

CHAPTER - 10

INTERNAL TRADE

TEXTBOOK QUESTIONS SOLVED

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I. Short Answer Type Questions

Question 1. What is meant by internal trade?

Answer: Internal trade refers to the buying and selling of goods and services within the domestic territory of a country. It is known as internal trade. In other words, the process of exchanging goods and services within the national boundaries of a country is called internal trade. Purchases of goods from a local shop, a mall or an exhibition are all examples of internal trade. The government does not levy customs or import duties on goods and services that are produced within the country for meeting the domestic demand.

Internal trade can be classified into the following two categories:

- **Retail Trade:** It refers to the buying and selling of goods in small quantities for final consumption.
- **Wholesale Trade:** It refers to the buying and selling of goods in bulk, i.e., the exchange of large quantities of goods meant for resale in local markets.

Question 2. Specify the characteristics of fixed shop retailers.

Answer: As the name suggests, fixed-shop retailers are retailers who have permanent establishments. It means that they sell goods and services from fixed shops and do not move from place to place to serve customers. For example, retailers functioning from fixed establishments in the local grocery market.

The following are some of the characteristics of fixed-shop retailers:

1. Fixed-shop retailers operate on a large scale and have huge resources at their disposal compared with itinerant traders. However, among fixed-shop retailers, there are retailers who operate on a small scale or a large scale.
2. They generally deal in more than one product—that is, their range of goods varies from

consumer durable goods to non-durable goods.

3. Fixed-shop retailers provide services such as free home delivery and supply of goods on credit to their customers.
4. They have a greater credibility in the eyes of consumer as they can be traced if the product is found to be defective or there is any other problem.

Question 3. What purpose is served by wholesalers providing warehousing facilities?

Answer: Wholesalers purchase goods in bulk from manufacturers, store them and distribute them to retailers in small quantities for further resale. This bulk purchase of goods enables manufacturers to undertake production on a large scale without worrying about storage facilities. By offering warehouses close to the centres of distribution, wholesalers provide what is known as 'place utility'. Wholesalers not only provide warehousing facilities such as collection, storage and protection of goods but also facilitate marketing and distribution, creating 'time utility'.

Question 4. How does market information provided by wholesalers benefit the manufacturers?

Answer: Wholesalers provide a variety of information to both manufacturers and customers. To manufacturers, they provide information about:

1. The tastes and preferences of customers
2. Conditions prevailing in the market
3. Level of competition in the market and
4. Types of goods and features demanded by consumers.

This information helps manufacturers to cater to the changing needs of consumers.

Question 5. How do the wholesalers help the manufacturer in availing the economies of scale?

Answer: Wholesalers often purchase goods in bulk quantities from manufacturers. Once a purchase is made, the wholesalers distribute the goods in small quantities to retailers for further resale. However, during this process, they provide manufacturers with a variety of warehousing facilities such as collection, storage, marketing and distribution of goods. These services reduce the burden on manufacturers by creating time and place utility, thus enabling them to produce goods on a large scale and benefit from the economies of scale.

Question 6. Distinguish between single line stores and specialty stores. Can you identify such stores in your locality?

Answer: Single-line stores are small shops that deal in only one product. For example, garments or shoes. However, single-line stores offer a wide variety of the product. For instance, a single-line store that deals in garments will have a wide variety of clothes in all sizes for men, women and children.

On the other hand, specialty stores deal only in a particular type of product from a selected product line. For example, men's clothing. Such stores generally sell all the brands of the product in which they specialise. For instance, if a store specialises in men's clothing, then it will have all the brands of men's garments.

On the basis of these features, we can identify the different types of stores in a locality—whether they are single-line stores or specialty stores.

Single line stores are more frequently found in local retail markets while specialty stores are found in wholesale markets.

Question 7. How would you differentiate between street traders and street shops?

Answer:

Basis of difference	Street traders	Street shops
Definition	Small retailers who generally sell low-priced consumer items on streets.	Shops situated on street sides or main roads.
Shops/establishments	Do not have permanent shops.	Have permanent establishments.
Products	Bathroom items, eatables, newspapers, etc.	Clothes, shoes, grocery items, bakery items, etc.
Reliability	These are taken as less reliable by customers.	These are taken relatively more reliable by customers.

Question 8. Explain the services offered by the wholesalers to the manufacturers.

