Sometimes customer can buy Credit facility is not the goods on credit. available to the customer.

14.8 MALLS

These are the latest mode of retail trade. Here not only the consumer can purchase various goods and services but also get the facility of entertainment. He/She can spend his/her time there. The meeting for various purpose can be held here. Now a days these are also being used for arranging the reception party for marriages, birthdays, etc. These are the one place shop for various products and services.



A Picture of a Mall

Malls are basically buildings with many shops, selling different products to the consumers. Malls are generally associated for exquisite shopping experience they provide to the consumers. But there's more than just shopping to the malls. Malls these days are equipped with state of art of architecture comprising spacious shops which boasts of selling almost all kind of products of world renowned brands, be it clothing, crockery, toys, electronic equipment, there is no dearth of products in malls. These days malls stock up multitude of products and come up with



innovative strategies to sell them to the customers. Besides shopping there's are various facilities which are provided to customers.

14.9 OUTLETS

An **outlet store** or **factory outlet** is a store in which manufacturers sell their stock directly to the public. Traditionally, a factory outlet was a store attached to a factory or warehouse, sometimes allowing customers to watch the production process like in the original. In modern usage, outlet stores are typically manufacturer-branded stores where customers can buy goods at a low price as mediator are eliminated and goods are sold directly to customers. These stores provide a feeling of assured quality together will economy in purchase to customer.

14.10 NON-STORE RETAILING

You have learnt how Departmental Stores, Multiple Shops and Super Bazar, Malls and Outlets sell goods to large number of customers. In all these types of retailing you have to go to the shops in the market and buy goods as per your need. They have fixed business hours and you, as a customer have to come to buy within those hours. Do you think why not all goods of your choice are available at any time throughout the day? Why should you wait till the shopkeepers come and open their shop at 9 or 10 o'clock in the morning? Again you may also like to have the goods delivered at your doorstep.

Yes, all this is possible now-a-days because of technological advancement and better communication facilities. If you want to avail of all these facilities then the following retailing systems can help you.

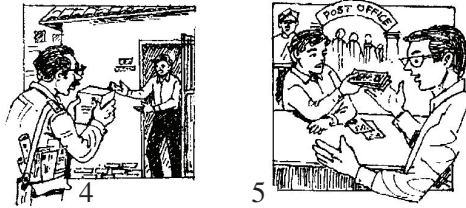
- (i) Mail order business
- (ii) Tele-shopping
- (iii) Sale through automatic vending machine
- (iv) Internet shopping

Let us know the details of all these systems now:

Mail Order Business

If you want to buy some durable items it is not always necessary that you go to a fixed shop and get the goods from the seller. Look what is happening in the following pictures.





Procedure of buying goods through mail

An advertisement in the newspaper attracts the attention of a person to certain goods. He fills up the coupon and sends it to the seller. The seller receives orders and packs the goods. The seller sends the goods through the post office. The buyer receives the goods from the postman by paying the required amount. The seller later collects the money from the post office.

This is a system of sale by post and is known as Mail Order Business. It is also called shopping by post. It is a method of selling goods by producers or traders directly to the customers through post office. The seller advertises the products through newspapers, magazines, television, booklets, catalogues etc. to make the customer aware about the product. The advertisement contains detailed particulars about the goods and is designed in an attractive way to create an interest in the mind of the customers to buy it. The advertisement may contain an order form or coupon, which the customer has to fill up and send at the address of the mail order house. After receiving the order, the mail order house packs the goods properly and sends them through the post office. The post office delivers the goods at the buyer's place and collects the money from the buyer. Then it remits the money to the seller or sender of the goods.

Features of Mail Order Business

The followings are the features of mail order business.

- (i) The entire process is carried out through the postal system.
- (ii) Buying and selling takes place without any face-to-face contact between the buyer and the seller.
- (iii) Seller advertises the products giving detailed description of the goods, mode of payment, terms of sales, etc. in the newspapers, magazines, letters, catalogues, etc.
- (iv) Seller receives order from the buyer by post.
- (v) Seller sends the properly packed goods to the buyer through value payable post.



Notes



- (vi) The seller receives payment through post office.
- (vii) No middleman is involved in the process.

Now you have some idea about this system of buying goods through mail. Do you think, you can purchase all varieties of goods through mail ? Let us see which goods are suitable for mail order business.

Goods Suitable For Mail Order Business

Goods possessing following qualities are usually suitable for this kind of business:

- (a) Light weight goods and the ones that occupy less space. Bulky goods cannot be sold by this way.
- (b) Durable and non-perishable goods.
- (c) Goods having high demand in the market.
- (d) Goods having delivery charges relatively lower than their price.
- (e) Goods that are easy to handle.

Advantages of Mail Order Business

This system offers the following advantages:

- (i) The customers can easily purchase the goods while sitting at their place. It saves time and effort of the customers.
- (ii) Mail order business can be started with small amount of capital, as the businessman does not require to hold large stock of goods.
- (iii) Generally it assures the customers that they can get back their money if they are not satisfied with the product. This creates confidence in the minds of the customers.
- (iv) Mail order business is done on cash basis. There is practically no risk of bad debts.
- (v) It serves a wide market with a large number of customers.

Limitations Mail Order Business

The following are the main limitations of mail order business:

- (i) Credit facility is not available to customers.
- (ii) This type of business is not suitable for illiterates.
- (iii) The buyers do not have any option to check the goods before making payment.
- (iv) The place of the buyer should be connected through postal services.
- (v) This system requires wide spread advertising.

Tele Shopping

Today telephone has become an indispensable means of communication in business. You must have observed that the businessman near your locality

gives order for purchase of goods and also receives orders from the customers to send the goods to their home. This may happen in case of a fixed shop near your locality. But there are certain big business houses where all transactions take place through telephone. They contact the prospective buyers through telephone and persuade them to buy their products. In some cases they advertise their product on television or other media. They clearly explain the features and also make live demonstration of the products.



The price and code number (if any) of the products and the telephone number of the sellers are displayed on the screen. As a customer, you are supposed to dial the telephone number and give your order. They will deliver the goods at the desired place on receipt of the payment. This is tele shopping. Asian sky shop and tele-brands are the examples of those doing tele-shopping business in our country. Let us see what are the advantages of this system.

Advantages of Tele Shopping

- (i) It saves time, money and effort in placing a written order to buy the goods.
- (ii) It is a convenient method of shopping for people who are busy and do not have much time for shopping.
- (iii) It eliminates the role of middlemen in the process of distribution.
- (iv) Buyers can inquire about the terms and conditions of sale, mode of payment, packaging etc. from the sellers without visiting the seller's place.

Limitations of Tele Shopping

The following are the limitations of tele shopping:

- (i) Since orders are received orally on telephone, there is no record of dealings. Thus, disputes over terms and conditions of sale may be difficult to resolve.
- (ii) No facility is available for inspection of goods offered for sale. Hence the risk of fraud and dishonesty is unavoidable.
- (iii) The seller may provide misleading information regarding products to attract the customers.
- (iv) Credit facility is not available to the buyers.



Sale of Goods Through Automatic Vending Machine

Sale through automatic vending machine is another technique of selling goods. It provides round the-clock facility to the customers for purchase of goods. These machines are normally placed at convenient location, near railway stations, bus terminals, busy shopping centres etc. By inserting a coin or token in the automatic vending machines, you can buy certain specified goods. This system of retailing is popular in foreign countries through which chocolates, milk, ice cream, soup, newspaper, etc. are sold to a large number of customers. In India this system is not very popular.



Advantages of Automatic Vending Machine

- (i) Operation of this machine is very simple. Even an illiterate person can operate it.
- (ii) The buyer gets specified quality in uniform weight at a fixed price.
- (iii) There is no risk of fraud and manipulation by the seller.
- (iv) It helps in saving time and effort of the seller.
- (v) No advertisement is required.
- (vi) The entire sale is for cash, hence there is no risk of default in payment by the buyer.

Limitations of Automatic Vending Machine

- (i) Initial investment in a machine is very high.
- (ii) The machine requires regular repairs and maintenance.
- (iii) Since the stock holding capacity of the machine is limited, it requires frequent loading of stock.
- (iv) The coins or tokens used for this machine are required to be collected periodically.

Internet Shopping

Shopping through Internet or Internet Shopping is a system of retailing of goods through the Internet. The seller or manufacturers provides all information regarding the product, its specification, uses, etc. through its website. As a customer you have to access the website and view different products according to your need. Then you can compare the price of similar products available and also give special instructions to the seller regarding the goods. You have to make all payments through your credit card. On receiving





your, order the supplier or seller delivers the goods at your place through postal service or courier. Thus, you can visit a world market, make best choice of goods and buy the goods of your need just by sitting at your home. For all these you need to have a computer at your home with Internet connection. You can also give order from the *cyber cafes*.. This type of retailing is also called 'on-line shopping'. This is suitable for selling books, magazines, journals, software, health and beauty care items, etc.

Advantages of Internet Shopping

- (i) Goods from international market can be purchased sitting at home.
- (ii) It saves time and effort of the customers.
- (iii) It is the quickest mode of retailing.
- (iv) The sellers find it economical because there is no need to keep large stocks of goods in their stores.
- (v) This system is very useful in foreign trade.

Limitations of Internet Shopping

- (i) It is not useful for those people who do not have knowledge of using a computer.
- (ii) It does not allow physical inspection of goods.
- (iii) Payments are required to be made through credit card, which the common man cannot afford to have.
- (iv) The pleasure of personal shopping is absent.



INTEXT QUESTIONS 14.6

- I. Whether the following statements are True and False, Wwrite 'T' for true statements and 'F' for false statements.
- (i) In mail order business, the seller approaches the customer through catalogues, magazines, television etc. to tell him/her about the product.
 - (ii) Mail Order Business can be successfully operated through telephone and television channels and does not require use of postal services.
 - (iii) Goods like jewellery, fruits and vegetables, foodgrains generally use mail order business for sale to customers.
 - (iv) Teleshopping saves time and effort as order can be placed over the telephone.
 - (v) Exchange of goods is easily possible in case of teleshopping.
 - (vi) Risk of fraud and dishonesty is present in Teleshopping as the consumer does not get the opportunity to inspect the goods before purchase.



- II. Fill in the blanks with suitable word(s).
- (i) To buy goods any time during the day or night, a convenient mode is _____ .
 - (ii) The desired goods can be bought by inserting _____ in the automatic vending machine.
 - (iii) Credit cards are used for purchase of products through _____ .
 - (iv) To buy books or magazines from anywhere in the world, _____ may be the preferred system of retailing.
 - (v) Advertisement about the product is not required in _____ .
 - (vi) Time and effort of _____ is saved in on-line shopping.
 - (vii) The limitation of automatic vending machine is that the _____ is very expensive.
 - (viii) Knowledge of computers is required to buy goods through _____ .
- III. Multiple Choice Questions
- i. The type of trade which is totally dependent up on advertisement is called :-
 - (a) Departmental Store (b) Mail Order Business
 - (c) Cooperative Stores (d) Multiple Store
 - ii. Which business deals in variety of goods under one roof and one management
 - (a) Departmental Store (b) Cooperative Store
 - (c) Multiple Shops (d) None of these
 - iii. The place where different types of shops are available within one building is called :-
 - (a) Multiple Shops (b) Departmental Store
 - (c) Super Bazar (d) Wholesale Market
 - iv. There is no need of salesman in
 - (a) Automatic Vending Machine
 - (b) Internet Shopping
 - (c) Departmental Stores
 - (d) Malls
 - v. Teleshopping is done through
 - (a) Telephone (b) T.V.
 - (c) Personal Visit (d) None of these

**WHAT YOU HAVE LEARNT**

- Retailers are the middlemen who buy goods from wholesalers or producers and sell them to consumers. They deal in goods in small quantities.
- Retailers perform the functions of buying, assembling and storage of goods, provide credit facility, render personal services, take risk, display the goods in stores or showrooms and also provide market information to the producers.
- Retail trade may be classified as small-scale retail trade and large-scale retail trade.
- Small-scale retail trade includes itinerants retailing or fixed shop retailing.
- Large-scale retail trade includes Departmental store, multiple shops and super bazaar where transactions take place in large volume.
- Retail the different types of fixed shop retail trade.
- Large scale retail trade is a process of trade in which either single type of goods or a variety of goods is made available to a large number of customers in a big shop under a single roof or may be made available at the convenience of customers. The main types of Large-Scale retailing business in India are (i) Departmental Stores, (ii) Multiple shops, and (iii) Super Bazar.
- A departmental store is a large-scale retail shop selling a variety of goods through different departments or counters in a single building. They are located at commercial centres in big cities and towns. Besides selling variety of goods these stores also offer facilities like restaurant, telephone, ATM, etc. for the convenience of customers.
- Multiple shops are shops of a single brand name selling similar range of commodities at the same price in all their shops. All shops are decorated in the same manner for easy identification and are centrally managed from the head office.
- Super Bazar is a large scale consumers' co-operative store where a wide variety of goods of daily household needs are sold under one roof to consumers at a reasonable price. They purchase goods in bulk directly from manufactures or government agencies and offer standard quality goods to consumers.
- Non-store retailing may be in the form of : (a) Mail Order Business (b) Tele shopping (c) Sale through Automatic Vending Machine and (d) Internet Shopping

**Notes**



- Mail Order Business is a method of sale of goods by producers or traders directly to customers by post. The seller reaches the customer through advertisements and the goods are delivered to the customer through post. This is suitable only for light weight, nonperishable goods that are easy to handle.
- Tele shopping involves contacting the customer over telephone or through television advertising, to inform about the product and its use. The customer places the order for the product over the telephone. This method of shopping saves time and effort of buyers. There is risk of fraud and dishonesty as the buyer cannot inspect the goods offered for sale.
- Goods may be purchased round-the-clock through automatic vending machines. Sellers place the machines at convenient locations like, bus terminals, shopping centres, etc. Customers can buy goods simply by inserting coins or tokens in the machine.
- Internet shopping involves getting information about the product from internet websites and placing the order over the internet. Goods may be delivered through post or courier and payment is made through credit card. Goods can be bought from any where in the world sitting at home through Internet shopping.

**TERMINAL EXERCISE**

1. Define 'Large-Scale Retail Trade'
2. Give two examples each of Departmental Stores and Multiple Shops in India.
3. What is meant by Super Bazar?
4. Give examples of four products that are suitable for sale through Mail Order Business
5. State any four advantages of Multiple Shops to buyers and sellers.
6. Explain any four advantages of Multiple Shops to buyers and sellers.
7. How are Super Bazars beneficial for customers? Explain in about 60 words.
8. Outline the procedure for buying goods through Mail Order.
9. In spite of being a convenient method of buying goods, tele shopping is not used by consumers very often. Why?
10. Explain any six features of Departmental Stores.
11. Distinguish between Departmental Stores and Chain Stores as large-scale retail organisations.
12. Discuss the common features of the different types of large-scale retail trade.



Notes

13. Explain the advantages and limitations of Internet Shopping for customers?
14. Sale of goods through Automatic Vending Machine is a system of retailing that offers a number of advantages to the seller and buyer. Discuss.
15. What is meant by 'Internet Retailing'?
16. Describe the different types of fixed shop retail trade.



ANSWER TO INTEXT QUESTIONS

- 14.1** (i) c, (ii) e, (iii) a, (iv) b, (v) d
- 14.2** (i) Small, (ii) retailing, (iii) large-scale,
(iv) central places, large, (v) manufacturers
- 14.3** (i) True, (ii) False, (iii) False, (iv) True, (v) False, (vi) True
- 14.4** I. (i) True, (ii) True, (iii) False, (iv) True, (v) False
II. (i) Multiple Shops, (ii) Departmental Store, (iii) Super Bazar,
(iv) Departmental Store, (v) Multiple Shops
III. (i) manufacturers, (ii) under same roof, (iii) large,
(iv) cash, (v) much greater than
- 14.5** (i) Same, (ii) decoration, (iii) bad debts, (iv) middlemen,
(v) head office, (vi) confidence, (vii) limited, (viii) convenience
- 14.6** I. (i) True, (ii) False, (iii) False, (iv) True, (v) False, (vi) True
II. (i) Automatic vending machine,
(ii) Coins/tokens,
(iii) Internet shopping/on line shopping,
(iv) internet shopping/on line shopping,
(v) Automatic Vending Machine,
(vi) Customers, vii. machine,
(viii) Internet shopping /on line shopping
III. (i) b, (ii) a, (iii) b, (iv) b, (v) a

ACTIVITY FOR YOU

Read the newspaper and find out from the articles and advertisements about the products being sold through:

- Departmental Stores
- Multiple Shoppes
- Chain Stores
- Mail Order Business

MODULE - IV

Buying, Selling and Distribution



Notes



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15

ADVERTISING

After passing examination, suppose you want to start a small business in your locality. You have sufficient space and required funds and skill to run it. But, how will customers come to know about your business? Unless people know about it who is going to come to your business? Are you able to think what you should be doing to make people aware that there is a business? Actually, if the quality of goods and services of the business is good, it can attract some people. But you must also take some measures on a continuous basis to make people aware about the location of your business, the quality and variety of goods available there, so that you can get customers regularly. In fact, every businessman involves in this activity of making people aware about his/her products and services so as to increase his sales. Let us learn more about this activity in this lesson.



OBJECTIVES

After studying this lesson, you will be able to:

- explain the meaning of advertising;
- describe the importance of advertising;
- identify various media of advertising; and
- suggest the suitability of each media of advertising.

