

CHAPTER 9

INTERNAL TRADE

Trade :- Trade refers to the process buying and selling of goods and service with the objective of earning profit.

Internal Trade :- When trade takes place between the people of the same country then it is termed as internal trade.

Features of Internal Trade

1. Trade within the Geographical boundaries of a nation.
2. Free from custom duty or import duty.
3. Aims at equitable distribution of goods within nation.
4. Payment made in the legal currency of the country.

Internal trade can be classified into two broad categories.

- i) Wholesale Trade
- ii) Retail Trade

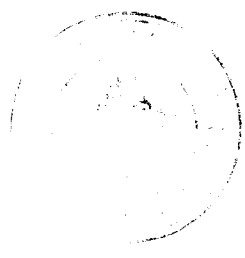
Wholesale Trade :- Buying and selling of goods and services in large quantities for the purpose of resale or intermediate use is referred to as wholesale trade. Wholesalers acts as an important link between manufacturers and retailers.

Features of Wholesale trade

1. Purchase goods in bigger lots.
2. Usually specialize in one particular live in goods.
3. Sells in small lots to retailers.
4. Wholesaler bears the business risks by buying and selling goods in his own name.

SERVICES OF WHOLESALER TO MANUFACTURERS

1. Wholesalers enable manufacturers to undertake large scale



- production as they purchase goods in large quantities from them.
2. Wholesaler deals in goods in their own name and bear variety of risks such as the risk of fall in prices, theft, pilferage, spoilage, fire etc.
 3. Wholesalers provide financial assistance to the manufacturers by making cash payment for the purchased goods.
 4. Wholesaler provide various useful information regarding the customer preference, market conditions etc to the manufacturer.
 5. Wholesalers help manufacturer in marketing function by purchasing goods from them and selling them to the retailers.
 6. Wholesalers provide the storage facilities also as they hold the goods in their warehouses/Godowns.
 7. The wholesaler facilities continuity in production as they purchase the goods from producers as and when these are produced.

SERVICES OF WHOLESALERS TO RETAILERS

- 1 Wholesaler make goods available to the retailers, who make them available to the ultimate customers.
2. Wholesalers help retailers in the marketing of the goods by undertaking advertising and other sales promotional activities.
3. Wholesalers help retailers by providing credit facility to them.
4. Wholesalers sell goods to retailers in small quantities and thus retailers do not face the risk of storage, pilferage, reduction in prices etc.
5. Wholesalers do have specialized knowledge and they can help retailers by providing the same to them. They inform the retailers about new products, their uses and quality etc.

RETAIL TRADE :

Buying of goods in large quantities from the wholesalers and selling them in small quantities to the ultimate consumers is known as retail trade.

Features of Retail Trade

1. Buys variety of goods from wholesalers.
2. Deals in large variety of goods.
3. Sells goods in small quantity to consumers.
4. Last link in the distribution chain.

SERVICES OF RETAILERS TO MANUFACTURERS AND WHOLESALER:-

1. Retailers help manufacturers & wholesalers in the distribution of their goods & services to the ultimate consumers.
2. Retailers help manufacturers & wholesalers in promoting their goods & services.
3. Retailers undertake personal selling efforts and thus, help manufacturers and wholesalers in the process of actualizing the sale of the products.
4. Retailers collect and provide market information about the tastes, preferences and attitudes of consumers to the producers.
5. Retailers make manufacturer and wholesaler free from the burden of making individual sales and thus help them to operate on large scale production.

SERVICES OF RETAILERS TO CONSUMERS:-

1. Retailers provide goods to consumers according to their requirements.
2. Retailers deals in large varieties of products of different manufacturers and thus they offer wide selection to the consumers.
3. Retailers provide important information about the new products to the consumers.
4. Retailers also provide after sales services in the form of home delivery, supply of spare parts and attending to the customers.
5. Retailers sometimes provide goods to customers on credit basis also, which increase their level of consumption and standard of living.
6. Retailers ensure regular availability of different goods to customers.

- Q.1 Pawan buys rice from Deepak in very large quantity and sells them to shopkeepers in small quantities. What type of trade does Pawan do ?
- Q.2 Who is the last link in the distribution chain?

TYPES OF RETAILING TRADE

Retail trade can be classified into following two categories on the basis whether or not they have a fixed place of business.