Answer: Wholesalers offer a wide variety of services to manufacturers. The following are examples of such services:

1. **They facilitate large-scale production:** Wholesalers purchase goods in bulk from manufacturers and sell them to retailers in small quantities for further resale. This bulk purchase made by wholesalers enables manufacturers to undertake production on a large scale without worrying about storage facilities. Thus, wholesalers facilitate large-scale production.
2. **They provide storage facilities:** When wholesalers purchase goods in bulk quantities from manufacturers, they store these goods in their godowns or warehouses, reducing manufacturers' burden of finding proper storage.
3. **They collect market information:** Wholesalers provide different kinds of information to manufacturers, such as information about the tastes and preferences of customers, prevailing market conditions, level of competition in the market and type of goods demanded by consumers. This in turn helps manufacturers to produce goods according to the market needs.

Question 9. What are the services offered by retailers to wholesalers and consumers?

Answer: Retailers offer a variety of services to wholesalers and customers. Some of these services are listed below.

1. **They provide information to customers:** Retailers provide information to customers about the new products available in the market, their features, prices, etc. This information helps customers decide which product to buy.
2. **They provide information to wholesalers:** Retailers provide information to wholesalers, such as the tastes and preferences of customers, prevailing market conditions and level of competition in the market. Wholesalers pass on this information to manufacturers.
3. **They store a wide variety of goods:** Retailers generally store a wide variety of goods based on consumer tastes and preferences and thus allow customers to choose from the available range of products.
4. **They facilitate distribution of goods:** Retailers facilitate the distribution of goods to consumers for final consumption.
5. **They help in promotion of goods:** Since retailers are in direct touch with customers, they can promote the sale of goods through personal interaction. Thus, retailers help wholesalers and manufacturers in promoting the sale of goods.

II. Long Answer Type Questions

Question 1. Itinerant traders have been an integral part of internal trade in India. Analyse the reasons for their survival in spite of competition from large scale retailers.

Answer: Itinerant traders are retailers who do not have a fixed place of operation. That is, they do not have a shop from where they sell their products. They are also known as mobile traders

as they keep moving from place to place in order to sell their products. They are generally found on street sides, and they shift their place of operation in search of more customers. They usually sell low-priced and non-standard goods.

The reasons that itinerant traders survive in spite of the tough competition from large-scale retailers can be attributed to the following factors:

1. It is very easy to set up a small scale retail shop. One person with limited funds himself can start business. He need not associate other persons and no formalities are necessary.
2. A small scale retail shop can be located anywhere. It can provide goods of daily use near the place of consumers. They are not required to travel to big markets.
3. The small scale retailer knows his customers. He can attend to them personally and cater to their individual tastes and needs. Such personalised service is not available in large scale retail stores.
4. Small scale retailers cater to the masses that have limited income and can afford to buy small quantity. In India majority of the population is poor.
5. It is easy to manage and control a small sale retail shop. The owner himself is the manager. He has direct motivation to work hard and increase the efficiency of business. He takes personal interest in his business organisations.
6. Small amount of capital is required to start a small retail shop. People with small amount of funds can start retail business on a small scale.

Question 2. Discuss the features of a departmental store. How are they different from multiple shops or chain stores?

Answer: Departmental stores are basically large, fixed establishments that deal in a wide variety of products. The following points highlight the features of a departmental store:

1. **Central locations:** Department stores are generally located in central areas so as to attract a large number of customers.
2. **Defined hierarchy:** The management in departmental stores follows the same hierarchy that is generally followed in any joint stock company. That is, the top management consists of a board of directors, with the managing director, the general manager and the department managers under it in that order.
3. **Absence of middlemen:** Departmental stores purchase goods directly from manufacturers and sell them to customers. Thus, they eliminate the role of middlemen.
4. **Centralised purchase with decentralised sales:** In a departmental store, the purchases from manufacturers are handled by a single division that follows a centralised purchase policy. On the other hand, the sales are handled by the respective sections of the departmental store, which follow a decentralised policy for sales.

Differences between Departmental stores and Multiple shops

Basis of difference	Departmental Stores	Multiple Shops
Variety of products	They offer a wide variety of products to customers.	They deal in a single line of product and specialise in it.
Customer services	They offer a wide variety of customer services.	They offer limited customer services.
Location	They are located in central parts of cities so as to attract a large number of customers.	They have multiple locations—that is, they are spread across cities or towns.
Pricing policy	They do not follow a fixed pricing policy as the prices of products vary across departments.	They follow a fixed pricing policy across all the shops that are part of a particular chain.
Cost of failure	They have a very high cost of failure because of the huge initial and operating expenses.	They have a limited cost of failure because the initial investment is not very large and the losses of one shop can be covered by the profits of others.

Question 3. Why are consumers cooperative stores considered to be less expensive? What are its relative advantages over other large scale retailers?