15.1 MEANING OF ADVERTISING

In a newspaper you not only read news on current affairs, sports, etc., but you also come across several information or message about some products or services like air conditioners, cycles, hair oils, transporters, builders, etc. You also come across such information in journals, magazines, roadside hoardings, radio, television, etc. This information makes you aware about the products or services in terms of their availability, price and features. So, whenever you feel a requirement for such products or services you try to go to the place of their availability, look at the quality and features and buy them if they meet your requirement. For example, while listening to radio you come across a



product called “XYZ hair oil”. Then while going to buy hair oil you ask the shopkeeper to show you that product. You like the fragrance and find the price reasonable and purchase it for your use. There can be many such examples of different nature, like a builder selling flats on installment basis, a shopkeeper giving discounts, a new product being launched by a manufacturer, so on and



Media used in Advertising

so forth. It is obvious that the very purpose of giving such information is to make the customers aware about any product or service and induce them to buy it. Therefore, it is always the manufacturer, the trader or the service provider who wants to give such information to attract customers for promoting his sales. This entire promotional activity is called advertising, where the manufacturer or the trader or the service provider is called a sponsor or advertiser; the message or the information supplied is called advertisement and the medium through which such information is supplied like journal, magazines, hoardings, television etc. are called the media of advertising.

Definition of Advertising

The American Marketing Association defines advertising as “any paid form of non-personal presentation and promotion of ideas, goods and services by an identified sponsor.” Advertising is non-personal as it is not directed to any single individual. Secondly, the sponsor i.e. the manufacturer or producer is identified as his name and address is always contained in an advertisement and he also bears all the cost involved in the process. Thirdly, the producer can also promote an idea regarding quality, design, packing and pricing, etc. of any product or service. Thus, we can say, advertising consists of all activities involved in presenting a sponsored message regarding a product, service or an idea.

Features of Advertising

By looking into the meaning and definition of advertising we can sum up the following features of advertising.

- (i) **Non-personal presentation of message**– In advertising there is no face-to-face or direct contact with the customers. It is directed to the prospective buyers in general.



- (ii) **Paid form of communication**-In advertising the manufacturer communicates with prospective customers through different media like, newspapers, hoardings, magazines, radio, television etc. He has to pay certain amount for using some space or time in those media.
- (iii) **Promotion of product, service or idea** –Advertisement contains any message regarding any particular product, service or even an idea. It makes people aware about the product and induces them to buy it.
- (iv) **Sponsor is always identified** –The identity of the manufacturer, the trader or the service provider who issues advertisement is always disclosed.
- (v) **Communicated through some media**- Advertisements are always communicated through use of certain media. It is not necessary that there will be just one medium. All the media may also be used.

15.2 IMPORTANCE OR OBJECTIVES OF ADVERTISING

You have learnt that the main purpose of advertising is to communicate message or information to the customers. But while communicating such message or information it also serves beneficial for the sponsor or advertiser. Let us look into the various objectives of advertising.

- i. **To educate customers**-Can you remember the advertisement of *Tata Namak* on television? In this advertisement it is said that *Tata Namak* is good for health as it contains Iodine. This message educates you that iodine is good for health and *Tata Namak* contains iodine.
- ii. **To create demand for new product**-You read in newspaper that a new type of pen called ‘Gel pen’ is introduced in the market, which is very economical and convenient in writing. This motivates you to buy the said pen. Similarly, many students like you shall also buy gel pen after coming to know about it through advertisement. This will create a demand for the new product launched in the market.
- iii. **To retain existing customers**-You might remember that Nirma washing powder was a very popular detergent. But, after Wheel powder came to the market the sale of Nirma suddenly decreased. Then the manufacturers of Nirma improved the product and advertised about the same in different media. After knowing this the persons who were earlier using Nirma did not switch over to Wheel and continued using Nirma. In this manner Nirma sustained its existing demand. Thus, advertising helps the manufacturers not only to create a demand for a new product but also to retain the existing customers.
- iv. **To increase sales**-We have learnt that advertising creates demands for new products and sustains the demand of old one. Thus, with increase in demand, the sale of the product also increases.



- v. **To assist salesman**-In most of the advertisements the salient features of a product, its qualities and its uses are expressed in detail. This assists a salesman to sell the product quickly without spending time in explaining and convening the customer.



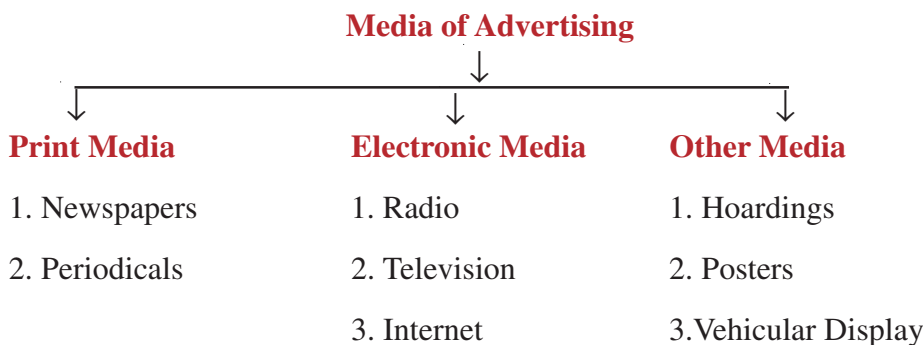
INTEXT QUESTIONS 15.1

State which of the following statements are ‘true’ and which are ‘false’?

- (i) The sponsor contacts the customers personally through advertisements.
- (ii) The cost of the advertisement is borne by the sponsor.
- (iii) Advertising helps in educating customers about different products and their use.
- (iv) Advertising helps to promote the sales of existing as well as new products.
- (v) Salesmen get no help from advertising while selling goods and services to customers.

15.3 MEDIA OF ADVERTISING

So far, you have learnt that advertisements are communicated by using some media like, newspaper, journals, radio, television, etc. The following diagram shows some commonly used media of advertising :



Let us learn in details about these media.

(A) Print Media

Print media is a very commonly used medium of advertising by businessman. It includes advertising through newspaper, magazines, journals, etc. and is also called press advertising.

1. Newspapers

You must have read Newspapers. In our country newspapers are published in English, Hindi and in other regional languages. These are the sources of news, opinions and current events. In addition, Newspapers are also a very common



Notes

medium of advertising. The advertiser communicates his message through newspaper which reaches to crores of people.

Advantages

Advantages of Newspaper Advertising are as below:

- i. Newspapers normally have wide circulation and a single advertisement in the newspaper can quickly reach to a large number of people.
- ii. The cost of advertising is relatively low because of wide publication.
- iii. Generally newspapers are published daily. Thus, the same advertisement can be repeated frequently and remind readers every day.
- iv. The matter of advertisement can be given to newspapers at a very short notice. Even last minute changes in the content is also possible. This makes advertising quite flexible.
- v. Newspapers are published from different regions and in different languages. Hence, they provide greater choice to advertisers to approach the desired market, region and readers through local or regional language.



Newspaper

Limitations

Newspaper advertising suffers from some limitations as mentioned below:

- i. Newspapers are read soon after they are received and then are kept generally in some corner of the houses. After 24 hours we get a fresh newspaper and this makes the life of the newspaper short.
- ii. People read newspapers mainly for news and pay casual attention to advertisement.
- iii. Illiterate persons can not read and thus, newspaper advertising does not benefit them.

2. Periodicals



Periodicals (Magazines)



Periodicals are publications which come out regularly but not on a daily basis. These may be published on a weekly, fortnightly, monthly, bimonthly, quarterly or even yearly basis. For example you must have come across magazines and journals like Outlook, India Today, Frontline, Yojana, Femina, etc. published regularly in English, Grah Shobha, Nandan and Champak in Hindi. Similarly there are also periodicals in Hindi and other regional languages. All these periodicals have a large number of readers and thus, advertisements published in them reach a number of people.

Advantages

- i. Periodicals have a much longer life than newspapers. These are preserved for a long period of time to be referred in future or read at leisure or read again, whenever required.
- ii. Periodicals have a selected readership and so advertisers can know about their target customers and accordingly selective advertisements are given. For example, in a periodical like Femina, which is a magazine for women, advertisements related to products to be used only by males are rarely published. However, manufacturers of products and services to be used by females prefer to give advertisement in this magazine.

Limitations

- i. Advertising in periodicals is costlier.
- ii. The number of people to whom the advertisements reach through periodicals is small in comparison to newspapers.
- iii. The advertisement materials are given much in advance; hence last minute change is not possible. This reduces flexibility.

(B) Electronic Media

This is a very popular form of advertising in the modern day marketing. This includes Radio, Television and Internet. Let us look into detail about these.

1. Radio Advertising

All of us are aware about a radio and must have heard advertisements for various products in it.

In radio there are short breaks during transmission of any programme which is filled by advertisements of products and services. There are member of popular programmes sponsored by advertisers, on radio in which advertisements are given at regular intervals.



Radio Advertising

**Advantages**

- (i) It is more effective as people hear it on a regular basis.
- (ii) It is also useful to illiterates, who can not read and write.
- (iii) There are places where newspapers reading may not be possible, but you can hear radio. For example, you can hear radio while travelling on road or working at home; but you can not read newspaper. Similarly, while driving you can hear a radio but cannot read a newspaper.

Limitations

- (i) A regular listener may remember what he has heard. But, occasional listeners tend to forget what they have heard in Radio.
- (ii) The message that any advertisement wants to communicate may not be proper as there is no chance to hear it again immediately. There may be some other disturbances that distort communication.
- (iii) In comparison to Television, Radio is less effective as it lacks visual impact.

2. Television Advertising

With rapid growth of information technology and electronic media, television has topped the list among the media of advertising. TV has the most effective impact as it appeals to both eye and the ear. Products can be shown, their uses can be demonstrated and their utilities can be told over television.

**Advertisement of Television**

Just like radio, advertisements are shown in TV during short breaks and there are also sponsored programmes by advertisers.

Advantages

- (i) It is most effective as it has an audio-visual impact.
- (ii) With catchy slogans, song and dance sequences, famous personalities exhibiting products, TV advertising has a lasting impact. For example, who can forget Aamir Khan saying “Thanda Matlab CocaCola” or Sachin Tendulkar in Pepsi advertisement?
- (iii) With varieties of channels and programmes advertisers have a lot of choice to select the channel and time to advertise.
- (iv) With regional channels coming up any person even illiterates can watch the advertisements and understood it by seeing and hearing.



Notes

Limitations

- (i) TV advertisements are usually expensive to prepare as well as to telecast.
- (ii) With almost every manufacturer trying to communicate their message through TV advertising the impact among the viewers is also reducing. Now-a-days people are switching on channels whenever there is a commercial break.

3. Internet Advertising

Are you aware about internet? In fact it is the latest method of communication and gathering information. If you have a computer with an access to internet you can have information from all over the world within a fraction of second. Through internet you can go to the website of any manufacturer or service provider and gather information. Sometimes when you do not have website addresses you take



Advertisement on Internet

help of search engines or portals. In almost all the search engines or portals different manufactures or service providers advertise their products.

Advantages

- (i) Information from all over the world is made available at the doorsteps.
- (ii) User can see the advertisement at any time and as per their requirement.

Limitations

- (i) It is not accessible without a computer.
- (iii) It is not suitable for illiterate and those having no knowledge about the operation of Internet.

(C) Other Media

All the media of advertising discussed above are mostly used by consumers while they are at home or inside any room, except radio and newspapers or magazines to some extent. Moreover in all these media, the consumer has also to spend some money to access the advertisement. However, there are other media available, where the consumer has to spend nothing and he can see such advertisements while moving outside. Some of such advertising are hoardings, posters, vehicular displays, gift items, etc.



1. Hoardings

While moving on roads you must have seen large hoardings placed on iron frames or roof tops or walls. These are normally boards on which advertisements are painted or electronically designed so that they are visible during day or night. The advertisers have to pay an amount to the owners of the space, where the hoardings are placed.



Advertisement on Hoardings

2. Posters

Posters are printed and posted on walls, buildings, bridges etc to attract the attention of customers. Posters of films which are screened on cinema halls are a common sight in our country.



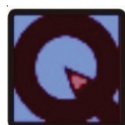
Advertisement on Posters

3. Vehicular displays

You must have seen advertisements on the public transport like buses, trains, etc. Unlike hoardings these vehicles give mobility to advertisements and cover a large number of people.



Advertisement on Vehicles



INTEXT QUESTIONS 15.2

I. Match the following:

- | | |
|--|---------------------|
| (i) Advertisement of Birla White Cement on a Bus | a. Electronic Media |
| (ii) Advertisement of ICICI bank in India Today | b. Other media |
| (iii) Advertisement of Maggie Noodles in TV | c. Print Media |

II. Multiple Choice Questions

- i. Which of the following are not the features of Advertising?
- (a) Personal presentation of message
 - (b) Paid form of Communication
 - (c) Sponsor is always identified
 - (d) Communicated through some media.

- ii. Print media of advertising does not include
 - (a) Newspaper
 - (b) Periodicals
 - (c) Internet
 - (d) Posters
- iii. Electronic Media of advertising include
 - (a) Hoardings
 - (b) Vehicular Displays
 - (c) Internet
 - (d) Poster
- iv. Advertisement through TV is not always suitable because
 - (a) Visual as well as sound effect
 - (b) Direct appeal
 - (c) Costly
 - (d) Non availability of T.V. to all
- v. Suitability of Radio advertisement does not include
 - (a) Need of visual effect
 - (b) Remote areas
 - (c) Illiterate persons
 - (d) Particular region or specific customer.



15.4 SUITABILITY OF MEDIA OF ADVERTISING

The advertisers must look into the suitability of each medium of advertising in relation to their product. For this purpose, they must look into the nature of the product or service to be advertised, the target customers for such product, the amount of allocated funds for such advertising and the availability of space and time in each medium. However, in general, the suitability of each medium of advertising can be summarized as follows:

1. **Newspapers** : These are suitable for consumer goods designed for general public. In case of new products to be launched, newspaper advertising is very useful as the same space can be occupied on a regular basis. Newspapers are also suitable for advertisements regarding clearance sale, exchange offers, etc.
2. **Periodicals** : These are suitable for products required by the target customers of the periodicals. For example, advertisement of any books can be given in journals like Readers' Digest as the target customers of this periodical is assumed to be a reader, similarly interior decorators, architects, builders can advertise in magazines specifically containing items of design and decoration. Consumer goods products can be advertised in any periodical having wide circulation.
3. **Radio** : Radio is suitable for advertising different varieties of products. However, the timing is important for radio advertising. For example, after farmers come back from field they normally listen to radio and during this time any firm producing agricultural products can advertise or sponsor their programmes.



4. **Television :** Choice of channels and programmes is important for the advertisers to advertise their product in TV. For example, in Cartoon Network channel, products for use of children can be advertised. Similarly, during any serials or films, consumer goods required by the family can be advertised. This medium is also suitable for products those require live demonstration while selling those to the consumers.

**WHAT YOU HAVE LEARNT**

- Advertising includes all the activities involved in presenting any product or service or idea by any producer, trader or service provider to prospective customers.
- Advertising incurs some cost and it is borne by the producer, trader or service provider known as sponsor or advertiser.
- The inherent message about the product or service or idea is called the advertisement.
- In every advertisement the identity of the sponsor is disclosed.
- The basic purpose of advertising is to educate the customers regarding the utility of the product/service and thereby to induce them to buy it.
- Advertisement also serves the purpose of creating a demand for any new product as well as maintaining and improving the existing demand for any product. Ultimately every advertising helps in increasing sales.
- There are various medium of advertising like newspaper and periodicals (print media); radio, television and internet (electronic media) and hoardings, posters, vehicular displays and gift items by manufacturer (other media). Each medium has its own advantages and disadvantages and suitability for specific products.

**TERMINAL EXERCISE**

1. What is meant by advertising? State its features.
2. Which medium of advertising has the audio-visual impact?
3. Which medium of advertising will be preferred by the blind?
4. What is advertising and what purposes does it serve?
5. What are the advantages and limitations of newspaper advertising?
6. Explain the advantages and limitations of advertising in periodicals?
7. What is radio advertising? Enumerate its advantages and limitations.
8. Describe any three points of importance of advertising.
9. Name any four items which are suitable for advertisement in Magazines, T.V. and hoardings.

10. What is meant by media of advertisement? State the different types of electronic media used for advertisement.
11. Explain the different types of media through which we get information without spending any money.



ANSWER TO INTEXT QUESTIONS

15.1 (i) False, (ii) True, (iii) True, (iv) True, (v) False

15.2 I. (i) b, (ii) c, (iii) a

II. (i) a, (ii) c, (iii) c, (iv) c, (v) a

ACTIVITY FOR YOU

- Make a list of products / services advertised through newspapers, television, radio and periodicals.



Notes



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SALES PROMOTION AND PERSONAL SELLING

Suppose you go to the market to buy cake of soap. The shopkeeper suggests that if you buy two soap cakes, an extra soap cake will be given to you free of cost under “buy 2 get 3” scheme. You feel attracted to buy as by doing so you are saving money on soap. Moreover, soap is an item which is required on a regular basis, and so you can keep the extra two cakes to be used later. This is an approach of increasing sale of a product and it is quite different from what you have learnt in the earlier two lessons. Let us learn more about it in this lesson.