- (i) Itinerant Retailers
- (ii) Fixed shop Retailers

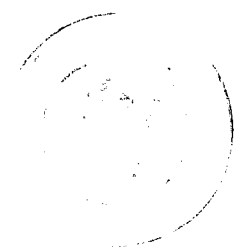
- I. **Itinerant: Retailers :-** The retailers who do not have a fixed place of business to operate from are called itinerant retailers. They have to move from one place to another along with their goods in search of consumers.

Following are the characteristics of itinerant retailers.

- 1. They are small traders having limited resources.
- 2. They generally deal in consumer products of daily use.
- 3. They emphasize on providing greater customer services.
- 4. They do not have any fixed place to operate from, they keep limited inventory.

TYPES OF ITINERANT RETAILERS

- 1. **Peddlers and hawkers :-** They are small producers who generally deals in non-standardised and low-value product such as fruits, vegetables, toys etc. They carry the products on a bicycle, a hand cart. Cycle rickshaw or on their heads and move from place to place to sell their products at the doorstep of the customers. The main advantage of this form of retailing is the provision of convenient service to the consumers.
- 2. **Market traders :-** They are the small retailer who open. their shops at different places and sell the goods on. fixed days such as every Saturday or tuesday. These trader deals in single line of goods such as toys, ready-made garment crockery etc. They are mainly catering to lower income group of customers.
- 3. **Street traders (Pavement Vendors) :-** These types of retailers



are found at places where huge floating population gather such as railway station, bus stand etc and sell consumer items of common use. such as stationery, newspapers, toys etc. They do not change their place of business frequently.

4. **Cheap jacks :-** They are small retailers who have independent shops of a temporary nature in a business locality. They keep on changing their business from one locality to another but not very frequently. They deal in consumer items and services such as repair of watches, shoes, buckets etc.

II. **FIXED SHOP RETAILERS**

Retailers who maintain permanent establishment to sell their goods are called fixed shop retailers. Following are the main characteristic of fixed shop retailers

1. As compared to itinerant traders, fixed shop retailers have greater resources.
2. They deals in durable as well as non-durable goods.
3. There are different size groups of fixed shop retailers varying from very - small to very large.
4. They provide greater services to the customers such as home delivery repairs, credit facilities etc.

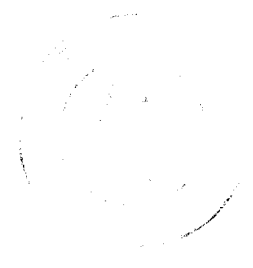
TYPES OF FIXED SHOP RETAILERS :

Fixed shop retailers can be classified into two types (a) Small shop keepers (b. Large retailers.

FIXED SHOP SMALL RETAILERS: -

It include following .

1. **General Stores :-** These shops provide different product required to satisfy the day-to-day needs of the consumers such as stationery items, grocery items etc.
2. **Speciality Shops :-** These shops deal in specific line of products like only in ladies shoes, children garments, men's wear, toys etc. These shops are generally located in a central place where a large number of customers can be attracted.

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3. **Street Stall Holders** :- They are small retailers who are generally found at place having floating populations such as street crossing, main road etc. They deal in cheap variety of goods such as soft drinks cigarettes, toys etc.
 - 4 **Second hand goods shop** :- These shops deal in secondhand or used goods such as books, clothes, furniture, automobile etc. They are generally located at street crossings or in busy streets in the form of a stall or a temporary structure.

FIXED SHOP/LARGE STORE OR LARGE RETAILERS

Fixed shop large stores include following retailers

1. **Departmental Stores** :- A Departmental store is a large retail outlet offering a wide variety of products, classified into well defined departments under one roof. It has a number of departments. each specializes in single line of product such as toiletries, medicines, furniture, groceries etc within a store.

Following are the features of a departmental store :-

- (i) They are located at a central place so that maximum customers could reach there.
- (ii) They provide all facilities such as restaurant, travel and information bureau, telephone booth, restrooms etc.
- (iii) These stores are very large in size and so they are generally formed as a joint stock company managed by a board of directors.
- (iv) All the purchases in a departmental store are made by the purchase department of the store centrally
- (v) A departmental store combines both the functions of retailing as well as Warehousing.
- (vi) They provide maximum service to higher class of customers for whom price is of secondary importance.

Advantages of Departmental Stores.

