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The Impact or Role of Business in Economics

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Abstract

Here I will try to represent basic ideas about economics. The differences between organizations of different kinds will be explained. Different kinds of businesses are presented here. Our moral responsibilities and regulation of forming business here will be focused. Besides, the influences of government will be explained. I will give distinct ideas about the business and referring economics.

Keywords: Environment; Organization; Business; Responsibilities**.**

1. Introduction

A business is usually defined as a commercial enterprise. Some are run by only one person who carry out all of the required functions. Others employ thousands of people and provide goods and services to people all over the world. Each business can be defined or described by its type of ownership, the goods produced or services offered, the types of jobs provided, or the functions.

Businesses satisfy people's basic needs all the way to their lavish wants. Competition and profit motivate these businesses to continually strive for your business. Businesses are started by entrepreneurs who see a need, recognize the opportunity, and go into business to meet that need. Business and people need each other – there are many stakeholders – we depend on businesses for products and services, but also for employment. It refers to buy inputs – raw materials, labour, machinery and equipment, and land. It also refers producing outputs – goods and services. It focuses on efficient use of resources. It generates profit/surplus.

2. Economics Affects Business

Entrepreneurship tends to focus on identifying and fulfilling consumer needs in specific niche markets, but all businesses can be affected by large-scale economic trends. Accounting for trends in the overall economy can help business managers make better decisions. Economic factors that commonly affect businesses include consumer confidence, employment, interest rates and inflation.

3. Business Environment

A business is created to provide products or services to customers. If it can conduct its operations effectively, its owners earn a reasonable return on their investment in the firm. In addition, it creates jobs for employees. Thus, businesses can be beneficial to society in various ways. The first step in understanding how businesses operate is to recognize their most important functions and the environment in which they operate. A business must understand the environment in which it operates in order to be successful. Economics describes the motives of people to create a business, identifies the stakeholders involved in a business, and explains the most important functions of a business. Economics also describes the responsibility of a business toward all of its stakeholders and to its social environment. It also explains how the firm can improve its performance by acting responsibly toward its stakeholders. It explains how a business is exposed to economic conditions and how it adapts its operations in response to these conditions. It explains how a business is exposed to global conditions and how it adapts its operations in response to these conditions. In general, businesses are exposed to the business environment. But some businesses are more successful than others because they make better decisions in response to changes in the business environment.

The Impact or Role of Business in Economics

4. Motives of a Business

A business is an enterprise that provides products or services desired by customers. Along with large, well-known businesses such as The Coca-Cola Company and IBM, there are many smaller businesses that provide employment opportunities and produce products or services that satisfy customers. They are all businesses that provide products or services desired by customers. Some of the more

5. The Goal of a Business

Businesses are established to serve the needs of consumers by owners who seek to make profits. The people who create a business may see an opportunity to produce a product or service that is not already being offered by other firms. Alternatively, they may believe that they can produce a product or service that they can sell for a lower price than existing firms. By providing a product that is desired by customers, they may be able to make profits for their business.

6. Profits Come From Businesses

Such as Dell, Gap, Ford Motor Company, and Motorola were created to provide products to customers. Businesses such as Southwest Airlines and Hilton Hotels were created to provide services to customers. Other service firms include dentists, hairstylists, travel agencies, insurance companies, tax services, and law firms. Some firms, such as AT&T, Microsoft, and IBM, provide both products and services to customers. Managing a service business can be just as challenging and rewarding as managing a business that produces products. A business receives revenue when it sells its products or services. It incurs expenses from paying its employees and when it purchases machinery or facilities. The difference between the revenue and the expenses is the profit generated by the business. The profits go to the owners of the business. Thus, owners who create a business have a strong incentive to ensure that it is successful, as they are directly rewarded for their efforts.

7. Profit as a of Business

If you develop a good understanding of business, you may be more capable of creating and running a successful business, and you will be directly rewarded with higher profits. Yet, even if you never plan to run your own business, you may profit from understanding how a business operates.

8. Government's Influence on Profit Motive

Countries such as the United States, in which people can create their own businesses to serve the preferences and needs of consumers, have a free-market economy. Governments of free-market economies recognize the advantages of allowing business ownership. Not only do businesses serve consumers, but by creating work for the business owners and employees, they also reduce the country's unemployment.