OBJECTIVES

After studying this lesson, you will be able to:

- explain the meaning of sales promotion;
- state the objectives of sales promotion;
- describe the various tools used in sales promotion;
- recognise the role of each tool in promoting sales;
- describe the importance of sales promotion in business.
- state the meaning of personal selling;
- explain the essential elements of personal selling;
- describe the importance of personal selling; and
- identify the qualities of a successful salesperson.

16.1 MEANING OF SALES PROMOTION



Means of Sales Promotion



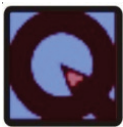
Notes

Every businessman wants to increase the sale of goods that he deals in. He can adopt several ways for that purpose. You might have heard about “Lakhpati Bano”, “Win a tour to Singapore”, “30% extra in a pack of one kg”, “scratch the card and win a prize” etc. You might also have seen gifts like lunch box, pencil box, pen, shampoo pouch etc. offered free with some products.

There are also exchange offers, like in exchange of existing model of television you can get a new model at a reduced price. You may have also observed in your neighbouring markets notices of “winter sale”, “summer sale”, “trade fairs”, “discount up to 50%” and many other schemes to attract customers to buy certain products. All these are incentives offered by manufacturers or dealers to increase the sale of their goods. These incentives may be in the form of free samples, gifts, discount coupons, demonstrations, shows, contests etc. All these measures normally motivate the customers to buy more and thus, it increases sales of the product. This approach of selling goods is known as “Sales Promotion”.

You have learnt about advertising in the earlier lessons. Advertising also help in increasing sales of goods. Thus, advertising can be used as means of communication to inform potential customers about the incentives offered for sales promotion. Sales promotion adopts short term, non-recurring methods to boost up sales in different ways. These offers are not available to the customers throughout the year. During festivals, end of the seasons, year ending and some other occasions these schemes are generally found in the market.

Thus, sales promotion consists of all activities other than advertising and personal selling that help to increase sales of a particular product.



INTEXT QUESTIONS 16.1

Answer the following in the space provided after each question.

i. What is meant by ‘Sales Promotion’?

ii. How can advertising help sales promotion?

**16.2 IMPORTANCE OF SALES PROMOTION**

The business world today is a world of competition. A business cannot survive if its products do not sell in the market. Thus, all marketing activities are undertaken to increase sales. Producers may spend a lot on advertising and personal selling. Still the product may not sell. So incentives need to be offered to attract customers to buy the product. Thus, sales promotion is important to increase the sale of any product. Let us discuss the importance of sales promotion from the point of view of manufacturers and consumers.

From The Point of View of Manufacturers

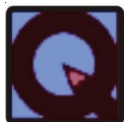
Sales promotion is important for manufacturers because of the following reasons.

- i. It helps to increase sales in a competitive market and thus, increases profits,
- ii. It helps to introduce new products in the market by drawing the attention of potential customers,
- iii. When a new product is introduced or there is a change of fashion or taste of consumers, existing stocks can be quickly disposed off,
- iv. It stabilizes sales volume by keeping its customers with them. In the age of competition it is quite possible that a customer may change his/her mind and try other brands. Various incentives under sales promotion schemes help to retain the customers.

From The Point of View of Consumers

Sales promotion is important for consumers because of the following reasons.

- i. The consumer gets the product at a cheaper rate,
- ii. It gives financial benefit to the customers by way of providing prizes and sending them to visit different places,
- iii. The consumer gets all information about the quality, features and uses of different products,
- iv. Certain schemes like money back offer creates confidence in the mind of consumers about the quality of goods,
- v. It helps to raise the standard of living of people. By exchanging their old items consumers can use latest items available in the market. Use of such goods improves their image in society.

**INTEXT QUESTIONS 16.2**

State whether the following statements are true or false :

- (a) Sales promotion does not help in increasing sale.

- (b) Sales promotion does not help in introducing a new product in the market.
- (c) Through sales promotion the consumer gets the product at a cheaper rate.
- (d) Sales promotion does not help the customer to get information about the product.
- (e) Sales promotions helps in raising the quality of life of the consumers.

16.3 TOOLS OF SALES PROMOTION

To increase the sale of any product manufactures or producers adopt different measures like sample, gift, bonus, and many more. These are known as tools or techniques or methods of sales promotion. Let us know more about some of the commonly used tools of sales promotion.

- (i) **Free samples:** You might have received free samples of shampoo, washing powder, coffee powder, etc. while purchasing various items from the market. Sometimes these free samples are also distributed by the shopkeeper even without purchasing any item from his shop. These are distributed to attract consumers to try out a new product and thereby create new customers. Some businessmen distribute samples among selected persons in order to popularize the product. For example, in the case of medicine free samples are distributed among physicians, in the case of textbooks, specimen copies are distributed among teachers.



- (ii) **Premium or Bonus offer:** A milk shaker along with Nescafe, mug with Bournvita, toothbrush with 500 grams of toothpaste, 30% extra in a pack of one kg. are the examples of premium or bonus given free with the purchase of a product. They are effective in inducing consumers to buy a particular product. This is also useful for encouraging and rewarding existing customers.



- (iii) **Exchange schemes:** It refers to offering exchange of old product for a new product at a price less than the original price of the product. This is useful for drawing attention to product improvement. 'Bring your old mixer-cum-juicer and exchange it for a new one just by paying Rs.500' or 'exchange your black and white





Notes

television with a colour television' are various popular examples of exchange scheme.

- (iv) **Price-off offer:** Under this offer, products are sold at a price lower than the original price. 'Rs. 2 off on purchase of a lifebouy soap, Rs. 15 off on a pack of 250 grams of Taj Mahal tea, Rs. 1000 off on cooler' etc. are some of the common schemes. This type of scheme is designed to boost up sales in off-season and sometimes while introducing a new product in the market.



- (v) **Coupons:** Sometimes, coupons are issued by manufacturers either in the packet of a product or through an advertisement printed in the newspaper or magazine or through mail. These coupons can be presented to the retailer while buying the product. The holder of the coupon gets the product at a discount. For example, you might have come across coupons like, 'show this and get Rs. 15 off on purchase of 5 kg. of Annapurna Atta'. The reduced price under this scheme attracts the attention of the prospective customers towards new or improved products.



- (vi) **Fairs and Exhibitions:** Fairs and exhibitions may be organised at local, regional, national or international level to introduce new products, demonstrate the products and to explain special features and usefulness of the products. Goods are displayed and demonstrated and their sale is also conducted at a reasonable discount. 'International Trade Fair' in New Delhi at Pragati Maidan, which is held from 14th to 27th November every year, is a well known example of Fairs and Exhibitions as a tool of sales promotion.



- (vii) **Trading stamps:** In case of some specific products trading stamps are distributed among the customers according to the value of their purchase. The customers are required to collect these stamps of sufficient value within a particular period in order to avail of some benefits. This tool induces customers to buy that product more frequently to collect the stamps of required value.
- (viii) **Scratch and win offer:** To induce the customer to buy a particular product 'scratch and win' scheme is also offered. Under this scheme a

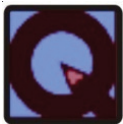


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customer scratches a specific marked area on the package of the product and gets the benefit according to the message written there. In this way customers may get some item free as mentioned on the marked area or may avail of price-off, or sometimes visit different places on special tour arranged by the manufacturers.



- (ix) **Money Back offer:** Under this scheme customers are given assurance that full value of the product will be returned to them if they are not satisfied after using the product. This creates confidence among the customers with regard to the quality of the product. This technique is particularly useful while introducing new products in the market.



INTEXT QUESTIONS 16.3

Match the tools/techniques of sales promotion with their objectives.

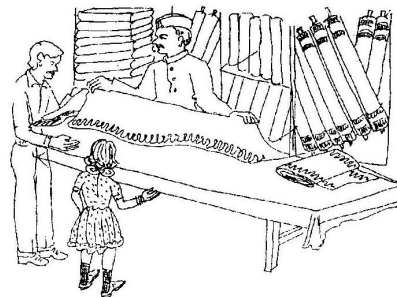
Tools / Techniques

Objectives

- | | |
|----------------------|---|
| i. Free Samples | (a) To induce customers to buy a product more frequently. |
| ii. Exchange Schemes | (b) Useful for drawing attention towards product improvement. |
| iii. Price-off offer | (c) When a new product is to be introduced |
| iv. Trading stamps | (d) To boost up sales in off-season. |

16.4 PERSONAL SELLING

When you want to buy something you usually go to the concerned shop and purchase it from there. But, sometimes you find people bring certain goods or products and make them available to you at your place. For example, you find persons selling vegetables or rice by carrying the same in a cart and moving from door to door to sell. You must have noticed persons selling sarees, carpets, electronic items, etc. in a similar fashion. While traveling in buses or local trains you must also have seen people selling pens, toys, books, combs, etc. inside the bus or train. In cities





also persons move from door to door to sell different products like water purifiers, air purifiers, detergents, mosquito repellents, etc. Don't you think these are different methods of selling goods unlike keeping them in a shop and sell? Let us learn more about these types of selling.

16.5 MEANING OF PERSONAL SELLING

Think about the persons who sell goods and commodities. What do they do? They show certain variety of goods to you, try to explain the features of the products, if required demonstrate the functioning of the items, inform you about the price and concession available, persuade you to buy the product and also in some cases promises you to bring certain items of your choice in future. So not only do they inform and explain to you about the product but also persuade you to buy those items and want you to buy from them in future also. On the other hand, you also gather more information about the product, see and handle it personally to judge it better.

The person who sells goods to you in this way is called a 'salesperson' and the technique of selling is known as 'personal selling' or 'salespersonship'. Thus, personal selling refers to the presentation of goods before the potential buyers and persuading them to purchase it. It involves face-to-face interaction and physical verification of the goods to be purchased. The objective is not only just to sell the product to a person but also to make him/her a permanent customer.

You can also find personal selling in some shops where salesmen are employed by the shopkeeper to use this technique. For example, you can find such salespersons in jewellery stores, consumer goods stores, saree houses, etc. In case of some services, we also find personal selling used in shops. For example, we find people going to the same barbershop for hair cut and get a free massage from a specific barber tastes. This shows that in case of personal selling the seller usually come to know about the tastes and preferences of the customer and thus attracts him to buy the goods or services. Personal selling refers to the presentation of goods and services before the customers and convincing or persuading them to buy the products or services. After having an idea about personal selling, let us know about some of the essential elements of personal selling.

16.6 ESSENTIAL ELEMENTS OF PERSONAL SELLING

Personal selling consists of the following elements.

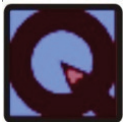
- i. **Face-to-Face interaction:** Personal selling involves a salesmen having face-to-face interaction with the prospective buyers.
- ii. **Persuasion:** Personal selling requires persuasion on the part of the seller to the prospective customers to buy the product. So a salesperson



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must have the ability to convince the customers so that an interest may be created in the minds of the customers to use that product.

- iii. **Flexibility:** The approach of personal selling is always flexible. Sometimes salesperson may explain the features and benefits of the product, sometimes give demonstration of the use of product and also answers number of queries from the customers. Looking into the situation and interest of the customers, the approach of the salesperson is decided instantly.
- iv. **Promotion of sales:** The ultimate objective of personal selling is to promote sales by convincing more and more customers to use the product.
- v. **Supply of Information:** Personal selling provides various information to the customers regarding availability of the product, special features, uses and utility of the products. So it is an educative process.
- vi. **Mutual Benefit:** It is a two-way process. Both seller and buyer derive benefit from it. While customers feel satisfied with the goods, the seller enjoys the profits.



INTEXT QUESTIONS 16.4

Fill in the blanks with appropriate words.

- i. Personal selling involves persuading _____ to buy the goods
- ii. The ultimate objective of personal selling is _____.
- iii. The most important element of personal selling is _____ interaction.
- iv. Supply of information to customers makes personal selling an _____ process

16.7 IMPORTANCE OF PERSONAL SELLING

Personal Selling is extremely important as it helps in increasing sales. But there are other features as well which make it important. Let us discuss the importance of personal selling from the point of view of manufactures as well as consumers.

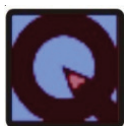
From manufacturer's point of view

- i. It creates demand for products both new as well as existing ones.
- ii. It creates new customers and, thus help in expanding the market for the product.
- iii. It leads to product improvement. While selling personally the seller gets acquainted with the choice and demands of customers and makes suggestions accordingly to the manufacturer.



From customer's point of view

- i. Personal selling provides an opportunity to the consumers to know about new products introduced in the market. Thus, it informs and educates the consumers about new products.
- ii. It is because of personal selling that customers come to know about the use of new products in the market. The sellers demonstrate the product before the prospective buyers and explain the use and utility of the products.
- iii. Personal selling also guides customers in selecting goods best suited to their requirements and tastes as it involves face-to-face communication.
- iv. Personal selling gives an opportunity to the customers to put forward their complaints and difficulties in using the product and get the solution immediately.



INTEXT QUESTIONS 16.5

Which of the following statements are true and which are false?

- i. Personal selling helps manufacturers to improve their products based on suggestions made by sellers.
- ii. Customers do not have immediate solution of their problems regarding a product from the salesperson.
- iii. Personal selling leads to creation of new customers only for the existing products.
- iv. Better use of product is not the result of personal selling.
- v. Customers can complain to the salesperson about a product.

16.8 QUALITIES OF SALESPERSON ENGAGED IN PERSONAL SELLING

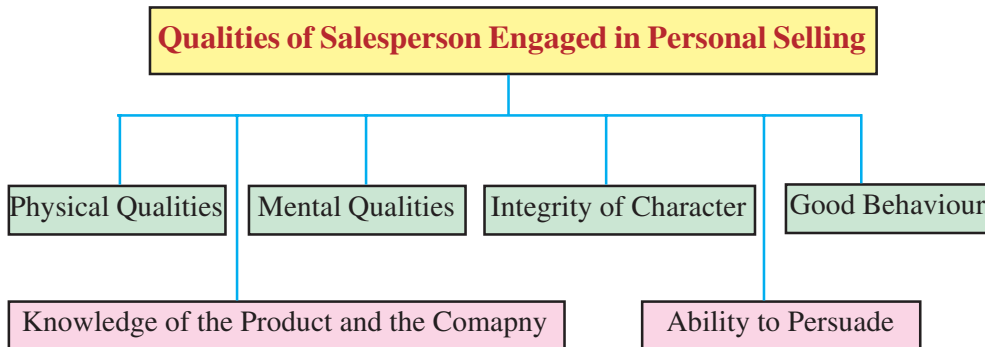
It is very difficult to enlist the qualities of people engaged in personal selling. The quality will vary from time to time and from situation to situation. It also depends upon the customers' demand and nature of the product. Again a salesperson may be effective in one situation but may fail in another situation. So in real life certain qualities may be suitable for a particular line of product and may be irrelevant in any other case. However, there are certain common qualities, which every salesperson should possess in order to become successful in their life. These qualities are listed below. Now let us discuss the above qualities in detail.

- i. **Physical qualities:** A salesperson should have a good appearance and an impressive personality. He should also have a sound health.



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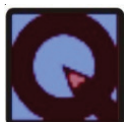
- ii. **Mental qualities:** A good salesperson should possess certain mental qualities like imagination, initiative, self-confidence, sharp memory, alertness etc. He should be able to understand the needs and preferences of customers.



- iii. **Integrity of character:** A good salesperson should possess the qualities of honesty and integrity.

He is to gain the confidence of the customers. He should be able to understand their needs and guide them how to satisfy those needs. His employer too should have faith in him. A salesperson should be loyal both to the employer and to the customers.

- iv. **Knowledge of the product and the company:** A salesperson should have full knowledge of the product and the company he is representing. He should be able to explain each and every aspect of the product i.e. its qualities, how to use it, what precautions to be taken, etc. He should be able to explain the business and service record of the company. He should also have knowledge of products of rival companies. So that he can put across the superiority of his own products.
- v. **Good behaviour :** A salesperson should be co-operative and courteous. Good behavior enables one to win the confidence of the customers. He should not feel irritated if the buyer puts up many questions even if the questions are irrelevant. It is also not necessary that the person he is trying to convince buys the product. The salesperson has to remain courteous in every case.
- vi. **Ability to persuade:** A good salesperson should be good in conversation so that he can engage the person he is attending in conversation. He should be able to convince him and create the desire in the mind of prospective customers to possess the commodity.