1. They attract large number of customers as they are located at central places.
2. They provide great convenience to customers as they can purchase number of goods at one place.

3. They provide attractive services to customers like home delivery of goods, credit facilities, restrooms etc.
4. They are able to undertake various promotional activities which help people to know about the products.
5. They are organized at a very large scale and thus, benefits of large-scale operations are available to them.

Limitations of Departmental Store.

1. They operate on large scale which lead to lack of personal attention to the customers.
2. They provide various services to the customers like restrooms, home delivery of goods etc which increases their operating cost and thus the overall price of the goods increases.
3. They are situated at a central place and thus they are not convenient for sudden required goods.
4. They operates on large scale and so the possibility of lgss is also large/ high.

Chain Stores or Multiple Shops.

Chain store or multiple shop refer to network of retail shops that are owned and operated by same organization, established in localities spread in different parts of the country e.g. Bata Shoe Co., McDonald's etc. Some of the important features of such shops are as follows.

1. They are located in popular localities where maximum customers can approach.
2. The manufacturing or procurement of goods is centralized at the head office from where the goods are despatched to each store or shop.
3. Each chain store is supervised by the Branch manager, who is responsible for its day to day working. He sends all the information like sales, cash deposits, requirement of the stock daily to head office.
4. All the branches are controlled by the head office.
5. The prices of goods are fixed and all sales are made on cash basis.

Advantages of Chain Stores.

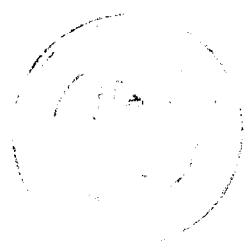
1. They sell goods on cash basis and thus there are no losses on account of bad debts.
2. They eliminate middlemen in the sale of goods & services as they directly sell the goods & services to the customers.
3. Central procurement or manufacturing enables the organization to enjoy the economies of scale.
4. The total risk of an organization is reduced as the losses incurred by one shop may be covered by profits in other shop.
5. The goods not in demand in one locality may be transferred to another locality where they are in demand, which reduces the chances of dead stock.
6. In case a shop is not operating at a profit, then it may be closed or shifted to other locality without affecting the profitability of the organization as a whole.

Limitations of Chain Stores.

1. Chain stores sell goods produced of their organization only and so they offer limited choice of goods.
2. Personal managing the chain store have to obey the instructions of the head office. Thus, they do not take their own initiatives to satisfy the customers.
3. If the demand for the goods handled by multiple shop changes, it may leads to heavy losses as large amount of stock remains unsold at the central office.
4. Lack of initiative In the employees sometimes leads to indifference and lack of personal touch in them.

Q.1 Name the retail organization where same type of commodities are sold at uniform prices, located all over the country.

Q.2 Robin liked a pair of shoes for his brother in a Bata Showroom in Faridabad, but they did not have the required size. The shop manager called the nearest Bata Showroom and ensured Robin to collect the shoes in an hour's time. Which feature of chain store have been explained here?



Mail Order Houses

The retail outlets that sell their goods through mail are referred to as mail order houses. There is no personal contact between the buyers and the sellers in this type of trading. The trader contacts the customer through advertisement in newspaper or magazines, circulars, catalogues and price List is sent to them by post. All the information about product such as price, features, delivery terms, terms of payment etc are described in the advertisement. The customers may be asked to make full payment in advance or goods may be sent by VPP (Value Payable Post), under which goods are delivered to the customer only when he makes full payment for the same. The goods may be sent through a bank which deliver them to the customer only when he makes full payment.

Advantages of Mail Order Houses

1. They can be started with low amount of capital as no expenditure on building or other infrastructure facilities are required.
2. They don't require the services of middlemen so they are eliminated.
3. They do not extend credit facilities to the customers and thus there are no chances of bad debts.
4. They can serve people wherever postal services are available
5. They deliver goods at the doorstep of the customer which result in great convenience to the customers in buying the goods.

Limitation of Mail Order houses

1. There is no personal contact between the buyers and the sellers. The buyers are not in a position to examine the products before buying.
2. They rely heavily on advertisement and other promotional activities which increases their cost of product.
3. In mail order selling after sales services are absent.
4. They do not provide credit facilities to the buyers.

5. Their success depends heavily on the efficiency of postal services
6. Receipt and execution of order through mail may take too much time which delays delivery.