9. Non-profit Businesses

Not all business are created to make a profit. A nonprofit organization is an organization that serves a specific cause and is not intended to make profits. When its revenue exceeds its expenses in a particular period, the profits are reinvested in the organization. In the United States, a nonprofit organization is not taxed as long as it qualifies by meeting specific requirements established by the Internal Revenue Service. Common examples of nonprofit organizations include some hospitals, schools, charitable organizations, and churches.

10. Business Environment

The success of a business is generally dependent on the business environment. Even after a business is created, its entrepreneurs and managers must continually monitor the environment so that they can anticipate how the demand for its products or its cost of producing products may change. The business environment can be segmented into the following parts.

10.1. Social Environment

The social environment, which includes demographics and consumer preferences, represents the social tendencies to which a business is exposed. The demographics, or characteristics of the population, change over time. As the proportions of children, teenagers, middle-aged consumers, and senior citizens in a population change, so does the demand for a firm's products. Thus, the demand for the products produced by a specific business may increase or decrease in response to a change in demographics. For example, an increase in the elderly population has led to an increased demand for many prescription drugs.

10.2. Industry Environment

The industry environment represents the conditions within the firm's industry to which the firm is exposed. The conditions in each industry vary according to the demand and the competition. Firms benefit from being in an industry that experiences a high consumer demand for its products. For example, the demand for cell phones is very high. However, industries that have a high demand for their products also tend to have substantial competition because many firms enter the industry. Intense competition is good for consumers because it forces firms to keep their prices relatively low in order to compete. For firms, however, competition may result in lower revenue and, therefore, lower profits.

10.3. Economic Environment

Economic conditions have a strong impact on the performance of each business. When the economy is strong, employment is high, and compensation paid to employees is also high. Since people have relatively good income under these conditions, they purchase a large amount of products. The firms that produce these products benefit from the large demand. They hire many employees to ensure that they can produce a sufficient amount of products to satisfy the demand. They can also afford to pay high wages to their employees. When the economy is weak, firms tend to lay off some of their employees and cannot afford to pay high wages. Since people have relatively low income under these conditions, they purchase a relatively small amount of products. The firms that produce these products are adversely affected because they cannot sell all the products that they produce. Consequently, they may need to lay off some employees. Under these circumstances, some firms fail, and all of their employees lose their jobs. The unemployment rate rises as a result.

10.4. Global Environment

The global environment may affect all firms directly or indirectly. Some firms rely on foreign countries for some of their supplies or sell their products in various countries. They may even establish subsidiaries in foreign countries where they can produce products and sell them. Even if a firm is not planning to sell its products in foreign countries, it must be aware of the global environment because it may face foreign competition when it sells its products locally.

11. Business Decisions Affect Performance

Management decisions focus on the use of resources, marketing decisions focus on the products, and finance decisions focus on obtaining or using funds. A firm's performance is commonly measured by its earnings (or profits). There are effects on each type of business of decision has on a firm's earnings. Since management decisions focus on the utilization of employees and other resources, they affect the amount of production expenses incurred. Since marketing decisions focus on strategies that will make the product appealing to customers, they affect the firm's revenue. Marketing decisions also influence the amount of expenses incurred in distributing and promoting products. Since finance decisions focus on how funds are obtained. They influence the amount of interest expense incurred. As the management, marketing, and finance decisions affect either a firm's revenue or expenses, they affect the earnings and therefore the performance of the firm.