**INTEXT QUESTIONS 16.6**

- I. State which of the following statements are 'true' and which are 'false':
- (i) Knowledge of product is not necessary to make one a good salesperson.
 - (ii) A good salesperson should have imagination, initiative and alertness.
 - (iii) It is not necessary for a good salesperson that he must be accepted by the society.
 - (iv) A good salesperson should be loyal to the consumer but not to the employer.
 - (v) Impressive voice, good appearance and sound health have no place in the qualities of a good salesperson.
- II. Multiple Choice Questions:
- (i) Sales promotion is important from the point of view of manufactures because.
 - (a) Increases Profit
 - (b) Provides Products at Cheaper rates
 - (c) Inform about quality & features
 - (d) Raise the standard of living of people
 - (ii) Sales promotion is important from the point of view of consumers because.
 - (a) It helps to increase sales
 - (b) It stabilizes sales
 - (c) It helps to raise the standard of living
 - (d) It increases profits
 - (iii) Which are of them is a tool of sales promotion?
 - (a) Free samples
 - (b) Advertisement
 - (c) Publicity
 - (d) Personal Selling
 - (iv) The ultimate objective of personal selling is.
 - (a) To raise standard of living
 - (b) Provide better quality of products
 - (c) More satisfaction to customers
 - (d) Increase sale of products
 - (v) Essential element of Personal Selling is
 - (a) Cheap Product
 - (b) Face to Face interaction
 - (c) Physical fitness of salesman
 - (d) Good behaviour of Salesman



WHAT YOU HAVE LEARNT

- Sales promotion consists of all promotional activities other than advertising and personal selling to increase sales of a commodity.
- Objectives of Sales Promotion are to : Introduce new products, Attract new customers and retain the existing, Maintain sales of seasonal products and Challenge the competition.
- Tools / Techniques used in Sales Promotion : Free samples, Premiums or Bonus offer, Exchange schemes, Price-off offer, Coupons, Fairs and Exhibitions, Trading stamp, Scratch and win offer and Money Back offer.
- Importance of Sales promotion :
For manufacturers : increases the volume of sales, leads to product improvement, help to introduce new products, enables quick disposal of existing stock and stabilizes the volume of sales.
For consumers : creates new customers, Goods are available cheaper rate, Financial benefits to the customers in the market, Generates awareness about new products, Leads to product improvement, Helps to introduce new products, Creates confidence in the mind of customers regarding quality and Raise standard of living,
- Personal selling refers to the presentation of goods and services and convincing and persuading potential customers to buy the product or service.
- Essential elements of personal selling are : face-to-face interaction, persuasion, flexibility, promotion of sales, supply of information and mutual benefits
- Personal selling is important both from the customers and manufacturers point of view.
- Qualities that can make a sales person more effective are many. These include physical and mental qualities, integrity of character, knowledge of the product and the company, good behaviour and ability to persuade the customers.

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TERMINAL EXERCISE

1. Define Sales Promotion.
2. State the importance of Sales Promotion from the point of view of manufacturers.
3. State the importance of Sales Promotion from the point of view of consumers.

MODULE - IV

Buying, Selling and Distribution



Notes

Sale Promotion and Personal Selling

4. List any six tools used in Sales Promotion.
5. Explain the meaning of 'Sales Promotion'. Why is Sales Promotion necessary?
6. Explain any two techniques of Sales Promotion, with an example of each.
7. Explain – "Price off offer" and "Free-Samples" as techniques of Sales Promotion.
8. Explain how Sales Promotion techniques help in promoting sales.
9. A toothpaste company is giving 250 grams toothpaste free with a pack of 500 gm toothpaste. Name this technique of sales promotion. What is the specific objective of this scheme? Explain two more schemes of Sales Promotion other than this.
10. Define Sales Promotion. What are the objectives of Sales Promotion?
11. Explain the term 'Sales Promotion'. Discuss any four techniques of Sales Promotion?
12. 'Sales Promotion is important both for manufacturer and consumers'. Explain how?
13. What is meant by personal selling?
14. State the essential elements of personal selling.
15. Describe the importance of personal selling from the point of customers.
16. Explain the importance of personal selling from the point of view of manufacturers.
17. State the physical and mental qualities of sales persons engaged in personal selling.
18. State the social qualities of sales persons engaged in personal selling.
19. What are the occupational qualities of salespersons engaged in personal selling?
20. Define personal selling. Explain the importance of personal selling from the point of view of customers and manufacturers.
21. What is meant by personal selling? Explain the essential elements of personal selling.
22. Do you think that to be a successful salesperson only personal and mental qualities are sufficient? Give reasons in support of your answer.
23. Describe the different qualities of sales persons engaged in personal selling.
24. A salesperson need not possess any quality if the product is good. Do you agree with the statement? Give reason.



ANSWER TO INTEXT QUESTIONS

- 16.1** i) Sales Promotion refers to all activities other than advertising and Personal selling that help to increase sales of a particular commodity.

ii) Advertising can be used as a means of communication to inform potential customers about incentives for sales promotion.

16.2 a) False, b) False, c) True, d) False, e) True

16.3 (i) and c, (ii) and b, (iii) and a, (iv) and d.

16.4 (i) customers, (ii) to promote sale of products,
(iii) face-to-face, (iv) educative.

16.5 (i) True, (ii) False; (iii) False, (iv) False, (v) False

16.6 I. (i) False, (ii) True, (iii) False, (iv) False, (v) False

II. (i) a, (ii) c, (iii) a, (iv) d, (v) a

ACTIVITIES FOR YOU

- Make an enquiry from the neighbouring market retailers at what time they offer stock clearance sale and why.
- Collect information through advertisements in newspapers and magazines regarding various sales promotion schemes introduced by manufacturers.
- While buying any goods and services, carefully notice the behaviour of the salespersons and note down the various qualities he/she possess.



Notes

MODULE - V

Maximum Marks

16

Hours of Studies

35

Consumer Awareness

The main objective of every business should be consumer satisfaction. However, in practice consumer often exploited by the businessmen in different ways. Sometimes low quality goods are sold or higher price is charged. This happens due to the lack of awareness about their rights and responsibilities by consumer. It is in this context that this module has been designed to develop an understanding among the learners about their rights, responsibilities as consumer and their protection under different provisions of the law.

- Lesson 17** : **Rights and Responsibilities of Consumers**
Lesson 18 : **Consumer Protection**



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RIGHTS AND RESPONSIBILITIES OF CONSUMERS

We often come across many people who complaint of having been supplied with inferior or adulterated goods for which they have paid full price. Similarly some people are seen grumbling that they have paid full fare but the seats of bus and train provided were very un-comfortable. So many a times people do not get the full worth of their money. They do not have a right to get the full value of their money spent for the goods and services they want to avail of.

Sometimes, people themselves are responsible for the inappropriate goods and services that are provided to them. Many a times, they do not know full details of the products or services they are interested in. Sometimes, they take the delivery of goods or avail the services without caring for their quality. Is it not their responsibility to give full details of the goods and services required by them? In this lesson let us learn the details about the rights and responsibilities of consumers.



OBJECTIVES

After studying this lesson, you will be able to:

- define the term consumer;
- distinguish between a consumer of goods and consumer of services;
- state the meaning of the term 'consumerism';
- explain the various rights of a consumer; and
- state the various responsibilities of consumers.

17.1 WHO IS A CONSUMER?

Simply speaking, consumer is a person who consumes or uses various goods and services. Goods may include consumable goods (like wheat flour, salt, sugar, fruits, etc.) or durable consumer goods (like television, refrigerator, toaster, mixer, bicycle, etc.). Services that we buy may include electric power, telephone, transport service, theatre service, etc. Thus, a consumer is one who buys goods and services for use. If a retail trader buys goods (say stationery

items) from a wholesaler, he is not a consumer but a trader because he buys goods for resale.

Is the buyer, who is a consumer, only expected to use the goods? Not always. If you buy an exercise book for writing in it yourself, you are the buyer as well as user. Suppose your father buys food items, they are often meant for consumption by all members of the family. Or, when he buys detergent powder, it may be used by members of the family and any person who may be engaged in washing. So, a consumer buys goods which may be used by members of the family or someone else on behalf of the buyer.

Consumer is a person who buys goods or services to be used or consumed by himself/herself or by someone else on behalf of the buyer. Goods may include consumable items or durable consumer goods.

While services paid for may be transport, electricity, film-shows and the like. A 'consumer' may also be defined as "Anybody who chooses goods and services, spends money to obtain them and uses them to satisfy his/her needs".

Let us see what is the difference in position of a consumer of goods and that of a consumer of services. Services that we buy for our benefit may include transport service, like when we hire a taxi or auto-rickshaw, travel in a public bus or undertake rail journey to visit any place. If you have your own bicycle or scooter or motor-cycle, it may need repairs and you take it to a repairing shop. You pay for the service of the person who does the repair job. You are then a consumer of the service. Electricity or telephones that we use everyday either at home or at our work place are also services that we consume for which payment is made. A film-show seen for entertainment at cinema houses is also an example of service.

The main difference between goods and services consumed is that quality of goods can be physically verified before buying but the reliability and regularity of services cannot be verified before hand. For example, while buying a television you can have a demonstration of its functioning, picture quality, sound, etc. but you cannot verify whether the voltage of electricity supplied will be stable all the time. You can taste a sample of food item and then buy it or see whether fruits are over-ripe before buying. But you cannot verify whether a scooter or taxi driver will be cautious enough to avoid accidents or whether the clarity of sound and picture of a movie will be maintained throughout the show.

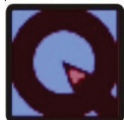
Besides, goods we buy can be consumed instantly or over a period of time. We can store cereals for a week or month, and a refrigerator can be used for several



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**Notes**

years with necessary repairs from time to time. But we cannot do so with (say) transport services or repairs, electric supply or telephone service or a film show.

**INTEXT QUESTIONS 17.1**

Answer the following questions using the words 'yes' or 'no'

- i. One who buys goods may or may not be a consumer. Is it so?
- ii. Is it correct to say that anyone who consumes food must be its buyer?
- iii. Can a shopkeeper be regarded as a consumer if he buys a readymade shirt for his own use?
- iv. I have paid membership fee to a public library and use it for reading books and journals. Am I a consumer of services?
- v. Your friend bought a story book and having read it, sold it to a bookseller selling secondhand books at a lower price. Is your friend a consumer?

17.2 MEANING OF CONSUMERISM

As a consumer, you must be using goods and services from time to time. You may be having the experience of being exploited by some or the other suppliers. Sometimes they over-charge or supply inferior quality of goods and services. It is difficult to stop such exploitation by any consumer single handedly. The intensity of such exploitation may be restricted if consumers become alert and collectively take a stand against such malpractices. Self-effort on the part of consumers for safe-guarding themselves is known as "consumerism".

Consumerism refers to a movement by consumers to ensure fair and honest (ethical) practices on the part of manufacturers, traders, dealers and services providers in relation to consumers. The movement may be regarded an attempt by individual consumer activists and consumer associations for creating consumer awareness about the malpractices in the market and finding ways and means to protect their interests.

This movement will be successful if consumers are aware of their rights and responsibilities while using goods and services. Let us learn about the various rights and responsibilities of consumers.

Consumer Protection Act, 1986

Consumer Protection Act provides for consumer protection more comprehensively than any other law. Consumers can seek legal remedy for a wide range of unfair practices not only with respect to goods but also for deficiency in services like banking, insurance, financing, transport, telephone, supply of electricity or other energy, housing, boarding & lodging, entertainment,

amusement, etc. This Act also includes provision for the establishment of consumer protection councils at the centre and the state. For the settlement of consumer disputes, the act has provided for a semi-judicial system. It consists of District Forum, State Commission and National Commission for redressal of consumer disputes. These may be regarded as consumer courts.



Notes

17.3 RIGHTS OF CONSUMERS

You know that today consumers face various problems on account of competition in the market, misleading advertisements, availability of inferior quality of goods and services, etc. Hence protection of consumers' interest has become a matter of serious concern for the Government as well as public bodies. It is to safeguard the interest of consumers that Government has recognized certain rights of consumers. In other words, if consumers are to protect themselves from being exploited or cheated, they have to be given certain rights so that they are in a position to ensure that sellers of goods and service providers are more careful in dealing with them. For example, one of the rights of consumers is the right to choose. If you are aware of this right, you may ask for different varieties of the same product to be shown to you by the shopkeeper so that you can choose what you like. Sometimes, shopkeepers try to sell a particular brand of product on which they get higher commission on sale. It may not be of the good quality, or it may be available at a relatively lower price. This practice can be prevented if you exercise your right to choose the product and visit other shops if one shop does not have a large variety of the product.

Let us now discuss the various rights of consumers that are provided in the Consumer Protection Act 1986 :

- (i) **Right to safety:** Consumers have a right to be protected against marketing of goods which are injurious to health and life. As a consumer if you are conscious of this right, you can take precautions to prevent the injury or if injury is caused in spite of precaution, you have a right to complain against the dealer and even claim compensation. For example, if you buy any medicine, the pharmacy selling it can be held responsible if the medicine proves harmful because it was substandard. Again if gas cylinder is used for cooking, you have to check that it does not leak when it is supplied to you. If it starts leaking afterwards, the supplier will be liable to pay compensation if the leakage of gas leads to fire and causes injury or death to anyone.





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- (ii) **Right to be informed:** Consumers also have the right to be informed about the quantity, quality, purity, standard or grade and price of the goods available so that they can make proper choice before buying any product or service. Also, wherever necessary, the consumer must be informed about the safety precautions to be taken while using the product to avoid loss or injury. Taking the example of gas cylinder again, the supplier must inform the user to stop the flow of gas with the help of the regulator when it is not in use.
- (iii) **Right to choose:** Every consumer has the right to choose the goods needed from a wide variety of similar goods. Very often dealers and traders try to use pressure tactics to sell goods of inferior quality. Sometimes, consumers are also carried away by advertisements on the TV. These possibilities can be avoided if consumers are conscious of this right.
- (iv) **Right to be heard:** This right has three interpretations. Broadly speaking, this right means that consumers have a right to be consulted by Government and public bodies when decisions and policies are made affecting consumer interests. Also, consumers have a right to be heard by manufactures, dealers and advertisers about their opinion on production and marketing decisions. Thirdly, consumers have the right to be heard in legal proceedings in law courts dealing with consumer complaints.
- (v) **Right to seek redressal:** If and when any consumer has a complaint or grievance due to unfair trade practices like charging higher price, selling of inferior quality or unsafe products, lack of regularity in supply of services etc. or if he has suffered loss or injury due to defective or adulterated products, he has the right to seek remedies. He has a right to get the defective goods replaced or money refunded by the seller or dealer. He also has the right to seek legal remedies in the appropriate courts of law. Through this right the consumers are assured that their complaints will receive due attention. This right also provides for due compensation to consumers if they have suffered a loss or are put to inconvenience due to the fault of the supplier or manufacturer.
- (vi) **Right to consumer education:** To prevent market malpractices and exploitation of consumers, consumer awareness and education are essentially required. For this purpose, consumer associations, educational institutions and Government policy makers are expected to enable consumers to be informed and educated about (a) the relevant

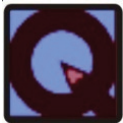


laws which are aimed at preventing unfair trade practice; (b) the ways in which dishonest traders and producers may try to manipulate market practices to deceive consumers; (c) how consumers can protect their own interest; and (d) the procedure to be adopted by consumers while making complaints.



Notes

Steps have already been taken by many consumer organisation to educate consumers through pamphlets, journals and posters. TV programmes have also come to play an effective role in this connection.



INTEXT QUESTIONS 17.2

I. Match the phrases under column A and B

Column A

- (i) Right to be heard
- (ii) Right to safety
- (iii) Right to consumer education
- (iv) Right to seek redressal
- (v) Right to choose

Column B

- a) Seek legal remedy in court of law
- b) Consultation with consumers regarding policy decision
- c) Select the best quality item
- d) Protection against marketing of hazardous goods
- e) Information about relevant laws of consumer protection

II. State which of the following statements are true and which are false.

- i) There is no need for businessmen to inform their customers about the quality of products because they can judge the quality themselves.
- ii) Service providers are not responsible for allowing customers to seek remedies for poor quality of services supplied.
- iii) Right to be heard will enable consumers to ensure due consideration of their interest at the appropriate forum.
- iv) The right to be heard can effectively be exercised if the consumers are unorganized.
- v) The consumer has the right to choose goods of his own choice and the business should give full freedom to consumers to choose.



Notes

17.4 RESPONSIBILITIES OF CONSUMERS

There is a well known saying that ‘there cannot be rights without responsibilities’. Having examined the consumer rights and the purpose served by them, it is necessary to consider whether consumers should also be responsible enough to be entitled to exercise their rights. For instance, to be able to exercise their right to be heard, consumers should avail of the opportunities to know and keep informed about consumer problems. To exercise their right to seek redressal of complaints, consumers must take all precautions to choose the right goods at the right price and learn how to use the products to prevent injury or loss. Specifically, the responsibilities of consumers may include the followings:

- (i) **Responsibility of self-help** It is always desirable that a consumer should not depend on the seller for information and choice as far as possible. As a consumer, you are expected to act in a responsible manner to protect yourself from being deceived. An informed consumer can always take care of his/her interest more than anyone else. Also, it is always better to be forewarned and forearmed rather than getting remedies after suffering a loss or injury.
- (ii) **Proof of Transactions:** The second responsibility of every consumer is that the proof of purchase and documents relating to purchase of durable goods should be invariably obtained and preserved. For example, it is important to get a cash memo on purchase of goods. You should remember that in case you have to make any complaint about defects in goods, the proof of purchase will enable you to establish your claim for repair or replacement of the goods. Similarly, durable consumer goods like TV, refrigerator, etc. carry warranty /guarantee cards issued by the dealers. The cards entitle you to get the service for repairs and replacement of parts, free of cost during a certain period after purchase.
- (iii) **Proper claim:** Another responsibility that consumers are expected to bear in mind is that while making complaints and claiming compensation for loss or injury, they should not make unreasonably higher claims. Very often, consumers have to exercise their right to seek redressal in a court. There have been cases in which consumers claimed huge compensation for no apparent reason. This is regarded as an irresponsible act which should be avoided.
- (iv) **Proper use of Product/services:** Some consumers, especially during the guarantee period, make rough use of the product, thinking that it will be replaced during the guarantee period. This is not fair on their

part. They should always use the products properly. Besides the above responsibilities, consumers should be conscious of some other responsibilities. They should stick to the agreement made with manufacturers, traders and service providers. They should make timely payment in case of credit purchases. They should not tamper with the media of services, like electric and water meters, bus and train seats, etc. They should remember that they can exercise their rights only when they are willing to fulfill their responsibilities.