Answer: Consumer cooperative stores are formed by groups of consumers to provide goods at reasonable prices to members of consumer societies. In such societies, the role of middlemen is eliminated as these societies purchase goods from manufacturers or wholesalers directly and sell them to society members at reasonable rates. As consumer cooperative stores do not aim at profit making, the prices of goods offered by them are much lower than the prices of goods at retail shops. Compared with large-scale retailers, the capital requirement for starting a consumer cooperative society is very low. Thus, consumer cooperative stores do not require much investment, and the goods sold by them are priced lower.

The following are some advantages that consumer cooperative stores have over large- scale retailers:

1. **Democratic management:** Consumer cooperative stores are democratic organisations as they are managed and controlled by elected managing committees of consumer societies. The members of managing committees are elected by the members of consumer societies on the principle of 'one member, one vote'.
2. **Limited liability:** The liability of the members of consumer cooperative societies is limited to the amount of shares held by them. Thus, in case a society's liabilities increase beyond the assets, the members will not be liable to repay the debts using their personal assets.
3. **Low price of goods:** As the goods offered by consumer cooperatives are directly purchased from manufacturers and wholesalers, the role of middlemen is eliminated. Therefore, consumer societies are able to sell goods at lower prices.

MORE QUESTIONS SOLVED

I. Very Short Answer Type Questions

Question 1. What do you mean by internal trade?

Answer: Internal trade refers to the buying and selling of goods and services within the domestic territory of a country. In other words, the process of exchanging goods and services within the national boundaries of a country is called internal trade.

Question 2. Who are Itinerants?

Answer: Itinerant traders are retailers who do not have a fixed place of operation. That is, they do not have a shop from where they sell their products. They are also known as mobile traders as they keep moving from place to place in order to sell their products.

Question 3. Name any two Itinerants.

Answer: Hawkers and Peddlers

Question 4. Large quantity buying is characteristic of which trade?

Answer: Wholesale trade

Question: 5. Goods with little defects are sold in which type of shops?

Answer: Cheap jacks

Question 6. Used goods are bought and sold in which type of shops.

Answer: Second hand goods shop

Question 7. Give any two services of retailer to the customers.

Answer:

1. They provide regular availability of goods.
2. They provide information on new products.

Question 8. Give one example of chain stores.

Answer: Food chains of Mcdonald, showrooms of DCM

Question 9. In which business are goods bought and sold through postal services?

Answer: Mail Order Business

Question 10. Name the machine in which goods are bought and sold by inserting coins.

Answer: Automatic Vending Machines

Question 11. Give the full form of FICCI.

Answer: The Federation of Indian Chambers of Commerce and Industry

Question 12. What type of goods are suitable for Automatic vending machines?

Answer: Pre-packed brands of low priced products, hot beverages, milk, chocolates, newspaper, platform ticket

Question 13. What is meant by Automatic vending machines?

Answer: Automatic vending machines are coin operated vending machines which work like an ATM. It is useful in selling hot beverages, milk, chocolates, newspaper, platform ticket etc.

Question 14. Name the retail outlets that sell merchandise through mail.

Answer: Telebrands

Question.15. Name any two departmental stores.

Answer. Akberally in Mumbai and Spencers in Chennai

Question 16. Name the retail organization where same types of commodities are sold at uniform prices located all over the country.

Answer: Chain Stores

II. Short Answer Type Questions

Question 1. Enumerate the features of retail trade.

Answer: A retailer is a business enterprise that is engaged in the sale of goods and services directly to the ultimate consumers. It has following features:

1. A retailer is the intermediary between wholesaler and the ultimate consumer. He is the last link in the chain of distribution.
2. A retailer buys goods from wholesalers and sells them in small quantities to ultimate consumers.
3. He maintains personal contact with his customers.
4. Generally, a retailer deals in a wide variety of goods.
5. He performs various marketing functions and displays goods to attract customers.
6. A retailer usually buys goods on credit and sells on cash basis.
7. Retail shops are generally situated near to customers.

Question 2. Differentiate between retail trade and wholesale trade.

Answer: Major differences between wholesalers and retailers are as follows:

Wholesalers	Retailers
(1) They are connecting links between the manufacturers and the retailers.	(1) They are connecting links between the wholesalers and the customers.
(2) They purchase goods in large quantities from the manufacturers.	(2) They purchase goods in small quantities from the wholesalers.
(3) They deal in limited number of products.	(3) They deal in variety of products for meeting the varied needs of consumers.
(4) They need more capital to start their business.	(4) They can start business with limited capital.
(5) The display of goods and decoration of premises is not necessary for them.	(5) They lay more emphasis on window display and proper decoration of business premises in order to attract the customers.
(6) Their business operations extend to different cities and places.	(6) They usually localise at a particular place, area or city.
(7) They do not directly deal with the customers.	(7) They have a direct link with the customers.
(8) They do not extend free home delivery and after sales services.	(8) They provide free home delivery and after sales services to the consumers.

