

# Lesson 3

## Objectives of Business

You want to perform well in your examination; you want to earn money to sustain your livelihood; you want to be a good citizen; you want to help the poor and needy people. What are these? These may be different objectives that you want to achieve in your life. In the similar way every business has several objectives, which it wants to achieve. What are those objectives?

In this lesson let us learn about various objectives of business.

### 3.1 Objectives

After reading this lesson, you will be able to:

- state the meaning of objectives of business;
- classify objectives of business into economic, social, human, national and global;
- explain the nature of various objectives and their significance;
- state the meaning of business environment; and
- recognise the various components of business environment.

### 3.2 Objectives of Business - Meaning

An objective is something you want to achieve. As a learner of NIOS, you may have many objectives in mind; one could be to perform well in the examination. Similarly, business objectives are something which a business organization wants to achieve or accomplish over a specified period of time. These may be to earn profit for its growth and development, to provide quality goods to its customers, to protect the environment etc. These are the objectives of business. In the following section let us classify the objectives of business.

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### 3.3 Classification of Objectives of Business

It is generally believed that a business has a single objective, that is, to make profit. But it cannot be the only objective of business. While pursuing the objective of earning profit, business units do keep the interest of their owners in view. However, any business unit cannot ignore the interests of its employees, customers, the community, as well as the interests of society as a whole.

For instance, no business can prosper in the long run unless fair wages are paid to the employees and customer satisfaction is given due importance. Again a business unit can prosper only if it enjoys the support and goodwill of people in general. Business objectives also need to be aimed at contributing to national goals and aspirations as well as towards international well-being. Thus, the objectives of business may be classified as -

- a. Economic Objectives
- b. Social Objectives
- c. Human Objectives
- d. National Objectives
- e. Global Objectives

Now we shall discuss all these objectives in details.

### 3.4 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 include, creation of customers, regular innovations and best possible use of available resources. Let us learn about these.

#### i. Profit earning

Profit is the lifeblood of business, without which no business can survive in a competitive market. Infact profit making is the primary objective for which a business unit is brought into existence. Profits must be earned to ensure the survival of business, its growth and expansion over time. 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:

#### a) 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.

#### b) Regular innovations

Innovation means changes, which bring about improvement in products, process of production and distribution of goods. Business units, through innovation, are able to reduce cost by adopting better methods of production and also increase their sales by attracting more

<p>Economic objectives</p> <ul style="list-style-type: none"> <li>● Profit earning</li> <li>● Creation of customers</li> <li>● Regular innovations</li> <li>● Best possible use of resources</li> </ul>
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customers because of improved products. 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 all the results of innovation.

### **c) 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, raw materials, employ men and have cash to meet day-to-day expenses. Thus, business activities require various resources like men, materials, money and machines. The availability of these resources is usually limited. Thus, every business should try to make the best possible use of these resources. This objective can be achieved by employing efficient workers, making full use of machines and minimizing wastage of raw materials.

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## **Intext Questions 3.1**

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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.

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## **3.5 Social Objectives**

Social objectives are those objectives of business, which are desired to be achieved for the benefit of the society. Since business operates in a society by utilizing its scarce resources, the society expects something in return for its welfare. No activity of the business should be aimed at giving any kind of trouble to the society. If business activities lead to socially harmful effects, there is bound to be public reaction against the business sooner or later.

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. It is not desirable on the part of the businessman to supply adulterated or inferior goods which cause injuries to the customers. They should charge the price according to the quality of the goods and services provided to the society. Again, the customers also expect timely supply of all their requirements. So it is important for every business to supply those goods and services on a regular basis.

Social objectives

- Production and supply of quality goods and services
- Adoption of fair trade Practices
- Contribution to the general welfare of 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. Such advertisements deceive the customers and the businessmen use them for the sake of making large profits. This is an unfair trade practice. 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.

**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.

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**Intext Questions 3.2**

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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.

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**3.6 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. Opportunities for promotion and advancement in career should also be provided to the employees. Further, grievances of employees 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. 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. While recruiting its staff, business should give preference to physically and mentally challenged persons. Business units can also help and encourage meritorious students by awarding scholarships for higher studies.

### Human Objectives

- Economic well being of the employees
- Social and psychological satisfaction of employees
- Development of human resources
- Well being of socially and economically backward people

## Intext Questions 3.3

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.

## 3.7 National Objectives

Being an important part of the country, every business must have the objective of fulfilling national goals and aspirations. The goal of the country may be to provide employment opportunity to its citizen, earn revenue for its exchequer, become self-sufficient in production of goods and services, promote social justice, etc. Business activities should be conducted keeping these goals of the country in mind, which may be called national objectives of business. The following are the national objectives of business.

- National Objectives
- Creation of employment
  - Promotion of social justice
  - Production according to national priority
  - Contribution to the revenue of the country
  - Self-sufficiency and export promotion

**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. He/She 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 units should aim at increasing exports and adding to the foreign exchange reserves of the country.

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**Intext Questions 3.4**

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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, employers, suppliers)
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**3.8 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.

#### Global objectives

- Raise general standard of living
- Reduce disparities among nations
- Make available globally competitive goods and services.

### **3.9 Business Environment**

Conditions or situations that affect business activities may be regarded as the environment of business. In other words, business environment refers to the surroundings and circumstances, which influence business operations. This environment consists of forces and factors internal or external to a business firm.

The skill and ability of employees, their attitude to work, relations between managers and subordinates etc. may be regarded as internal environment of business. These are important factors, which may affect business operations. But these are within the control of the businessman. By taking suitable steps the conditions can be improved.