Vending Machines.

They are coin operated machines which are used in selling several products such as milk, soft drinks, chocolates, platform tickets etc in many countries. The latest area in which this concept is getting popular is the case of Automated Teller Machines (ATM) in the banking service. They made it possible to withdraw money at any time without visiting any branch of a bank. They can be useful for selling prepacked brands of low priced product which have high turnover and which are uniform in size and weight. However, the installation cost and expenditure on regular maintenance and repair of these machines are quite high. Moreover, the consumers can neither see the product before buying nor can return the unwanted goods.

Q. Identify the types of retailers highlighted in the following statements

- a) Rajeev sells only school uniform.
- b) Rajan deals only in second hand furniture.
- c) Sanjay sells fruits and vegetables from one street to another.
- d) Raja sells ice-cream daily in front of school.

Main Documents Used In Internal Trade

The following are the main documents used in the Internal trade.

1. **Invoice** :- In case of credit purchases, a statement is supplied by the seller of goods in which he gives particulars of goods purchased by buyer such as quantity, quality, rate, total value, sales tax, trade discount, etc. It is also called a Bill or Memo. Buyer gets information about the amount he has to pay to the seller from Invoice only
2. **Pro-Forma Invoice** :- The statement (or forwarding letter) containing the details of goods consigned from consigner to consignee is known as a Pro-forma Invoice. It gives the particulars as regards quantity, quality, price and expenses

incurred on the goods consigned. In case of consignment, consignee is an agent of consigner who is supposed to sell goods on behalf of consigner and this statement/proforma invoice is only for his information. It is also known as interim invoice.

3. **Debit Note** :- It refers to a letter or note which is sent by the buyer to the seller stating that his (seller's) account has been debited by the amount mentioned in note on account of goods returned herewith. It states the quantity, rate, value and the reasons for the return of goods.
4. **Credit Note** :- It refers to a letter or note which is sent by the seller to the buyer stating that his account has been credited by the mentioned amount on account of acceptance of his claim about the goods returned by him.
5. **Lorry Receipt** :- It refers to a receipt issued by the Transport Company for goods accepted by it for sending from one place to another. It is also known as Transport Receipt (TR) and Bilty.
6. **Railway Receipt** :- It refers to a receipt issued by the Railways for goods accepted for sending from one station to another.

Terms of Trade

The following are the main terms used in the trade

1. **Cash on delivery (COD)** :- It refers to a type of transaction in which payment for goods or services is made at the time of delivery. If the buyer is unable to make payment when the goods or services are delivered then it will be returned to the seller.
2. **Free on Board or Free on Rail (FoB or FOR)** :- It refers to a contract between the seller and the buyer in which all the expenses up to the point of delivery to a carrier (it may be a ship, rail, lorry, etc.) are to be borne by seller.
3. **Cost, Insurance and Freight (CFF)** :- It is the price of goods which includes not only the cost of goods but also the insurance and freight charges payable on goods upto destination port.
4. **E&OE (Errors and Omissions Excepted)** :- It refers to that term which is used in trade documents to say that mistakes and things that have been forgotten should be taken into account. This term is used in an attempt to reduce legal liability for incorrect or incomplete information supplied in a document such as price list, invoice, cash memo, quotation etc.

ROLE OF CHAMBERS OF COMMERCE AND INDUSTRY IN PROMOTION OF INTERNAL TRADE

A chamber of commerce is a voluntary association of businessmen belonging to different traders and industries. Even professional experts like chartered accountants, financiers and other engaged in business in a particular locality, religion or country can also become the members of chamber of commerce. Its main objective is to promote the general business interests of all the members and to foster the growth of commerce and industry in a particular locality, religion or country.

Following are the main functions of chamber of commerce and Industry.

- (1) Conducting research and collecting statistics and other information about business and economy.
- (2) Providing technical, legal, and other useful information and advice to its members.
- (3) Publishing books, magazines and journal of business interest.
- (4) Making arrangement for education and training of members. Some chambers even conduct commercial examinations and award diplomas
- (5) Arranging industrial exhibitions, trade fairs etc. in order to promote trade
- (6) Advising the government in matters concerning industrial and economic development of the region.
- (7) Issuing certificate of origin to exporters
- (8) Representation of business interest and grievances before the government
- (9) Providing a forum for discussing the common problems of business community.
- (10) Acting as arbitrators for solving problems and disputes among members.