Question 3. Describe the role and functions of the Chamber of Commerce.

Answer: Role and functions of Chambers of Commerce are given below:

1. Businessmen get valuable information free of cost.
2. They can expand their business activities with the help of suggestions and advice from Chambers of Commerce.
3. Chambers of Commerce creates markets for the products of their members by organising fairs and exhibitions.
4. Businessmen get a common forum at which they can discuss problems and exchange views on matters of common interest.
5. Differences and disputes among businessmen can be solved amicably and economically with the help of Chambers of Commerce.
6. Members take advantage of educational and training facilities offered by Chambers of Commerce.
7. Chambers of Commerce undertakes research on behalf of their members.
8. Chambers of Commerce fosters a sense of cooperation among businessmen.

Question 4. What is the difference between a hawker and a peddler?

Answer: Hawkers: A hawker moves about in residential localities. He carries his goods in a hand cart or bicycle. He deals in low-priced goods of daily use. For example, combs, toys, soaps, mirrors, bangles, vegetables, fruits, ice-cream, etc.

Peddlers: A peddler also moves from house to house and sells articles of daily use. But he carries his wares on his head or on the back of a mule.

Therefore, the basic difference between the two is that hawker has a cycle or cart to carry his goods while peddler carries his goods on heads. So we can say that financially, peddler is weaker than hawker.

Question 5. Who are itinerants? Name different types of itinerants.

Answer: These retailers do not have the fixed places to carry their trade and generally move from one place to another in order to sell goods. They can be usually seen along the road sides, streets, railway compartments, bus stands, and fairs etc. They usually possess that stock which can be conveniently sold during the day. They need limited funds to carry their business. These types of retailers deal in daily need articles like vegetables, fruits, milk, eggs and fishes etc.

A brief explanation of this type of retailers is given as under:

1. Hawkers and peddlars:

These are the petty retailers who carry their products on their heads or on wheeled vehicles from door to door. They usually sell seasonal goods like fruits, vegetables and eatables and also sell certain other goods like pens, toys and utensils, etc.

2. Cheap Jacks:

They hire shops in different residential localities wherein they display their products for sale. They do not stick to one place; rather keep moving from one locality to another. They usually deal in household articles.

3. Market Traders:

They sell their products at periodical markets on 'market days'. The markets may be weekly or fortnightly. They also sell their wares at different fairs and gatherings.

4. Street Traders:

These traders are found on the pavements of crowded streets or markets of the cities. They are also known as "pavement retailers". In big cities like Calcutta, Delhi, Mumbai and Chennai etc., these traders are usually found selling their goods in different markets.

Question 6. Enumerate the services of the wholesaler to manufacturer and some general services.

Answer: Buying goods in large quantities from the manufacturer and selling them in small quantities to the retailer to cater the needs of the consumer is termed as wholesale trade. The person who undertakes such a trade is known as wholesaler. The wholesaler acts as an intermediary between the producer and the retailer. He is known as the first intermediary in the channel of distribution. The wholesaler distributes business works amongst the members of the staff in such a way that the whole enterprise may work as a complete unit. The distribution of work should be done in such a manner as to yield maximum efficiency at minimum troubles.

To Manufacturers

1. The wholesaler provides valuable information to the producers regarding the needs and the requirements of the consumer.
2. As the wholesaler takes the responsibility of collecting order from retailers, he relieves the producers from this task and thereby encourage producers to concentrate on production.
3. The wholesaler provides finance to the producers at the time of need.
4. The wholesaler helps the producers in determining the quality and quantity of goods to be produced as he is in direct contact with the retailers.
5. The producers are helped to maintain steady prices for the product because wholesaler buys when prices are low and sell when prices are high.

General Service

1. There are certain goods which are to be assembled or graded before they pass to the retailer or the consumer. For these goods the presence of wholesaler is a must.
2. Wholesaler helps in standardisation and grading of the products.
3. For marketing of food grains the services of the wholesalers cannot be dispensed with because they help in packing and re-packing of goods.

Question 7. Explain the meaning and advantages of carrying on mail order business.