**Notes****INTEXT QUESTIONS 17.3**

- I. Which of the following statements are right and which are wrong?
- A responsible consumer is one who tries to protect his interest on his own.
 - A consumer should never depend on the seller for information regarding the quality of a product.
 - If I have purchased any product after due precaution, I cannot exercise my right to seek redressal.
 - There is no need to use product carefully during the guarantee period.
 - If as a consumer, I have suffered physical injury due to a defective electric heater and spent Rs. 5,000 on medical treatment, I should be entitled to claim compensation for Rs. 50,000.
- II. Multiple Choice Questions
- In which year consumer Protection Act was enforced?
(a) 1972 (b) 1982 (c) 1986 (d) 1995
 - How many rights of consumers are provided under the Consumer Protections Act 1986.
(a) 6 (b) 8 (c) 7 (d) 4
 - Responsibility of Consumer includes
(a) Proper use of Product/Service
(b) Right to Education
(c) Must fight for its rights
(d) Should always visit consumers courts
 - Consumerism refers to movement by
(a) Government (b) Society
(c) Producers (d) Consumers



Notes

- v. Which right provides due compassion to consumers?
 (a) Right to be informed (b) Right to seek redressal
 (c) Right to be heard (d) Right to choose



WHAT YOU HAVE LEARNT

- Consumer is a person who buys goods or services to be used or consumed by himself/herself or by someone else on behalf of the buyer. Goods may include both consumable items and durable consumer goods, while services paid for may include transport, electricity, film shows and the like.
- Consumerism refers to a movement by consumers so as to ensure fair and honest (ethical) practices on the part of manufacturers, traders, dealers and service providers in relation to consumers.
- Rights of the consumers are (i) Right to safety (ii) Right to be informed (iii) Right to choose (iv) Right to be heard (v) Right to seek redressal (vi) Right to consumer education.
- Responsibilities of the consumers are (i) Responsibility of self-help (ii) Proof of transaction (iii) Proper claim (iv) Proper use of product/ services.



TERMINAL EXERCISE

1. Define a consumer.
2. Distinguish between a consumer of goods and consumer of service.
3. Describe the concept of consumerism.
4. As a part of their right to consumer education, what should consumers expect to be educated about ?
5. Explain the various rights of consumers.
6. Who is a consumer? What are the responsibilities of a consumer?
7. What are the documents a consumer should preserve after buying durable goods?



ANSWER TO INTEXT QUESTIONS

- 17.1** (i) Yes, (ii) No, (iii) Yes, (iv) Yes, (v) Yes
- 17.2** I. (i) b, (ii) d, (iii) e,
 (iv) a, (v) c

II. (i) False, (ii) False, (iii) True,
(iv) False, (v) True

17.3 I. (i) True, (ii) True, (iii) False,
(iv) False, (v) False

II. (i) c, (ii) a, (iii) a,
(iv) d, (v) b

ACTIVITIES FOR YOU

- Prepare a list of goods and services you are using in your day to day life.
- As a consumer have you ever faced any problem while buying goods and availing services? What action have you taken to protect your interest?



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CONSUMER PROTECTION

In the earlier lessons, you have studied about the various rights and responsibilities of consumers. You have also studied about ‘consumerism’, which is a movement aimed at making consumers aware of their problems and their rights, so that they may seek remedies for their losses and sufferings. In this lesson, we shall discuss why consumers need to be protected and what are the ways and means of protecting them from the unfair practices of businessmen.



OBJECTIVES

After studying this lesson, you will be able to:

- explain the meaning of consumer protection;
- state the various problems faced by consumers;
- realise the need for consumer protection;
- identify the parties involved in consumer protection;
- outline the provisions of laws aimed at protecting consumers;
- discuss the jurisdiction of consumer courts established for redressal of consumer disputes; and

18.1 MEANING OF CONSUMER PROTECTION

You are familiar with the fact that consumers have certain basic rights like the right to safety, right to be informed, right to choose, and the right to be heard. But do we always remember these rights while buying goods? Perhaps not, But even if we are aware of these rights, sellers very often take advantage of our position and supply goods which are defective or harmful or unsafe and cause injury.

Suppose you have gone to buy edible oil in a store. The shopkeeper tells you that it is available in a closed tin or container. You want to be sure that the oil is not adulterated, that is, it is not mixed with some inferior or harmful oil. The shopkeeper will show you the name of the producer on the label and say that it is a well-known company which does not supply impure oil. But after using

the oil you fall ill. Can you go to the shopkeeper and return the oil? No, he will not take back the partly used oil in the open tin. He will perhaps tell you that your illness must be due to something else. So, at best you can stop buying edible oil of the same brand. But what is the assurance that you will not face the same problem with the oil of another producer?

Again, take for example the defect that consumers may find in a fan regulator, or electric heater, or a TV. During the warranty period, the dealer may repair it free of charge, but the defect may be there even afterwards. What will you do? Suppose the defect in the electric heater causes injury. Is there any remedy? You may take it to the seller, who may put the blame on you, saying that you did not take necessary precaution while using it.

These are some instances of consumer helplessness even if he is an aware consumer. So, to safeguard the interest of consumers it is felt that some measures are necessary to help the common-man. Thus, consumer protection refer to the steps necessary to be taken or measures required to be accepted to protect consumers from business malpractices. It may be regarded as a movement like consumerism. This is necessary primarily because businessman aim at maximising profits and this is often done at the expense of consumers.

Let us consider the nature of business practices which prevail in our country causing monetary loss and injuries to health and life of people.

18.2 PROBLEMS FACED BY CONSUMERS

Consumers may be deceived in various ways by unscrupulous businessmen including traders, dealers, producers and manufacturers as well as service providers. Some of the following unfair practices must have come to your notice sometime or the other:

1. **Adulteration**, that is, adding something inferior to the product being sold. This is a practice we come across in the case of cereals, spices, tea leaves, edible oil, petrol, etc. For example, mustard oil may be adulterated with rape seed oil or argemone oil, black pepper is known to be adulterated with dry papaya seeds, petrol is mixed with kerosene oil, vanaspati may be mixed with ghee/butter. Sometimes, the inferior material used with the product may be injurious to health.
2. **Sale of spurious products**, that is, selling something of no value instead of the real product. This is often found in the case of medicines and drugs or health care products. Cases have been reported where ampules for injections contained only water or glucose water in bottles contained only distilled water.



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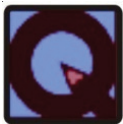
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3. **Use of false weights and measures** is another malpractice which some traders adopt while selling the goods. Goods which are sold by weight (kg.) like vegetables, cereals, sugar, etc., those sold by measures (meter) like textile fabrics, suit pieces, are sometimes found to be less than the actual weight or length. False weights (1Kg, 500 grams , 250 grams, etc) or measuring tapes or sticks having false markings are used for the purpose and buyers are cheated. Sometimes packaged goods and sealed containers (tins) contain less quantities, than what is stated on the label or packet. This cannot be easily verified. Sweets are often weighed along with the card board box which may weigh upto 50-100 grams. You pay for it at the same rate as the sweets.
4. **Sale of duplicates**, that is, goods that indicates a mark which shown it is of superior quality than what it actually is. For example, goods which are locally made, are sold at a higher price as imported items expected to be of superior quality. Certain products like washing soap, detergent powders, tube lights, jams, edible oil, even medicines, carry well known brand names although these are made by others.
5. **Hoarding and black-marketing** is another problem that consumer often face. When any essential commodity is not made available in the open market and stocks are intentionally held back by dealers it is known as hoarding. Its purpose is to create an artificial scarcity, to push up the prices. Black marketing is the practice of selling hoarded goods, secretly at a higher price. These practices are sometimes adopted when there is short supply of any product. You may have read in the newspapers sometime back about scarcity of onions in the open market in some states and high prices being charged by traders who had stocks.
6. **Tie-in-Sales:** Buyers of durable consumer goods are sometimes required to buy some other goods as a pre-condition to sale or may be required to pay after-sales service charges for one year in advance. You may have heard about tying up of new gas connections with the sale of gas stoves (burners). Also TV sets are sometimes sold on the condition that the buyers will make advance payment of a year's service charge.
7. **Offering gifts having no additional value**, or coupons to collect a gift on the next purchase of some product are practices aimed at alluring consumers to buy a product. Often gifts are offered after the price of the product on sale has been increased. Dealers also announce contests or lottery among buyers of a product without the intention of awarding any prize.
8. **Misleading advertisement** is yet another practice by which consumers are deceived. Such advertisements falsely represent a product or service to be of superior quality, grade or standard, or falsely asserts the need

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for or usefulness of a product or service. A pharmaceutical company advertised that use of its paracetamol tablet did not have any side effects like aspirin, but it suppressed the experts' report that the use of paracetamol had adverse effect on the liver. A company announced in its advertisement that it was manufacturing 150 cc. scooters in technical collaboration with a foreign company, although no such collaboration had been entered into. In another case, a company used the trademark of a well-known company 'Philips' in its advertisement for TV sets, on enquiry it was found that the company did not have the necessary permission from Philips for the use of its trade mark on TV sets. It was a case of misrepresentation of facts although that company was authorised to use the trademark 'Philips' on its audio products (radio sets) only.

9. **Sale of sub-standard goods** i.e., sale of goods which do not conform to prescribed quality standard particularly for safety . Such products include pressure cookers, stoves, electric gadgets (heaters, toasters, etc.), and cooking gas cylinders.

**INTEXT QUESTIONS 18.1**

Which of the following statements are true and which are false?

- i. Adulteration does not always mean mixing poisonous materials with the goods on sale.
- ii. Tie-in-sales involve selling two items at the same price.
- iii. A false representation about the quality of a product in an advertisement is a misleading advertisement.
- iv. Black marketing means selling goods at the dead of night.
- v. Consumer protection is a movement to safeguard interest of consumers.

18.3 NEED FOR CONSUMER PROTECTION

The necessity of adopting measures to protect the interest of consumers arises mainly due to their helpless position and the unfair business practices. No doubt consumers have the basic right to be protected from the loss or injury caused on account of defective goods and deficiency of services. However, consumers are unable to make use of their rights due to lack of awareness and ignorance. For example, as consumers we have the right to choose the goods of right quality from a variety of similar goods available in the market. But often we fail to make the right choice because of misleading advertisements by which we are carried away and buy sub-standard goods.



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Under certain circumstances, we are helpless in the sense of our inability to verify the quality of products. The clever shopkeeper can deceive us by his persuasive words. If the date of expiry on a strip of medicinal tablets is not legible, we may be in a hurry and depend on what the seller tells us. If the medicine does not have the desired effect, we may go to the doctor again and request him to prescribe some other medicine, we forget that the medicine we bought might not have had the effect as we were supplied the medicine after its date of expiry.

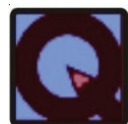
Often we are guided by some of our beliefs without any basis. For instance, many of us believe that 'higher price indicates better quality' and so do not mind paying higher price for a product if the salesmen recommends it to be of good quality. Again, it is a common belief that imported goods are inevitably of a superior quality. So if there is a printed label or a mark that shows a product is made in a foreign country, we may buy it at a higher price without verifying its place of manufacture.

Processed food sold in packets, like potato chips, are not good for health. but young boys and girls buy these because they are tasty. Certain brands of soft drink are popular with young people as the brand ambassadors shown on the TV are popular film artists or cricketers and what they say carries lot of weight with their fans. Excessive use of soft drinks is also not good for health. It seems we have forgotten fresh lime water with sugar or salt as a good drink.

Producers of goods often put standard certification marks like ISI on the package which are genuinely certified. Similarly, if packaged goods are sold short of weight we pay for, it is very difficult to verify always the weights before buying. Sometimes the weighing machines are defective.

Above all, consumers are not fully aware of remedies open to them if goods are defective or there is deficiency of service.

So, you can very well realise why steps must be taken to protect consumers from business practices which are unfair and may cause loss and injury to health and other dangerous effects.



INTEXT QUESTIONS 18.2

Fill in the blanks choosing the appropriate words given within brackets:

- (i) My neighbor always goes to the nearest shop to buy electrical goods because it is his basic right to _____ (check the price, choose, check the quality).

- (ii) Young boys eat lot of processed food available in packets as they do not know that such food is bad for health and because they are not aware of their right to _____ (reject bad food, get advice from others, information).
- (iii) Some consumers prefer to pay high price for goods as they believe that it indicates _____ (that they are rich, that the shopkeeper charges fair price, that the goods are of superior quality).
- (iv) When you buy a product with a new brand name on the basis of an advertisement claiming best quality and then find it defective, it is a case of _____ advertisement. (good, untrue, misleading).



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18.4 PARTIES TO CONSUMER PROTECTION

You have realised the need for steps to protect consumer interest. The question is, who will take those steps? Can consumers alone do it? Or, should we depend on the government? Can businessmen do anything? Actually, for effective consumer protection, it is essential that all the three parties must be involved, that is, (a) Consumers; (b) Businessmen; and (c) Government.

Let us consider what each of the parties can do:

- (a) **Self-help is the best help**, So consumers should, as far as possible, take care of their own interest and protect themselves from market malpractices. For this purpose, it is necessary that they should try to know about their rights and exercise them. They should not depend on the good sense of businessmen. Consumers have a right to education and also a right to be heard. They should attend training programmes for consumers arranged by local consumer associations or by their own association and invite consumer activists to speak to them on consumer rights and remedies available under the law to protect them.
- (b) **As regards businessmen**, it is expected that producers, distributors, dealers, wholesalers as well as retailers should pay due regard to consumer rights in their own interest. They should ensure supply of quality goods and services at reasonable prices. To prevent unfair practices, associations of traders, chambers of commerce and industry, and manufacturers' associations should entertain consumer complaints against their members and take proper action against those guilty of malpractice.
- (c) **For Government**, consumer protection is a responsibility to be undertaken in the general interest of society. Enforcement of various laws and amending existing laws to protect consumer interests are required to be taken up in the light of viewpoints of consumer associations. Representations of consumer groups should also be associated with the policymaking bodies set up by government at the



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centre and the states. A number of measures have been taken by Government from time to time.



INTEXT QUESTIONS 18.3

State which of the following statements are true and which are false?

- i. Nothing can be done by businessmen to protect the interest of consumers.
- ii. Government is indifferent towards safeguarding consumer interest.
- iii. Consumer associations should be invited to send their representatives to official bodies to hear consumer viewpoints on their problems.
- iv. It is not enough to be aware of basic rights, consumers must assert the rights.
- v. Consumers should not attend any training programme arranged by the local consumer association.

18.5 LEGAL PROTECTION TO CONSUMERS

A number of laws have been passed by the Government of India over the years to protect the interest of consumers. A brief outline of the purpose of these laws is given below:

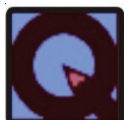
- (i) **Agricultural Products (Grading and Marketing) Act, 1937:** This Act provides for grading and certifying quality standard of agricultural commodities which are allowed to be stamped with AGMARK seal of the Agricultural marketing department of the Government.
- (ii) **Industries (Development and Regulation) Act, 1951:** This Act provides for control over production and distribution of manufactured goods. According to this Act, the Central Government may order investigation of any industry, if it is of the opinion that there has been substantial fall in the volume of production, or a marked decline in the quality of a product, or any unreasonable rise in price. After due investigation, the Government may issue directions to set things right. If the directions are not acted upon, the Government may take over the concerned undertakings.
- (iii) **Prevention of Food Adulteration Act, 1954:** This Act provides for severe punishment for adulteration of food articles. In the case of sale of adulterated food which is injurious to health and likely to cause death, life imprisonment with a minimum fine of Rs 3000 may be payable. Food inspectors are appointed and they have powers to lift samples and send them for analysis. Penalties are also provided under the act for offences committed by persons with regard to manufacture, import, storage, sale and distribution of adulterated food articles.

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- (iv) **Essential Commodities Act, 1955:** Under this Act, the Government has power to declare any commodity as essential in the public interest. Thereby the Government can control the production, supply and distribution of the trading of such commodities. It also provides for action against anti-social activities of profiteers, hoarders and black-marketers.
- (v) **The Standards of Weights and Measures Act, 1956:** This Act provides for the use of standard weights and standard measures of length throughout the country. 'Metre' has been specified as the primary unit for measuring length, and 'kilogram' as the primary unit for measuring weight. Before this act came into force, different system of weights and measures were used in different parts of the country like 'Pound', 'Chhatak' and 'Seer' as Weights, Yard, Inch and Foot for length, etc. These differences provided opportunities for traders to exploit the consumers.
- (vi) **Monopolies and Restrictive Trade Practices Act, 1969:** Under the provisions of this Act, as amended in 1983 and 1984, consumers and consumer groups can exercise their right of redressal by filing complaints relating to restrictive and unfair trade practices. The Government has constituted the MRTP commission which is empowered to deal with consumer complaints after due investigation and enquiry. The Commission has power to award compensation for any loss or injury suffered by consumers.
- (vii) **Prevention of Black-marketing and Maintenance of Essential Supplies Act, 1980:** The primary objective of this act is to provide for detention of persons with a view to prevention of black-marketing and maintenance of supplies of commodities essential to the community. The maximum detention for persons acting in any manner against the intention of the act can be imprisonment upto 6 months.
- (viii) **Bureau of Indian Standards Act, 1986:** The Bureau of Indian Standards has been set up under this Act, replacing the Indian Standards Institution (ISI), to protect and promote consumer interest. It has two major activities : formulation of quality standards for goods and their certification through the BIS certification marks scheme by which manufacturers are permitted to use the standardisation mark (ISI) on their products after due verification of conformity with prescribed quality standards of safety and performance. The Bureau has set up a consumer affairs department to create quality consciousness among ordinary consumers. There is also a public grievances cell to which consumers can make complaint about the quality of products carrying ISI mark.
- (ix) **Consumer Protection Act, 1986:** This Act provides for consumer protection more comprehensively than any other law. Consumers can

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seek legal remedy for a wide range of unfair practices not only with respect to goods but also for deficiency in services like banking, insurance, financing, transport, telephone, supply of electricity or other energy, housing, boarding & lodging, entertainment, amusement, etc. This Act also includes provision for the establishment of consumer protection councils at the centre and the state. For the settlement of consumer disputes, the act has provided for a semi-judicial system. It consists of District Forum, State Commission and National Commission for redressal of consumer disputes. These may be regarded as consumer courts.