VERY SHORT QUESTIONS (1 MARK EACH)

- Q. 1 Define Trade
- Q. 2 List the two broad categories of trade
- Q. 3 Which shops deal in specific line products?

- Q. 4 Give two examples of chain stores.
- Q. 5 Mail order Houses provide a lot of convenience to the customers. yet they are not very popular, why? Give one reason.
- Q. 6 What are Vending Machines?
- Q. 7 Which type of goods are suitable for vending machines?
- Q. 8 Name any two organizations which have been playing a catalytic role in strengthening internal trade.
- Q. 9 Write the full form of ATM.
- Q. 10 Write the full form of CII.
- Q. 11 Distinguish between a wholesaler and retailer. Give only one point of difference.
- Q. 12 Name the document used in internal trade when goods are transported by railways.
- Q. 13 Sandeep & Sons, Delhi orders pearl jewellery from Nasir Bros. Hyderabad. They enter into a contract and makes certain that the payment will be made only on receiving the goods at Delhi in their Shop. Identify the term of trade in the above example.
- Q. 14 Savita Spices Ltd. selling spices to Ramesh Bros. agrees to pay all the expenses upto Vishakhapattnam Port. Identify the term of trade.
- Q. 15 What is the meaning of Performa Invoice?
- Q. 16 Explain 'E & OE' meaning.
- Q. 17 Explain the meaning of Debit Note?
- Q. 18 Tobacco manufacturer is planning to sell its products outside the schools and collages. Which values are violated here?
- Q. 19 Rohit displays lots of magazines on a busy street corner near the railway station. Identify and explain the type of retail referred here?
- Q. 20 Sushil Kumar is a hawker. He sells his goods in street by carrying them on his head? Which social values are being set up by him?
- Q. 21 Sanjeev trades in open rented places. The moment the opportunity of making profit at a particular place get diminished, he cahnges his palce of trade. Identify the type of itinerant trader Sanjeev is.
- Q. 22 State one benefit of coffee vending machine installed in an office.

- Q. 23 Sunil wants to give party to his friends on his birthday. He buys snacks from a supermarket where he receives an invoice. He buys decoration material from near by shop who provide him with a cash memo. His friends buys cake from th bakery and got a Bill as an acknowledgement of the purchase. Differentiate (if any) between Invoice, Bill and cash Memo.
- Q. 24 Mention any two fixed shop large scale retailers.

SHORT ANSWER TYPE QUESTIONS
(CARRYING 3/4 MARKS EACH)

- Q. 1 Enumerate the main features of wholesale trade.
- Q. 2 What are the services offered by retailer to the consumer?
- Q. 3 Jyoti has shifted residence in a new settlement colony. There are no retail shops nearby. What difficulties will Jyoti face in above case?
- Q. 4 Mention differences between departmental store and multiple shops.
- Q. 5 Explain the concept of vending machines.
- Q. 6 Mail order houses supply goods at convenience of consumer, yet they are not popular among consumer. Comment.
- Q. 7 Explain the concept of vending machines
- Q. 8 A manufacturing Cc. manufacturing cloth open shops at different locations in India. He sells goods on cash only The shops have identical decorations. The prices of goods are fixed. In this way they eliminate unnecessary middleman thus benefitting the consumers
- (a) Identify the type of shop referred to.
- (b) Elaborate 3 characteristics of such shops
- Q9. Vishal buys goods in larger quantities and sells them to small businessmen
- (a) Which type of trader in Vishal?
- (b) State four characteristics of this type of trade
- Q.10 Name the retail organization where same type of commodities are sold at uniform prices located all over the country state its any three features.

- Q. 11 Rectify the following statements if found wrong :-
- i) A wholesaler buys goods from the retailer.
 - ii) A wholesaler has direct link with the consumers.
 - iii) The amount of capital required is more in case of retail trade as compared to the wholesale trade.
 - iv) Retailers give credit facilities to wholesales.
- Q.12 There is a very famous shopping complex 'Great India Place' in Noida. Varied types of products and services are available here under one roof. Customer not only purchase the products entertainment and food. Identify this chief organization of retail trade and write its features.
- Q.13 There is an organization whose objective is to safeguard the interests of both the business and businessmen. These associated does not just look for the interest of one industry but for the whole business community. Identify the organization & enlist any three of its activities.
- Q.14 "Departmental stores make shopping easy." Explain.
- Q.15 Ram and Shyam are friends. They have to attend the birthday party of a common friend; Ram goes to 'Poshak kids wear' exclusively for kids wear with his parents to get a new dress for party whereas Shyam purchase his dress from 'Smart garments.' His mother and brother also bought, their dresses from 'Smart Garments'. Identify the types of stores Ram & Shyam visited and give its features.