12. Responsibility to the Environment in Business

There is a range of environmental rules your business may have to follow:

Comply with legislation regarding emissions into the air. Store waste safely and securely, make sure it is treated appropriately, ensure it is collected by an authorized organization and complete a waste transfer note or consignment note when waste is handed over. Manage your business waste for recycling by separating paper, card, plastic, metals and glass prior to collection. Ensure you do not cause a statutory nuisance which could affect someone's health or annoy your neighbors. This covers things like producing noise, smoke, fumes, gases, dust, odor, light pollution or accumulating rubbish. Get permission from your water company before you allow trade effluent such as waste chemicals, detergents, cooling or cleaning water to enter the sewerage system. Make sure that you comply with restrictions on the storage and use of hazardous substances. Ensure that any hazardous waste your business produces is correctly classified and described, and is either disposed of or recovered at an appropriately authorized facility. Notify the relevant enforcing authority and take steps to prevent the damage if your business activities pose an imminent threat to the environment. If your business activities cause actual environmental damage, you must take remedial action to repair the damage. There are also specific environmental rules covering a wide range of businesses - from construction and electronics to textiles and chemicals manufacture. You must ensure that any waste you produce as a result of your business operations is stored safely and securely, treated appropriately and collected for disposal or recycling by an organization authorized to do so. In addition, the waste regulations require all businesses to separate the following forms of commercial waste for recycling: paper, card, plastic, metals and glass. Biodiversity refers to all species of plants and animals, including any genetic variations within those species, and the complex ecosystems they live in. The world is losing biodiversity at an ever-increasing rate as a result of human activity. All types of business operating near protected areas should be aware of their responsibilities for conservation and protecting biodiversity. This doesn't just apply to land-based industries such as forestry or farming, but to all offices, factories and other business activities based on or near these areas.

13. Entrepreneurship

Entrepreneurship is the act of creating a business or businesses while building and scaling it to generate a profit. An entrepreneur is a person who sets up a business with the aim to make a profit. This entrepreneur definition can be a bit vague but for good reason. An entrepreneur can be a person who sets up their first online store on the side or a freelancer just starting out. Entrepreneurship is the process of designing, launching and running a new business, which is often initially a small business. The people who create these businesses are called entrepreneurs.

14. Entrepreneurial Attributes

Entrepreneurial Attributes include:

a) Self-Directed & Self-Disciplined
b) Self-Nurturing
c) Action-Oriented
d) Highly Energetic
e) Tolerant of Uncertainty

15. Small Business

A small business is a privately owned and operated business. A small business typically has a small number of employees. Small businesses are privately owned corporations, partnerships, or sole proprietorships that have fewer employees and/or less annual revenue than a regular-sized business or corporation.

16. Major Causes of Failure of Small Business

Causes can be listed as follows:

a) Plunging in without first testing
b) Under/over pricing
c) Too little capital
d) Little/no experience
e) Borrowing money without planning
f) Trying to do too much with too little
g) Buying too much on credit
h) Expanding credit too freely and rapidly
i) Incomplete and/or inaccurate records
j) Not understanding business cycles
k) Forgetting about taxes, insurances, etc.
l) Owner working or not, according to whim

17. Business Organization

almost every country consists of two business sectors, the private sector and the public sector. Private sector businesses are operated and run by individuals, while public sector businesses are operated by the government. The types of businesses present in a sector can vary, so let’s take a look at them. Business means a production unit or firm. A firm is a decision-making production unit which transforms resources into goods and services which are ultimately bought by consumers. Traditional economic theory has assumed that the typical firm has a single objective — to maximize its profits. The modern theories of the firm, however, do acknowledge that firms may have other objectives, such as sales-revenue maximization or the maximization of managerial utility and so on. Economists have pointed out that the owners of a large company place the effective control of the company in the hands of professional managers. The interests of the owners and the managers may diverge. The owners (shareholders) are interested in obtaining the maximum dividend possible over a reasonable time period, which means that the firm should aim to maximize its long-run profits.

18. Sole Trader

A person who is the exclusive owner of a business, entitled to keep all profits after tax has been paid but liable for all losses. A Sole Proprietorship consists of one individual doing business. Sole Proprietorships are the most numerous form of business organization in the United States, however they account for little in the way of aggregate business receipts.

18.1. Advantages

a) Ease of formation and dissolution. Typically, there are low start-up costs and low operational overhead.
b) Ownership of all profits.
c) Sole Proprietorships are typically subject to fewer regulations.
d) No corporate income taxes. Any income realized by a sole proprietorship is declared on the owner's individual income tax return.