**INTEXT QUESTIONS 18.4**

Which of the following statements are true and which are false?

- i. The Prevention of Food Adulteration Act provides for severe punishment if food items are found to have been adulterated by any person.
- ii. The Standards of Weights and Measures Act prescribes standard weights and measures to be used in different localities.
- iii. Consumers associations cannot file complaints before the MRTP commission on behalf of consumers, only individual consumers can do so on their own behalf.
- iv. The Essential Commodities Act controls the production and distribution of certain goods.
- v. Consumer protection councils have been established at the centre and the states under the Consumer Protection Act.
- vi. The Bureau of Indian Standards formulates quality standards for goods and permits quality certification marks to be used by producers.
- vii. The Government has power to declare any commodity as essential in the public interest.

18.6 JURISDICTION OF CONSUMER COURTS

The judicial system set up under the Consumer Protection Act, 1986, consists of consumer courts at the district level, state level and national level. These are known as District Forum, State Consumer Disputes Redressal Commission (State commission) and National Consumer Disputes Redressal Commission (National Commission). Any individual consumer or association of consumers can lodge a complaint in writing with the District, State or National level forum, depending on the value goods and claim for compensation, if any.

The district forum has the jurisdiction to deal with all complaints where the value of the goods or services or the compensation claimed does not exceed

Rs 20 lakhs. The State Commissions are empowered to deal with cases where the value or amount involved exceed Rs 20 lakh but does not exceed Rs One Crore. The State commissions also deal with appeals the against orders of the District Forum. The National commission has the juistisdiction to take up all claims and grievances exceeding the value of Rs. One crore. It has also appellate jurisdiction, that is, power to deal with appeals against orders passed by State Commissions. An aggrieved party can appeal to the Supreme Court against the orders of the National Commission.

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18.7 PROCEDURE FOR REDRESSAL OF CONSUMER GRIEVANCES

As stated in the previous section consumer complaints can be filed by an individual consumer or association of consumers. The complaint may be filed before the District Forum for the district where the cause of action has arisen or where the opposite party resides, or before the State Commission notified by the State Government or the union territory, or it can be filed before the National Commission at New Delhi.

There is a nominal fees charged for filing a complaint. The complaint may be filed by the complainant or his/her authorised agent in person, or it may be sent by post. Five copies of the complaint are generally required to be filed along with the following information.

- i) Name, description and address of the complainant;
- ii) Name, description and address of the opposite party or parties, as the case may be;
- iii) Facts relating to the complaint and when and where it arose;
- iv) Documents, if any, in support of the allegations contained in the complaint (like cash memo, receipt, etc.)
- v) The nature of relief which the complainant is seeking.

The complaint should be signed by the complainant or his/her authorised agent. It has to be addressed to the president of the District Forum or State Commission or National Commission. A complaint is required to be filed within a period of two years from the date on which the cause of action arose. If there is delay and it is excused by the concerned Forum/Commission, the reason must be on record.

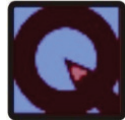
Complaints are expected to be decided, as far as possible, within three months from the date of notice received by the opposite parties. For those complaints which require laboratory analysis or testing of products, the period is extended to five months.



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Depending on the nature of complaint and relief sought by the consumer and facts of the case, the redressed Forum/Commission may order one or more of the following reliefs:

- (a) Removal of defect in goods/deficiency in services.
- (b) Replacement of the goods/restoration of the service.
- (c) Refund of the price paid for goods or excess charge paid for service.
- (d) Compensation for loss or injury suffered.



INTEXT QUESTIONS 18.5

- I. Fill in the blanks with the suitable words chosen from those given within brackets:
 - (i) The District forum can deal with complaints which involve value of goods and compensation amounting to not more than _____. (Rs. 5 lakhs, Rs. 20 lakhs, Rs. 1 Crore)
 - (ii) When a complaint is submitted before the District forum that requires testing of the product, the case is to be decided within a period of _____ (3 months, 4 months, 5 months)
 - (iii) The National Commission has the jurisdiction of dealing with complaints involving value of goods above _____ (Rs. 20 lakhs, Rs. 50 lakhs, Rs. One crore)
 - (iv) An appeal against the order of State Commissions can be filed before the _____ (Supreme Court, High Court, National Commission).
 - (v) State Commission can deal with cases involving value to goods/compensation not exceeding _____. (Rs. 20 lakhs, Rs 50 lakhs, Rs. One crore)
- II. Which of the following statements are right and which are wrong?
 - (i) A consumer's complaint can be filed only by the consumer himself/herself.
 - (ii) There is no need to give any fee for filing a complaint before the District forum.
 - (iii) A complaint may be submitted personally or sent by post.
 - (iv) The complaint has to be filed within one year from the date on which the cause of action arose.
 - (v) For a complaint relating to deficiency of telephone service, the relief sought may include removal of deficiency, restoration of the service, refund or adjustment of excess charge paid, as well as compensation for loss.

- (vi) The complaint to be filed must be signed by the consumer or his authorised agent.

18.8 ROLE OF NON-GOVERNMENTAL ORGANISATIONS

Non- Governmental Organisations (NGOs) are those associations of people which aim at promoting the welfare of the public without any profit motive. They are voluntary bodies having a constitution and rules of their own, and are free from government interference. They depend on donations and partly on government assistance. NGOs dealing with consumer problems are known as consumer associations or consumer organisations.

The role of NGOs has become increasingly more significant over the last two decades. There are now more than 800 such organisations in India. These organisations are registered under the Societies Registration Act or the Companies Act or as Charitable Trusts.

NGOs have undertaken various activities as part of the consumer movement. They perform several functions, like:

- (i) Create awareness about consumer rights and educate the general public about consumer problems and remedies through seminars, workshops and training programmes.
- (ii) Provide legal aid to consumers by way, of assistance in seeking legal remedy.
- (iii) Undertake advocacy of consumers' point of view as representative members of consumer protection councils and others official boards.
- (iv) Arrange comparative testing of consumer products through their own testing apparatus or accredited laboratories so as to evaluate the relative qualities of competing brands and publish the test results for the benefit of consumers to become informed buyers.
- (v) Publish periodicals and journals to disseminate information among readers about consumer problems, legal reporting and other emerging matters of interest. Most of these periodicals do not accept advertisements from business firms.
- (vi) Make suggestions and recommend steps which government authorities should consider in policy making and administrative measures adopted in the interest of consumers.
- (vii) Some NGOs have successful used Public Interest Litigation (PIL) to enforce consumer rights in several cases. In other words, NGOs have filed cases in law courts in the interest of the general public, not for any individual.

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INTEXT QUESTIONS 18.6

- I. Which of the following statements are true and which are false?
 - (i) NGOs are non-profit organisations.
 - (ii) Government rules and regulations generally govern the functioning of NGOs.
 - (iii) Seminars, workshops and training programmes held by NGOs involved in consumer movement are aimed at consumer education.
 - (iv) The NGOs exercise the right to be heard through the policy making and administrative bodies of the Government.
 - (v) The recommendations made by consumer organisations are considered by Government while amending relevant laws.

- II. Multiple Choice Questions
 - i. Which are is not a problem faced by Consumer?
 - (a) Adulteration
 - (b) Sale of spurious products
 - (c) Hoardings and black Marketing
 - (d) Only one quality of products.
 - ii. Consumers are unable to make use of their rights due to lack of
 - (a) Awareness and ignorance
 - (b) Funds
 - (c) Education
 - (d) Coverage
 - iii. BIS means
 - (a) Bureau of Industrial Standards
 - (b) Bureau of Indian Standards
 - (c) Bureau of Internal Standards
 - (d) Bureau of Institution Standards
 - iv. Consumer courts does not includes

(a) District Forum	(b) State Commission
(c) National Commission	(d) Supreme Court
 - v. The district forum has the jurisdiction to deal with all complaints where the value of the goods or services or the compensation claimed does not exceed.

(a) Rs. 10 lakh	(b) Rs. 20 lakhs
(c) Rs. 1 lakh	(d) Rs. 1 Crore

**WHAT YOU HAVE LEARNT****Notes**

- Consumer protection refers to the steps necessary to be taken or measures required to be accepted to protect consumers from business malpractices.
- Nature of problems faced by consumers
 - Adulteration of goods
 - Sale of spurious products
 - False weights and measures
 - Sale of duplicate items
 - Hoarding and black marketing
 - Tie-in-sales
 - Offering gifts
 - Misleading advertisements
 - Sale of substandard goods
- Need for consumer protection- the necessity of adopting measures to protect the interest of consumers arises mainly due to their helpless position and the unfair business practices.
- Parties to consumer protection
 - (i) Consumers
 - (ii) Businessmen
 - (iii) Government
- Legal protection to consumers
 - Industries (Development and Regulation) Act, 1931
 - Essential Commodities Act, 1955
 - Prevention of Food Adulteration Act, 1954
 - Prevention of Black-marketing and Maintenance of Essential Supplies Act, 1980.
 - Bureau of Indian Standards Act, 1986
 - Agricultural Products (Grading and Marketing) Act, 1937
 - The Standards of Weight and Measures Act, 1956.
 - Monopolies and Restrictive Trade Practices Act, 1969
 - Consumer Protection Act, 1986.
- Judicial system set up for protection of consumers
- NGOs create awareness among the consumers about their rights and responsibilities, provide legal aid to consumers, represent various consumer protection councils and other policy making bodies.



Notes



TERMINAL EXERCISE

1. What is meant by consumer protection?
2. Why should consumers be protected?
3. Describe the various problems faced by consumers in their daily life?
4. Name the parties involved in consumer protection. Explain their role in protecting the interests of the consumers.
5. Enumerate the various Acts passed by the Government for protection of consumer's interest.
6. What information is required to be filed before the consumer courts while filing any complaint?
7. State the possible relieves which a consumer court may order in favour of consumers.
8. Mention the pecuniary jurisdiction of different consumer courts.
9. Describe the role of Non-Government Organizations in protecting the interest of consumers.
10. State the procedure to be followed for redressal of consumer grievances.



ANSWER TO INTEXT QUESTIONS

- 18.1** (i) True, (ii) False, (iii) True, (iv) False, (v) True
- 18.2** (i) Choose, (ii) information, (iii) that the goods are of superior quality, (iv) misleading
- 18.3** (i) False, (ii) False, (iii) True, (iv) True, (v) False
- 18.4** (i) True, (ii) False, (iii) False, (iv) True, (v) True, (vi) True, (vii) True
- 18.5** I) (i) Rs 20 lakh, (ii) 5 months, (iii) Rs One crore, (iv) National Commission, (v) Rs One crore
- II) (i) Wrong, (ii) Right, (iii) Right, (iv) Wrong, (v) Right, (vi) Right
- 18.6** I. (i) True, (ii) False, (iii) True, (iv) True, (v) True
- II. (i) d (ii) b (iii) b (iv) d (v) b

ACTIVITY FOR YOU

- Collect the various information published in newspapers and magazines from time to time regarding protection of consumer interest.

MODULE - VI

Maximum Marks

12

Hours of Studies

25

Career Opportunities in Business

Every one of us at one stage or other has to choose a carrier for earning our livelihood. It is an important aspect of our life. The area of business offers a large number of avenues of employment both in terms of self-employment and wage-employment. Self-employment today appears to be the best solution for unemployment and growth of our country. Working for one self is a challenge and a joy by itself. Having this in view the present module has been designed to acquaint the learners with various career opportunities and the competencies required to enter the world of work.

- Lesson 19** : **Choosing a Career**
Lesson 20 : **Entrepreneurship**



CHOOSING A CAREER

Many of you may be thinking of securing a job in business firm or running a business of your own. Career means occupation, which we want to adopt for earning livelihood, and choosing means to take proper decisions.

Most of your thoughts on what you want to become probably come from what you have heard while listening to radio or watching television; you may also be reading newspapers and magazines which advertise job vacancies or may have been advised by parents and relatives about what you should be. On the basis of your understanding you may think about the kind of work that can be handled easily by you. You may start thinking clearly about your abilities and aptitudes for the future work-life. This necessitates the knowledge of what employment opportunities are available and the abilities required for different types of employment.

In the present lesson, you will learn about different aspects of choosing a career i.e. concept, importance, avenues, competencies, etc. which may be useful to decide your own career.



OBJECTIVES

After studying this lesson, you will be able to:

- explain the concept of 'career';
- recognize the importance of choosing a career;
- identify the various career avenues in business;
- explain the importance of self-employment;
- distinguish between self-employment and wage employment;
- enlist the competencies needed to pursue career in different avenues; and
- identify career in business on the basis of your own ability, interest and aptitude.

19.1 CONCEPT OF CAREER

Career literally means an occupation with which opportunities for advancement or promotion can be availed of in life. It does not mean simply the choice of vocation. It implies various positions; one may occupy in course of his/her



work-life. In a broad or sense, career is an important aspect of one's life pattern. For instance, some of you who find a job of an office assistant may in course of time become office superintendent and may even be promoted as office manager.

Career means the progress and actions taken by a person throughout a lifetime especially those related to that person's occupations. A career is often composed of the jobs held, titles earned and work accomplished over a long period of time, rather than just referring to one position, while employees in some cultures and economies stay with one job during their career, there is an increasing trend among employees to change jobs more frequently. For example, being a lawyer an individual's career could involve work for several different firms and in several different areas of law over his lifetime.

The work you do in different positions may be called your career-path and it is likely to influence your work habits and daily routine. Career covers a sequence of positions in a job or an occupation that a person is engaged in during his work-life and for which he/she develops abilities.

19.2 IMPORTANCE OF CHOOSING A CAREER

Planning plays a very important role in every aspect of life. To work in a proper flow, and planning for career, which we want to pursue in our future after acquiring certain level of qualification is also very necessary in today's competitive world. Choosing a career is an important aspect of life. The foundation stone of career building is laid down by the career you choose. In the past most of the people completed their studies and then would decide about their career. But the present generation has started making career moves well before completing their school education. Career choice will probably affect an individual's eventful life-style more than any other choices he/she makes. The influence of job touches many facets of life, shaping our values, attitudes, and habits. In a world dominated by cut-throat competition making right career choice in the beginning is very important. There is definitely a need that one should go through a process which will enlighten and inform the individual with respect to the various career options. In this process the individual will also discover his or her own abilities which are important parts of any career decision. Challenges and competition are the part of today's society, and therefore, Career Planning is the only task, which can guide us to do what we want to do in our life, rather than just aimlessly changing job frequently.

Career Planning is one of the broader aspects of learning in our existence. We all have some intentions and we all think to have stability in our future lives, and for that purpose, career planning serves as a key to success. Career Planning makes a person to think suitably about his positive and negative aspects. All

about ones own interest, about his creativity becomes possible through proper analyzing oneself.

Career Planning basically starts, when a person finishes Secondary/ Higher Secondary level of education. After that level, a person could opt for that educational degree, which would help them out to have a good job opportunity according to his skills at the right time. Career Planning helps us to design and formulate our future smoothly. For example, if a person wants to be a banker, then he or she would choose to go for ICWA or CA or MBA in finance after completing Intermediate and Graduation in commerce or Business Administration.. Else he/ she could go for Masters in Commerce or even up to Doctorate level. Career planning is a life time process as we are always learning and growing, and as we do, our interests and needs also change.



INTEXT QUESTIONS 19.1

Which of the following statements are true and which are false?

- (a) Career covers a sequence of positions in a job that a person is engaged in during his work life.
- (b) Selection of a right career is essential in everybody's life.
- (c) Today's generation has very few career options.
- (d) Planning a career is not required at the early stage.
- (e) Knowledge of various career options is helpful in choosing the right career.

19.3 CAREER AVENUES IN BUSINESS

When any body is engaged in an occupation, he/she is said to be employed. The occupation of people today is related with some economic activity, and one's career objective invariably is to be in employment, that is, to be engaged in an economic activity for earning one's livelihood. Choice of career actually involves opting for one of the following two alternatives:

- (i) Wage employment or
- (ii) Self-employment

Wage employment means serving another person for wages or salary. If someone is appointed as office assistant, he is expected to do what the office supervisor wants him to do, and he gets a monthly salary for his job. This type of employment is based on a contract between the employers and employee. The employee has to work for the employer, carry out the tasks assigned to him, and is remunerated for it. During working hours, the employee is to work under the supervision and control of the employer. Self-employment, on the





Notes

other hand, refers to an occupation in which a person engages himself/herself in some economic activity on his own to earn his/her livelihood. Let us discuss briefly the job opportunities or avenues of wage employment.