LONG ANSWER TYPE QUESTIONS
(CARRYING 516 MARKS EACH)

- Q.1 Difference between wholesale trade and retail trade and retail trade.
- Q.2 What are super bazaar? Explain their advantages and limitations
- Q.3 Explain the main type of Itinerant retailers.
- Q.4 Despite the opening of Malls and big departmental stores Itinerant traders are integral part of India's Internal trade. Analyse the reasons for their survival.
- Q.5 Uma a village girl comes to Delhi to visit her relatives. She goes

- with her cousin to a shop. which is centrally located. She becomes astonished by the varieties of goods which are sold here
- (a) Identify this type of shop
- (b) Quoting lines from the above para describe two characteristics of the shop. Explain four advantages of such shops.
- Q6. Nirmala orders a mixer on the basis of an advertisement in a newspaper specifying the features, price, delivery terms. It specified that the terms of payment will be VPP only.
- (i) Identify this type of retail business.
- (ii) Explain two advantages and two limitations of them.
- Q7. A London based manufacturing co. manufacturing washing machines wish to add 2 new products in India namely AC's and Refrigerators. Out of a lot of 10 applicants the co. chose two wholesale firms (headed by females) whose proposals were very competitive and attractive. The wholesaler firm of AC's hired the services of a (differently abled retailer) Hari at competitive prices to sell AC's in Delhi, Hari informs his wholesaler firm's head that the consumers of Delhi wish that their houses are cold when they reach their homes in the scorching heat of Delhi.
- (a) Explain three services rendered by retailers to wholesalers or manufacturers.
- (b) Identify two values which are being adhered to in the above para.
- Q8. Vending machines were initially set up at some Metro stations in Delhi for selling products such as soft drinks, mineral water, chocolates etc. But now, they have been removed. Analyse the causes for such a decision.
- Q9. Describe the role & functions of chamber of commerce and Industry in promotion of Internal Trade in India.
- Q10. Explain the advantages of consumer Co-operative stores.
- Q11. Prithvi firms buys Basmati Rice from different Manufacturers in huge quantities and sells these to Randhir Sons, Avichal Bros. etc. in small quantities under their own Brand name.
- (i) In your opinion what services will Prithvi Firms provide to Randhir Sons & Avichal firms? (State any 2)

- (ii) What services are provided by Prithvi firms to manufactures? (State any 2)
- (iii) What services are provided by Prithvi firms to the society? (State any 2)
- Q.12 Give Argument in favour of and against elimination of wholesalrs from the channels of distribution.
- Q.13 Vinay is a sweet maker (Halwai) and prepares sweet on Deepawali due to increased demand, he purchased Khoya from other shopkeeper which was adulterated, because it was not possible to meet the demand from collected milk. For meeting the demand quickly he has not maintained cleanliness while preparation of sweets. He kept two children for packing the sweet and one female at cash counter.
- i) Which type of businessman Vinay is ?
- ii) What services Vinay should given to his customers ?
- iii) Which social values he is violating ?
- Q.14 Mr. Deenanath lives in a remote area and there is no local market near by. What difficulties would Deenath face as there are no retail shops?
- Q.15 "Both departmental stores and multiple shops are large retail establishment yet they are different? Explain how.
- Q.16 Ghanshaym a Saree business man is the resident of Andheri East Mumbai. He gets his goods from Ram Prasad, a resident of Surat Ghanshaym places some order to Ram Prasad. Ram Prasad sent the goods by train & gets the receipt. Later Ghanshyam returned some of the order to Ram Prasad that did not meet his requirement.
- a) Identify the types of business Ghanshaym & Ram Prasad are engaged in.
- b) Name the receipt Ram Prasad received.
- c) Name the note sent by Ghanshaym to Ram Prasad.
- d) Whose account will be credited on account of goods returned?