18.2. Disadvantages

a) Unlimited liability. Owners who organize their business as a sole proprietorship are personally responsible for the obligations of the business, including actions of any employee representing the business.
b) Limited life. In most cases, if a business owner dies, the business dies as well.
c) It may be difficult for an individual to raise capital. It's common for funding to be in the form of personal savings or personal loans.

19. Partnership

A Partnership consists of two or more individuals in business together. Partnerships may be as small as mom and pop type operations, or as large as some of the big legal or accounting firms that may have dozens of partners. There are different types of partnerships—general partnership, limited partnership, and limited liability partnership—the basic differences stemming around the degree of personal liability and management control. A partnership is a group consisting of 2 to 20 people who run and own a business together. They require a Deed of Partnership or Partnership Agreement, which is a document that states that all partners agree to work with each other, and issues such as who put the most capital into the business or who is entitled to the most profit. Other legal regulations are similar to that of a sole trader.

19.1. Advantages

a) Synergy.
b) Partnerships may be subject to fewer regulations than corporations.
c) There is stronger potential of access to greater amounts of capital.
d) No corporate income taxes.

19.2. Disadvantages

a) Unlimited liability.

b) Limited life.

c) There is a real possibility of disputes or conflicts between partners which could lead to dissolving the partnership.

20. Joint-Stock Company

The joint-stock company with limited liability developed in the second half of the 19th century. It had started long ago

21. Private Limited Companies

Private Limited Companies have separate legal identities to their owners, and thus their owners have limited liability. The company has continuity, and can sell shares to friends or family, although with the consent of all shareholders. This business can now make legal contracts.

22. Public Limited Companies

Public limited companies are similar to private limited companies, but they are able to sell shares to the public. A private limited company can be converted into a public limited company by: A statement in the Memorandum of Association must be made so that it says this company is a public limited company. All accounts must be made public. The company has to apply for a listing in the Stock Exchange.

23. Corporation

Corporations are probably the dominant form of business organization in the United States. Although fewer in number, corporations account for the lion's share of aggregate business receipts in the U.S. economy. A corporation is a legal entity doing business, and is distinct from the individuals within the entity. Public corporations are owned by shareholders who elect a board of directors to oversee primary responsibilities. Along with standard, for-profit corporations, there are charitable, not-for-profit corporations.

23.1. Advantages

a) Unlimited commercial life.

b) Greater flexibility in raising capital through the sale of stock.

c) Ease of transferring ownership by selling stock.

d) Limited liability.

23.2. Disadvantages

a) Regulatory restrictions.

b) Higher organizational and operational costs

c) Double taxation.

24. Growth of Firms

A firm may have several motives for growth. Some firms see expansion as a way of ensuring their survival in the long-run. Diversification may similarly be seen as a key to survival and the best prospect for growth. The diversification of the Imperial Tobacco Group into areas such as food production, packaging, educational supplies is a case in point.

Another possible motive for growth is to achieve higher profits. These may result, first, from the likely fall in unit production costs as the firm expands and, second, through the firm's increase in its market shares and, therefore, its ability to control the price of its product. A firm with a dominant position in a market may be acknowledged by other firms as a price leader.

25. Industry

A group of businesses that all produce similar products is called an industry. Example: Automobile manufacturers and automobile parts is the Automobile Industry. Separated into three categories – primary, secondary, and tertiary.

25.1. Primary Industry

Those involved in the first stage of development of products. Harvest natural resources that are later used to manufacture products. Mining, fishing, agriculture, forestry, and oil and gas extraction are all primary industries are example of primary industries. Large amounts of money is needed for research, equipment and machinery are formed by.

25.2. Secondary Industry

Manufacture raw materials into finished products are formed by. Gold and silver ores are refined and made into jewellery are examples. Technology innovations has led to automation with computer assisted design here.

25.3. Tertiary Industry

These industries provide services to consumers and other businesses. Often involves selling or using products produced by secondary industries. Tertiary industries are rapidly expanding creating job opportunities in service occupations. Due to advances in technology it includes aging population, busy consumers with less free time, and consumer demand for higher quality services.

26. Conclusion

The influence of government and many issues are presented here. To making business, we have to follow the rules and regulation. We have to be cautious about our responsibilities while establishing business organizations. Having clear idea about relation between business and economics is important.

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