19.4 WAGE EMPLOYMENT

Job opportunities or avenues of wage employment exist in Government offices, Railways, Banks, Insurance companies, factories, trading concerns and various other organizations including Schools, Colleges, Hospitals, etc. For clerical jobs, technical jobs, and other types of job at lower level; The nature of work to be undertaken depends upon the activities and objectives of the organization. Thus, office jobs in Government departments, Railways, Banks, Trading Organizations, Schools and Hospitals involve different types of clerical work. Similarly, the nature of work of the technical staff in industries and transport companies also vary according to their functional differences. Job opportunities for those who have passed the Secondary (class X) examination happen to be clerical jobs, or those of laboratory assistants in schools where the minimum qualification required is class X pass. But there are facilities for special training for them in ITIs and polytechniques as well as state secretarial and commercial institutes. On completion of a technical or secretarial course, a person can find employment as technical staff in workshops or as office assistant or accounts clerk. With computer operation skill, he/she can be employed as computer operator.



Wage Employment

19.5 SELF-EMPLOYMENT

You have learnt how you can choose a career for yourself involving paid employment. When you accept an employment, you have to undertake work that is assigned to you by your employer and you get a fixed amount as your salary or wage. But instead of seeking a job, you may do something on your own to earn your living. You may run a bookshop, medical store, or tailoring shop, etc. If an individual engages in any economic activity and manages it on his own, it is known as self-employment.

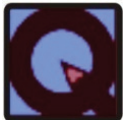


Self Employment



Notes

In every locality, you may come across small stores, repair shops or service units. These establishments are owned and managed by a single person, sometimes they engage one or two assistants for help. Grocery stores, stationary shops, book shops, medical stores, tailoring shops, hair-cutting saloons, Telephone booths, beauty parlour, repair shops for electrical goods, bicycles, etc., are examples of activities which are based on self-employment. The owners of these stores or shops do earn their living from the income of the business of buying and selling or rendering services. They also bear the risk of loss if their income falls short of the expenses.



INTEXT QUESTIONS 19.2

Fill in the blanks by using appropriate words:

- (i) Occupation of the people is always related with _____ activity.
- (ii) At lower level, Government Departments mostly employ people for _____ jobs.
- (iii) For the jobs of a storekeeper a person must have the skill of preparing _____ order.
- (iv) Ability to handle _____ is necessary a most clerical jobs.
- (v) Fluency in _____ is essential for Telephone Operator.
- (vi) _____ employment means serving anothers person for wages or salary.
- (vii) An individual engages in any economic activity and manages it on his own, it is known as _____.
- (viii) On completion of a technical or secretarial course, a person can find employment as _____.

19.6 DIFFERENCE BETWEEN SELF-EMPLOYMENT AND WAGE EMPLOYMENT

You have learnt about self-employment and wage employment. Let us distinguish between these two on the basis of the following:

Basis	Self employment	Wage employment
1. Nature	Engage in activities on one's own.	Engage in activities assigned by the employer.
2. Status or position	The position of the person is that of owner and may be that of an employer.	The position of the person is that of an employee.
3. Income or earning	Income or earning is not fixed. It depends on the ability of the owner.	Income of the employed person is fixed and may be increased, if the employee so decides.



Notes

4.	Work involved	Work involved is aimed at earning more and increasing the volume of business. The nature of work cannot be decided in advance and may vary.	The work to be performed by the employee is specific and per-decide.
5.	Risk bearing	There is always risk of loss sometime and earnings may decline at times.	There is no risk of reduced income so long as the employee continues to work.
6.	Freedom of work	The owner is free to decide how to run the business depending on the available opportunities.	The employee has to work according to the terms and condition of employment.

19.7 POSSIBLE AREAS OF SELF-EMPLOYMENT

Having read about the characteristics of self-employment, you may like to know about the areas in which self-employment is possible. In the process of career planning you may consider the following areas for self-employment opportunity.

i. Small scale retail business: Single owners can easily start and manage small business units profitably with the help of one or two assistants. It can be a grocery store, stationery shop, or a cloth store, etc.



ii. Providing services based on individual skills: Services which can be rendered to customers by individuals on the basis of specialized skill can also be taken up by way of self employment. For example, repairing bicycles and scooters, watches and clocks, tailoring, hairdressing, etc. can be undertaken as individualized services to customers.



iii. Occupations based on professional qualifications: Activities which require professional training and experience are known as self employment. Thus, for example, practicing Doctors, Lawyers, Chartered Accountants, Pharmacists, Architects, etc. are self-employed on the basis of their specialized training and skills. They have small



establishments like a clinic, office space, chamber, etc. and offer services to clients with the help of one or two assistants.

- iv. **Farming on a small scale:** Opportunities are also there for self-employment in small scale farming activities like dairy, poultry, fishery, horticulture, Seri-culture, etc.
- v. **Village and cottage industries:** Activities like hand spinning and weaving, hand knitting, stitching garments, etc. can be taken up as self employment; these may be based on traditional inherited skills.
- vi. **Arts and crafts:** Those who have been trained in certain craftsmanship or art can be self employed in such occupations as those of goldsmiths, blacksmiths, carpentry, etc.

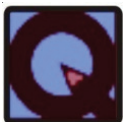


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19.8 PREFERENCE FOR SELF-EMPLOYMENT OVER WAGE-EMPLOYMENT

Self-employment is often regarded better than wage-employment for the following reasons:

- (a) Self-employment offers opportunities for using one's own talents for one's benefit. You can use your ability and time in the most profitable manner through self-employment.
- (b) Self-employment is possible even without large resources of capital and other facilities. For example, a replay-cum-service shop can be started with limited amount of capital.
- (c) In self-employment, the person learns many things 'on the job' because he has to take all the decisions regarding his business activities for his own benefit.



INTEXT QUESTIONS 19.3

Which of the following statements are True and which are false?

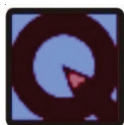
- (i) Self employment means engaging in any economic activity on one's own.
- (ii) There is no limit to earning in wage employment.
- (iii) Some amount of capital is needed even when a person provides individualized service for a price.
- (iv) Self-employment in business involves risks of loss to be borne by the owners.
- (v) A goldsmith cannot be self-employed as he has to work under a jeweller.



19.9 QUALITIES REQUIRED FOR SUCCESS IN SELF-EMPLOYMENT

Having learnt about the opportunities of self-employment in different areas, you may feel that choice of self-employment rather than paid employment as a career is quite attractive. But you should choose it as an option only if you possess the necessary qualities to succeed in self-employment. Let us know the various qualities required to successfully pursue self-employment.

- (i) **Mental abilities:** To be self-employed you need to have the ability to identify the most suitable area where there is opportunity of self-employment; also you should have the ability to take decisions with respect to all business operations; ability to deal with different types of customers is equally important and also the ability to anticipate problems and bear risks.
- (ii) **Alertness and foresight:** A self-employed person should be aware and alert about changes taking place in the market so as to adjust his operations. He should also have the foresight to anticipate changes to avail of opportunities and meeting threats likely to arise in the near future.
- (iii) **Self-confidence:** In self-employment, the owner has to take all decisions; he must also have confidence in himself to overcome problems and also while dealing with suppliers / creditors, customers and government officials.
- (iv) **Knowledge about business:** Any one who is self-employed in business must have full knowledge about the business, including technical knowledge and skill for running the business.
- (v) **Acquaintance with relevant laws:** It is not necessary for one to be a legal expert, but to be self-employed, one must have working knowledge of laws relating to the business and service activities in a particular place, which may include the Trade and Establishment Act, laws relating to sale tax and excise tax, if applicable, municipal regulations regarding location, pollution control, etc.
- (vi) **Other personal qualities:** A person in self-employment should have the qualities of honesty, sincerity and be hard working.



INTEXT QUESTIONS 19.4

- I. Fill in the blanks with appropriate words:
 - (i) In self-employment a person should have the ability to identify _____.

**Notes**

- (ii) To succeed in self-employment a person must have _____ in his own ability.
- (iii) To be successful as owner of a business one should have _____ about the business.
- (iv) Knowledge of accounting is necessary for a person in self-employment to ascertain_____.
- (v) Entrepreneurship is related to quality of _____ and _____.
- (vi) Self-employment provides opportunities of earning livelihood for those unable to pursue_____.
- (vii) Your choice of career should be based on your _____, _____, and _____.
- (viii) You may start thinking about your strengths and _____.
- (ix) Do not select a job for which you do not have _____.
- (x) Communication skill is _____ in modern world for all jobs.

II. Multiple Choice Questions

- i. Wage employment means
 - (a) Serving another person for wages or salary
 - (b) Doing business
 - (c) Engaging in some economic activity on his own
 - (d) None of the above
- ii. Self employment means:-
 - (a) A contract between the employers and employee
 - (b) Serving another person for salary or wages
 - (c) Engaging in some economic activity on his own
 - (d) None of the above
- iii. Which of the following is not a quality required for self employment.
 - (a) Formal education
 - (b) Alertness & Foresight
 - (c) Knowledge about business
 - (d) Acquaintance with relevant laws.
- iv. Career Path means
 - (a) Work done in different job positions
 - (b) Way adopted for a career
 - (c) Getting Professional degree
 - (d) Getting a job title



- v. Career Planning includes
- Starting a own business
 - Thinking suitably about positive and negative aspects of a career
 - Joining a job
 - Making adjustments with the career

**WHAT YOU HAVE LEARNT**

- Career literally means an occupation with which opportunities for advancement or promotion can be availed off in life. Choosing career is an important aspect of life.
- Choice of career involves opting for one of two alternatives, viz. wage employment and Self-employment.
- Wage-employment means serving another person for wages or salary. Self-employment refers to a person engaging in some economic activity on his own to earn his livelihood.
- Avenues of wage-employment consists of clerical or technical jobs at lower level.
- Self-employment opportunities exist in several areas like small-scale retail business, providing services for a price, farming on a small scale, village and cottage industries, arts and crafts, etc.
- To pursue self-employment as a career, a person should possess certain mental abilities, alertness and foresight, self-confidence, knowledge about business, acquaintance with relevant laws, and knowledge on accounting.

**TERMINAL EXERCISE**

1. What is meant by (a) wage employment and (b) self-employment?
2. Define the term 'career'.
3. Explain the importance of choosing a career.
4. State briefly the avenues of wage employment in the area of business.
5. Describe the importance of self-employment in the present context of unemployment.
6. How is self-employment an alternative to large-scale industries?
7. State any four qualities required for success in self-employment.
8. Explain the skills required for accounting job.
10. Identify motivational factors for self-employment.
11. Distinguish between self-employment and wage employment.
12. Enumerate the possible areas in which a person can be self-employed.



ANSWER TO INTEXT QUESTIONS

- 19.1** (i), (ii), (v) – True (iii), (iv) – False
- 19.2** (i) Economic, (ii) Clerical, (iii) Purchase,
(iv) Office machines, (v) Language, (vi) Wage,
(vii) Self employment, (viii) Technical Staff
- 19.3** (i), (ii), (iv) – True (ii), (v) – False
- 19.4** I. (i) Job opportunities for self-employment,
(ii) Confidence, (iii) Knowledge,
(iv) Profit or loss (v) Innovativeness, creativity,
(vi) Higher education, (vii) abilities, aptitude and interest,
(viii) weaknesses, (xi) interest,
(x) necessary
- II. (i) a, (ii) c, (iii) a, (iv) c, (v) b



Notes

ACTIVITY FOR YOU

- Take out one week’s “Employment News” or any other newspaper and identify the job vacancies according to your interest, ability and aptitude.



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ENTREPRENEURSHIP

You must be aware of the fact that earning is necessary for living. Your father, mother, brother, and others may be engaged in activities through which they earn a livelihood for the family. How do you plan to earn your livelihood? Would you like to take up a job in an organization or would you like to start your own business? The assumption of risk and responsibility in designing and implementing a business strategy or starting a business is called entrepreneurship. A teacher teaches in a school, a worker works in a factory, a doctor practices in a government hospital, a clerk serves in a bank, a manager works in a business concern to earn his living. These are the examples of people who are employees and earn money through salaries or wages given by their employers. This is known as wage-employment. On the other hand, a shopkeeper, a factory owner, a businessman, a doctor having his own clinic, earn money by running their own concerns. These are the examples of people who are self-employed. However, there are several self-employed individuals who not only create jobs for themselves but also generate jobs for many others. They may be termed as ‘entrepreneurs’.

In this lesson you shall learn in detail about entrepreneurship – the concept, its importance and functions. You will also learn about the qualities of entrepreneurs and also their ability to set up small-scale enterprises. These may be useful for your future life.



OBJECTIVES

After studying this lesson, you will be able to:

- explain the concept of entrepreneurship;
- recognize the importance of being an entrepreneur;
- describe the essential qualities of a successful entrepreneur;
- identify the functions of an entrepreneur; and
- explain the various aspects of setting up a small business enterprise.



Notes

20.1 MEANING OF ENTREPRENEURSHIP

Entrepreneurship is the act of being an entrepreneur, which can be defined as “one who undertakes innovations, finance and business acumen in an effort to transform innovations into economic goods”. This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity. The most obvious form of entrepreneurship is that of starting new business. The capacity and willingness to undertake conception, organization, and management of a productive venture with all possible risks and seeking profit as a reward.



An entrepreneur is a creative thinker. He is an innovator, who volunteers to take risk and invest money. In the process he generates jobs, solves problems, adds values and seeks excellence.

Thus, we find that, entrepreneurship consists of practices and skills of a person constantly trying for growth and excellence. This is being done by innovating an idea, object, product or service and put it to social use. To be an entrepreneur you need to possess some qualities. However, entrepreneurship is also referred to as a career oriented purposeful task that can be learnt. It may be noted here that, in the context of country’s economic development, entrepreneurship is not always confined to big business. It is equally important to have small enterprises. As a matter of fact the economic growth and prosperity of many developed and developing countries is because of emergence of small enterprises.

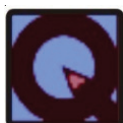
20.2 IMPORTANCE OF BEING AN ENTREPRENEUR

The role of entrepreneurship and an entrepreneurial culture in economic and social development has often been underestimated. Over the years, however, it has become increasingly apparent that **entrepreneurship does indeed contribute to the economic development. Transforming ideas into economic opportunities is the crux of entrepreneurship.** History shows that economic progress has been significantly advanced by pragmatic people who are entrepreneurial and innovative, able to exploit opportunities and willing to take risks. Entrepreneurs produce solutions that fly in the face of established knowledge, and they always challenge the status quo. They are risk-takers who pursue opportunities that others may fail to recognize or may even view



as problems or threats. Whatever the definition of entrepreneurship, it is closely associated with change, creativity, knowledge, innovation and flexibility-factors that are increasingly important sources of competitiveness in an increasingly globalized world economy. Thus, fostering entrepreneurship means promoting the competitiveness of businesses. Its importance can be expressed in the form mentioned below:

- 1) **Provides employment to the people:** - People often hold a view that all those who do not get employed anywhere jump into entrepreneurship, but in reality now a days most of the business are set by those who have other options available with them.
- 2) **Contributes towards research and development system:** - Almost 2/3rd of all innovations are due to the entrepreneurs. Without the boom of inventions the world would have been a much dry place to live in. Inventions provide an easier way of getting things done through better and standardized technology.
- 3) **Creates wealth for the nation and for the individuals as well:** - All individuals who search business opportunities usually, create wealth by entering into entrepreneurship. The wealth created by them plays a significant role in the development of the nation. The entrepreneurs contribute to the economy, in the form of products, and services Their ideas, thoughts, and inventions are also of a great help to the nation.



INTEXT QUESTIONS 20.1

Which of the following statements are true and which are false?

- (i) Entrepreneurs take risks in converting ideas into action
- (ii) Entrepreneurs are gamblers.
- (iii) An entrepreneur constantly strives for the excellence.
- (iv) Entrepreneurs are born not made.
- (v) An entrepreneur generates employment for others.
- (vi) Entrepreneur is an independent person.

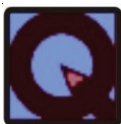
20.3 QUALITIES OF A SUCCESSFUL ENTREPRENEUR

Let us now know about the qualities of a successful entrepreneur. There may be many qualities needed to successfully run an enterprise. However, the following qualities are considered important:

- (i) **Initiative**-In the world of business, opportunities come and go. An entrepreneur has to be a man of action. He should be able to initiate action and take advantage of the opportunity. Once you miss the opportunity it will not come again. Therefore, initiative on the part of entrepreneur is a must.

**Notes**

- (ii) **Willingness to assume risk-** In any business there is an element of risk. It implies that a businessman may be successful or unsuccessful. In other words, it is not necessary that every business shall earn profit. This deters individuals to take up business. However, an entrepreneur always volunteers to take risks to run a business and be successful.
- (iii) **Ability to learn from the experience-** An entrepreneur may commit mistakes. However, once a mistake has been committed, it should not be repeated as that will lead to heavy losses. So, one should learn from his mistakes. An entrepreneur, therefore, should have the ability to learn from the experience.
- (iv) **Motivation-** Motivation is the key to success. This is necessary for success in every walk of life. Once you get motivated to do something you will not rest unless you complete it. For example, sometimes you become so much interested in reading a story or a novel that you do not sleep unless you complete it. This kind of interest in the work comes through motivation. This is an essential quality of a successful entrepreneur.
- (v) **Self-confidence-** For achieving success in life, one should have confidence in himself or herself. A person who lacks confidence can neither do any work himself nor can inspire others to work. Self-confidence is reflected in courage, enthusiasm and the ability to lead. A successful entrepreneur must have self-confidence.
- (vi) **Decision making ability-** In running an enterprise, the entrepreneur has to take a number of decisions. He should therefore, be capable of taking suitable and timely decisions. In other words he must take right decision at the right time. In the present world, things move very fast. If an entrepreneur does not have the ability to take timely decision, he might miss opportunity and incur loss.