On the other hand, external environment refers to all those aspect of the surrounding of business, which are not within the control of the managers and may affect business activities to a great extent. You may have noticed that sometimes there is less demand of goods produced by a particular firm. It may be due to better quality substitutes which customers find more useful. Again, if the government policy changes so as to allow foreign goods to be imported at lower rates of customs duty, similar good produced in India may not sell, as the prices of imported goods may be lower. These conditions are generally not within the control of the businessmen.

Let us discuss about the external factors which influence or affect business activities and operations and are not controllable by businessmen. We may classify these factors as economic factors, social factors, political factors and technological factors.

#### **(i) Economic factors**

Economic factors include those factors which affect the business environment due to

changes in income level of the people, rates of interest on borrowing, availability of capital, tax rates, demand and supply of goods and also changes in government economic policies, etc. For example, you may have noticed that if the level of income of people goes up, there is increased demand for goods and services. Similarly when interest rates on loans are lower people spend more on buying durable goods like, car, home etc. Growth of business naturally takes place as a result of increased spending by consumers.

**(ii) Social factors**

The nature of goods and services in demand depends upon the changes in habits and customs of people in the society. With rise in population the demand for household as well as other goods has increased. The nature of food and clothing has also changed to a great extent. Demand for packaged food and ready-made garment has increased in recent times. All these force the business to produce goods accordingly. So the social and cultural factors have also affected the production pattern of business.

**(iii) Political factors**

Business environment is adversely affected by the absence of political stability. The workers' union may demand higher wages, may indulge in frequent strike etc., which affect the normal functioning of business. Problems of law and order situation in border areas, conflicts between countries, absence of favourable economic as well as export–import policy also affect the business activities. Business activities suffer serious set backs under such circumstances.

**(iv) Technological factors**

Technological advancement always leads to improvement in the process of production, transportation and communication. Change in technology is mostly associated with better service and cost efficiency. In recent years, information processing and storage with the use of computers and telecommunication facilities have developed rapidly. People now prefer to use mobile phones in place of landline phones. Now-a-days electronic appliances have replaced electrical equipments very widely. Business activities are bound to suffer if enterprises do not adopt upto-date technology as and when necessary.

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**Intext Questions 3.5**

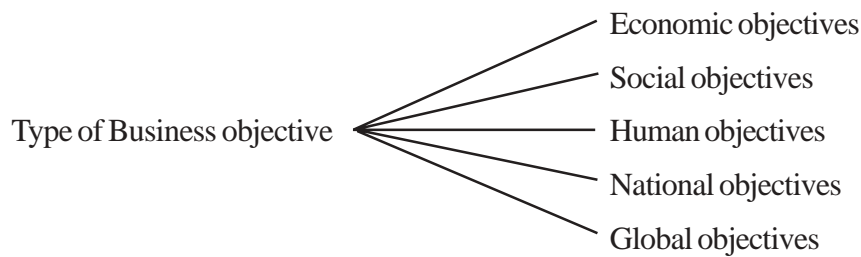
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Match the following.

- | (A)                           | (B)                     |
|-------------------------------|-------------------------|
| i. Lower Interest rate        | a. Political factor     |
| ii. Demand for Packaged Food  | b. Technological factor |
| iii. Strike in the factory    | c. Social factor        |
| iv. New Methods of Production | d. Economic factor      |
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**3.10 What You Have Learnt**

- Any thing that the business organization wants to achieve over a specified period of time is called business objective.



Economic objectives	Social objectives	Human Objectives	National Objectives	Global objectives
<ul style="list-style-type: none"> <li>● Profit earning</li> <li>● Creation of customers</li> <li>● Regular innovation</li> <li>● Best possible use of resources</li> </ul>	<ul style="list-style-type: none"> <li>● Production and supply of quality goods and services</li> <li>● Adoption of fair trade practices</li> <li>● Contribution to general welfare of the society</li> </ul>	<ul style="list-style-type: none"> <li>● Economic well being of the employees</li> <li>● Social and psychological satisfaction of employees</li> <li>● Development of human resources</li> <li>● Economic well being of socially and economically backward people</li> </ul>	<ul style="list-style-type: none"> <li>● Creation of employment</li> <li>● Promotion of social justice</li> <li>● Production according to national priority</li> <li>● Contribution to the revenue of the country</li> <li>● Self-sufficiency and export promotion</li> </ul>	<ul style="list-style-type: none"> <li>● Raise general standard of living</li> <li>● Reduce disparities among nations</li> <li>● Make available globally competitive goods and services.</li> </ul>

- Conditions or situations that affect business activities may be regarded as business environment.
- The various external factors which influence or affect business activities and operations are:
  - (i) Economic factors
  - (ii) Social factord
  - (iii) Political factors
  - (iv) Technological factors.

### 3.11 Terminal Exercise

1. Profit earning is the main objective of business. Explain.
2. Explain the economic objectives of business.
3. Enumerate the social objectives of business.
4. Explain the importance of national objectives of business.
5. Enumerate and explain the human objectives of business.
6. Explain the global objectives of business.
7. What is meant by business environment?
8. Distinguish between internal and external business environment.
9. Explain the various factors that affect the business activities which are not under the control of a businessman.
10. Explain how technological factors influence the business operations.

### 3.12 Key to Intext Questions

3.1 i False, ii. True, iii. False, iv. False, v. False

3.2 i) Wrong , ii) Right, iii) Wrong, iv) Wrong, v) Wrong

3.3. (i) True

(ii) True

(iii) False

(iv) False

(v) False

3.4 (i) National, ii) export, iii) regularly iv) employees.

3.5 i) d ii) c iii) a iv) b

#### **Activity For You**

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.