**INTEXT QUESTIONS 20.2**

Which of the following statements are true and which are false?

- (i) An entrepreneur should learn after committing the mistakes repeatedly.
- (ii) A person who does not have decision making power cannot be an entrepreneur.
- (iii) Lack of self confidence is the secret of success of all entrepreneurs.
- (iv) An entrepreneur should have the capacity to take timely decision.

20.4 FUNCTIONS OF AN ENTREPRENEUR

Some of the major functions of an entrepreneur are:

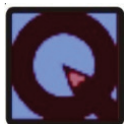
- i) **Identifying entrepreneurial opportunity** – There are many opportunities in the world of business. These are based on human needs



Notes

like food, fashion, education, etc., which are constantly changing. These opportunities are not realized by common man, but an entrepreneur senses the opportunities faster than others do. An entrepreneur therefore, has to keep his eyes and ears open and require imagination, creativity and innovativeness.

- ii) **Turning ideas into action** – An entrepreneur should be capable of turning his ideas into reality. He collects information regarding the ideas, products, practices to suit the demand in the market. Further steps are taken to achieve the goals in the light of the information collected.
- iii) **Feasibility study** – The entrepreneur conducts studies to assess the market feasibility of the proposed product or services. He anticipates problems and assesses quantity, quality, cost and sources of inputs required to run the enterprise. Such a blue print of all the activities is termed as a ‘business plan’ or a ‘project report’.
- iv) **Resourcing** – An entrepreneur needs various resources in terms of money, machine, material, and men to running the enterprise successfully. An essential function of an entrepreneur is to ensure the availability of all these resources.
- v) **Setting up of the Enterprise** – For setting up an enterprise the entrepreneur will have to fulfill some legal formalities. He also tries to find out a suitable location, design the premises, install machinery and do many other things.
- vi) **Managing the enterprise** – One of the important functions of an entrepreneur is to run the enterprise. He has to manage men, material, finance and organize production of goods and services. He has to market each product and service, after ensuring appropriate returns/profits on the investment. Only a properly managed organization yields desired results.
- vii) **Growth and Development** – Once the enterprise achieves its desired results, the entrepreneur has to explore another higher goal for its proper growth and development. The entrepreneur is not satisfied only with achieving a set goal but constantly strives for achieving excellence.



INTEXT QUESTIONS 20.3

Write two sentences in your own words about each of the following

- (i) Feasibility Study
- (ii) Resourcing

20.5 SETTING UP OF A SMALL BUSINESS ENTERPRISE



Notes

You have learnt about entrepreneurship and the various qualities required for becoming a successful entrepreneur. You have also learnt what exactly an entrepreneur does while starting a business unit. If you possess those qualities and confidence that you could be able to perform all those activities, you can now think about your own enterprise. But before you start your business let us study various factors required to be considered while setting up any small business.

(i) Who can start a small business?

Any one can start a small business unit. He may be - an exiting entrepreneur or a new one - having a business background or not - educated or uneducated - from rural area or urban area.

(ii) Arrangement of Finance

The entrepreneur has to analyze and find out the amount and the duration of finance required as well as the duration for such finance is needed in the business. The entrepreneur requires money to buy machinery, building, raw material, pay wages to labour, etc. Money spent on buying machinery, building, equipment, etc. is known as fixed capital. On the other hand, money spent on buying raw materials and paying wages and salaries, rent, telephone and electricity bills, etc. is known as working capital. The entrepreneur has to arrange for both fixed as well as working capital for his business. The finance can be raised by self-contribution or by borrowing from banks and other financial institutions. Money can also be borrowed from friends and relatives.

(iii) Selection of line of business

The process of launching a business begins when the entrepreneur start thinking about a line of business, which can be undertaken by him. He may consider business opportunities as per the market demand. He may go for an existing product or a new product. But before taking any step he has to ascertain the



profitability of the business and the amount of capital investment. Having estimated the profitability and risk involved, the entrepreneur has to decide which line of business could be desirable to pursue.

(iv) Choice of form of organization

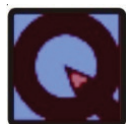
You have read about different forms of business organization in the earlier lessons. Now you have to choose the best form as per your requirement. Normally, a small business enterprise may preferably be started in the form of sole proprietorship or partnership.

(v) Location of the business

Special care should be taken while selecting the location of the business. An entrepreneur can start business in his own premises or in a rented premises. It can be located at a market place or in a commercial complex or in an industrial estate. While deciding the location, the entrepreneur should consider various factors like sources of supply of raw material, nearness to the market, availability of labour, transportation, banking and communication facilities, etc. Factories should be preferably located near the source of raw material and at a place that is well connected with rail and road transport facility. A retail business should be started near residential area or in a market place.

(vi) Availability of labour/workforce/employees

An entrepreneur cannot run the business alone. He has to employ people to help him. Skilled and Semi-skilled workers have to be recruited particularly for manufacturing work. Before starting the business, the entrepreneur must find out whether he will be able to get the right type of employees for the activities involved.



INTEXT QUESTIONS 20.4

- I. Which of the following statements are true and which are false?
- Only rich persons can start a business.
 - A small industry can be started by an entrepreneur in his own premises or rented premises.
 - An entrepreneur should start a business far away from the customers residences.
 - Large amount of working capital is not required for small business.
 - Sales promotion technique should be used for marketing the product.

**Notes****II. Multiple Choice Questions**

- i. Which one of the them is not an importance of entrepreneur?
 - (a) Provides employment to the people
 - (b) Contributes towards research and development system
 - (c) Creates wealth for the nation
 - (d) Provides self sufficiency
- ii. Point out the quality in an entrepreneur
 - (a) Initiative
 - (b) Lack of experience
 - (c) Lack of confidence
 - (d) Lack of decision making ability
- iii. Which one in not function of an entrepreneur?
 - (a) Turning ideas into action
 - (b) Feasibility study
 - (c) Resourcing
 - (d) Shutting down the existing business
- iv. Who can start a business
 - (a) Only highly educated person
 - (b) Only an uneducated person
 - (c) Only rich person
 - (d) Any one of the above
- v. While selecting of line a business, an entrepreneur must keep in his mind
 - (a) Profitability
 - (b) Risk involved
 - (c) Profits
 - (d) All above

**WHAT YOU HAVE LEARNT**

- An entrepreneur is a person who is creative and innovative in terms of identifying opportunities for business; has the ability to take risks and requisite attitude to run the business. In the process he not only engages himself but also generates jobs for others.
- Entrepreneurship thus, comprises of the various practices and skills of persons who constantly strive for growth and excellence through innovation, dynamism and acceptance of risk. A starting 'will' to set up an enterprise, essential skills to start and run the business, ability to hard work and take risk are the essential requirements for a successful entrepreneur.
- Entrepreneurs are required by every nation as they contribute a lot to its growth and economic development.
- An entrepreneur should have qualities like taking initiative, willingness to undertake risk, ability to learn from experience, self motivation, self confidence, hard work and ability to take right decisions.



- Entrepreneurs identify various business opportunities, turn their ideas into action, make feasibility study of their plans, arrange resources, set up enterprises and constantly try to grow.
- Any person whether educated or not, whether having business background or not, whether from rural area or urban area, can start a small business. What is essential is the 'will' and the self confidence.
- Money required for setting up small business enterprise can be arranged from own sources or borrowed sources or both. Money can be taken on loan from banks and other financial institutions.
- To be successful in running a small business enterprise you can opt for a product or a combination of products provided they have a demand in the market.



TERMINAL EXERCISE

1. Explain the concept of 'entrepreneurship'.
2. Give any three features of an entrepreneur.
3. State the importance of an entrepreneur.
4. Describe any three qualities of a successful entrepreneur.
5. Explain how motivation is a key to success.
6. Explain the various functions of an entrepreneur.
7. What are the factors you would like to consider if you start a small enterprise to produce ball pen.



ANSWER TO INTEXT QUESTIONS

- 20.1** (i) True, (ii) False, (iii) True,
(iv) False, (v) True, (vi) True
- 20.2** (i) False, (ii) True, (iii) False, (iv) True,
- 20.3** Self answer.
- 20.4** I. (i) False, (ii) True, (iii) False, (iv) False, (v) True
II. (i) d, (ii) a, (iii) d, (iv) d, (v) d

ACTIVITIES FOR YOU

- Visit the nearest small scale industry and observe its working.
- Meet any entrepreneur in your locality and discuss with him secrets of his success.

MODULE - VII

Maximum Marks
00

Hours of Studies
30

Practical / Project Work

The learners ultimately have to enter the field of work which may be wage employment or self employment. Their success at the place of work will depend upon how skillfully they have performed their assigned jobs. This module has been designed to develop among the learners the skill of performing the assigned jobs using the case study approach, though this module is not the part of examination.



PROJECT WORK

PRACTICAL AWARENESS ABOUT BUSINESS STUDIES

It is expected that Project work will help the students in developing the skills to understand the various aspects of Business and make it meaningful in their life.

PROJECTS:

- Find out from five working people around you what they do to earn their living. Classify these under Business, Profession and Employment and Show the data in following format:

S. No	Name and Address of Enterprise	Name of Product/ Service	Business/Profession / Employment
1			
2			
3			
4			
5			

Compare these three economic activities(Business, Profession and Employment) on the basis of following points:

Basis	Business	Profession	Employment
Meaning			
Regulated by			
Code of Conduct			
Terms and Conditions			
Return			
Risk			



Notes

2. Talk to any five shopkeepers or any other businessman and find out:
 - a. The type of goods or services they deal in;
 - b. The resources they invest, like land, labour and capital.
 - c. The risk and uncertainties they face in earning profit.

Show your report in following format:

S. No.	Name and Address of Enterprise	Name of Product/ Service	Resources Used			Uncertainties faced
			Land (Sq. M.)	Number of Employees	Capital (Rs.)	
1						
2						
3						
4						
5						

3. Collect information from books, magazines and newspapers about the important items of export and import in India. Also find out the names of at least five ports used for foreign trade in our country. Show your Report in following Format:

Import Items

S. No.	Name of Item/Article	Name of Importer Firm	Name of Country from where imported	Sea Port of India Used for Import
1				
2				
3				
4				
5				

Export Items

S. No.	Name of Item/Article	Name of Exporter Firm	Name of Country to which exported	Sea Port of India Used for Export
1				
2				
3				
4				
5				

4. Find out from some shop-keepers or any other businessperson of your locality about what are their objectives of running the business. Classify these objectives on the basis of the different types of objectives you have learnt. Show your Report in following Format:



Notes

S. No	Name and Address of Enterprise	Objective	Type of Objective Economic/Human/ Social/National/ Global
1			
2			
3			
4			
5			
6			
7			

5. Identify five business activities being carried on in your locality. Classify them into ‘Industry ‘or ‘Commerce’. Further, under Industry, can you tell whether they are primary, secondary or tertiary industries? Show your Report in following Format:

S. No.	Name and Address of Enterprise	Nature of Business Activity	Industry or Commerce	Type of Industry (In case of Industry)
1				
2				
3				
4				
5				

6. Survey any five shops in your nearby market and make a list of different shops. Identify at least four business units owned by single individuals. Ask any shopkeeper of a small shop in your locality about the problems faced by him in expanding his business activities. Show your Report in the following format:

S. No.	Name and Address of Enterprise	Types of Items Available in Shop	Ownership (Single or Joint)	Problems Faced to Expand the Business (In case of Single Owner only)
1				
2				
3				
4				
5				

Conclusion: Problems Faced by Single Owners in expanding his/her business.



Notes

7. Collect any five items of daily use (Packed items) and list the names of the companies manufacturing those items. Classify those companies as public and private limited companies. Which of them are Multinational Companies? Show your Report in following Format:

S. No.	Name of Packed Item	Name of Manufacturing Company	Type of Company (Private or Public)	Tick on Multinational Company
1				
2				
3				
4				
5				

8. Visit the nearest market of your area and ask any five traders which mode of transport they are using for transportation of their goods and why? Ask them for advantages and disadvantages of that mode of transport. Show your Report in the following Format:

S. No.	Name of Firm	Names of Items Sold	Mode of Transport	Advantage of Transport	Disadvantage of Transport
1					
2					
3					
4					
5					

9. Make a list of any four items which are produced throughout the year but used in a specific season. Make a list of any four items which are produced in a specific season but used throughout the year. Show your Report in the following Format:

List of items which are produced throughout the year

S. No.	Name of Item	Months during which produced	Months during which used.
1			
2			
3			
4			



Notes

List of items which are produced in a specific season but used throughout the year

S. No.	Name of Item	Months during which produced	Months during which used.
1			
2			
3			
4			

Discuss the need and importance of warehousing to store these items.

- Ask any five sole proprietors of your locality whether he/she is interested in converting his/her business to a partnership firm. Note down the reasons given by the sole proprietor. Show your Report in following the Format:

List of Sole Proprietors who are interested in converting it into Partnership

S. No.	Name of Sole Proprietorship Firm	Name of Sole Proprietor	Reasons converting
1			
2			
3			
4			
5			

List of Sole Proprietors who are not interested to converting it into Partnership

S. No.	Name of Sole Proprietorship Business	Name of Sole Proprietor	Reasons for not interested in converting
1			
2			
3			
4			
5			



Notes

11. Visit the office of any five Co-operative societies in your locality/village or nearby village and find out:
 - a. What is the purpose of the society?
 - b. Who are the members of the society?
 - c. What are the activities of the society?
 - d. Does the society face any problems in its operations?

Show your Report in the following Format:

S. No.	Name of Society	Purpose of Society	Number of Members	Main Activities of Society	Problems in Operation
1					
2					
3					
4					
5					

12. Make a list of Banks operating in your locality and classify them according to their functions.

Show your Report in following Format and discuss the various functions of Commercial Banks

S. No.	Name of Bank	Branch	Main Function	Type of Bank (Nationalized, Private, Cooperative, Rural)
1.				
2.				
3.				
4.				
5.				

13. Go to the nearest branch of any bank and collect information about various types of accounts which can be opened in that branch. Show your Report in the following Format:



Notes

S. No.	Type of Account	Minimum Amount Required for Opening	Rate of Interest (%)	Maturity Period, If any (Months)	Suitability
1	Saving Account				
2	Current Account				
3	Recurring Deposit Account				
4	Fixed Deposit Account				
5	Public Provident Fund				

14. Go to the businesspersons of your locality who have got insurance cover against different types of uncertainties. Make a list of at least five of such shopkeepers with their names, address and ask them the nature of Insurance cover, name of policy and advantages of such policy. Show your Report in the following Format:

S. No.	Name and Address of Businessperson	Nature of Insurance Cover	Name of Policy	Name of Insurance Company
1				
2				
3				
4				
5				

Advantages of various types of Insurance Policies are to be written heading wise.

15. Read the Newspaper and find out from the articles and advertisements about the products being sold through Mail Order Business. Study the advantages and disadvantages of Mail Order Business. Show your Report in the following Format:



Notes

S. No.	Name and Address of Advertiser	Product	Brand	Mode of receiving Order (Letter/Telephone/SMS/e-mail)
1				
2				
3				
4				
5				

Advantages and disadvantages of Mail Order Business are to be written heading wise.

16. Prepare a list of goods and services you are using in your day to day life. As a consumer have you ever faced any problem while buying goods and services? Study the various rights of consumers. Show your Report in the following Format:

S. No.	Name of Product/Service	Name of Manufacturer / Provider	Problem Faced	Concerned Right of Consumer
1				
2				
3				
4				
5				

17. Make a list of any five Indian companies entering into Joint Ventures with foreign companies. Find out the apparent benefits derived out of such ventures. Show your Report in the following Format:

S. No.	Name of Indian Company	Name of Foreign Company	Name of Country	Product
1.				
2.				
3.				
4.				
5.				

Advantages of Joint Venture are to be written heading wise.



Notes

18. Using newspapers, magazines and other business references, identify and describe at least five companies that you think are socially responsible and at least five companies that you think are socially not responsible. Show your Report in the following Format:

Socially Responsible Companies

S. No.	Name of Company	Social Activity of Company	Name of Social responsibility
1			
2			
3			
4			
5			

Socially not responsible Companies

S. No.	Name of Company	Activity of Company showing social irresponsibility	Name of Social responsibility
1			
2			
3			
4			
5			

19. Collect information through advertisements in newspapers and magazines regarding various sales promotion schemes introduced by manufacturers. Show your Report in following Format:

S. No.	Name of Manufacturer	Product with Brand	Scheme	Name of Sales Promotion Scheme
1				
2				
3				
4				
5				

MODULE - VII

Practical / Project Work



Notes

Project Work Practical Awareness

20. Prepare a comparative chart of the following sources of finance in the given format:

S. No.	Basis of Comparison	Equity Share	Debenture	Loan from Banks	Public Deposits
1	Easy Availability				
2	Cost				
3	Form of Organisation				
4	Control				
5	Effect on Creditworthiness				
6	Flexibility				
7	Tax Benefits				