Answer: Mail order business is a type of retail trade where orders for the supply of goods are received from customers through mail and goods are dispatched through mail. The goods are supplied either by registered parcel or V.P.P. For this type of business, seller advertises in the leading dailies and magazines and desires the buyers to ask for quotation or price list from the seller. Mail order business has been described as shopping by post from the point of view of buyers and selling by post from the point of view of sellers. This form of retail trade has received wider application in USA and Canada. The leading mail order houses are Montgomery Ward Company, Sears Roebuck and Co. of USA. There are various types of mail order houses like general mail order houses, specialty mail order house, producer's mail order house, wholesaler's mail order house and middlemen type mail order. In this trade, there is no direct contact between the seller and the buyer.

The main advantages of mail-order business are given below:

1. This type of business can be started with a small amount of capital and involve less risks in comparison to other types of business houses.
2. Consumers staying at a distant place are benefitted by this method of sale.
3. There is no fear of bad debt as this business does not facilitate credit sale.
4. This business facilitates a country wide market and thereby results in market and operational economies.

Question 8. What is a departmental store?

Answer: Departmental Stores : "A departmental store is that type of retail institution which handles a wide variety of merchandise under one roof with the merchandise grouped into well defined departments which are centrally controlled."

"A departmental store is a large retail establishment having in the same building a number of departments each of which confines its activities to one particular branch of trade and forms a complete unit in itself."

"A departmental store carries several product lines, typically clothing, home furnishings, and household goods, where each line is operated as a separate department managed by specialist buyers or merchandisers."

Features of a departmental store are given below:

1. Central location
2. Provision of services
3. Corporate status
4. Elimination of middlemen
5. Centralised purchasing
6. Large variety of goods

Question 9. Explain different types of fixed shops under retail trade.

Answer: Fixed shops are of two types: (A) Small scale and (B) Large scale.

(A) Small Scale:

There are different types of small retailers which are explained as under:

1. **Street Stalls Holders:** These retailers carry their business on a very small scale basis in busy and crowded streets by erecting permanent shops. They purchase goods in large quantities from the wholesalers and local suppliers for reselling to the ultimate consumers.
They usually deal in household articles and products of daily need. These stall holders are usually the sole proprietors of their shops i.e. carrying every activity right from buying till final disbursement of goods to the consumers.
2. **Second Hand Goods Sellers:** These dealers deal in second hand or used articles. They purchase these articles from public or private auctions and private households. These articles usually include used garments, furniture, books etc. These dealers meet the needs of the poor people who cannot afford new articles.
3. **General Shops:** They deal in different variety of goods and are known as general merchants. The goods are meant for daily use or household purposes. They carry their business in permanent shops. They manage the shops themselves and are most often assisted by sales assistants.
Usually goods are sold on credit by these merchants to their permanent customers. They also provide free home delivery service and facility of exchange of rejected goods to the customers.
4. **Speciality Shops:** These retailers deal in one particular line of goods e.g. books, utensils, shoes and medicines etc. These shops can be operated on small scale basis and managed by the owners themselves assisted by salesmen.
The most important advantage which can be derived from these shops is that the owners possess the specialised knowledge about the product which is very helpful in satisfying the customers.

(B) Large Scale Retailers:

The second type of retailers under fixed shops is large scale retailers. The large scale production and rapid urbanisation are responsible for the establishment of large scale retailing organizations.

Most prevalent of these are:

1. Departmental Stores;
2. Multiple Shops or Chain Stores;
3. Mail Order Houses;
4. Super-Markets;
5. Co-operative Stores ; and
6. Vending Machines

Question 10. Write a short note on Vending Machines.

Answer: 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 pre-packed 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.

III. Long Answer Type Questions

Question 1. Explain different types of small scale retail shops.

Answer: Retail trade is carried on both at small scale and large scale. Small scale retailers are either mobile traders (itinerants) or fixed shops.

Mobile Traders or Itinerants

These retailers have no fixed place of business. They move from place to place and sell articles of daily use near to consumers. These include the following:

1. **Hawkers:** A hawker moves about in residential localities. He carries his goods in a hand cart or bicycle. He deals in low-priced goods of daily use. E.g. combs, toys, soaps, mirrors, bangles, vegetables, fruits, ice-cream, etc.
2. **Peddlers:** A peddler also moves from house to house and sells articles of daily use. But he carries his wares on his head or on the back of a mule.
3. **Cheap Jacks:** A cheap jack hires a small shop in a residential locality for a temporary period. He shifts his business from one locality to another depending on the availability of customers. He deals in low-priced household articles.
4. **Pavement dealers or Street Traders:** A pavement dealer displays his wares on footpath and outside public places such as railway station, bus stand, cinema, temple, etc. He sells low priced articles like newspapers, magazines, fruits, vegetables, footwear to the passersby. He is also called street trader.
5. **Market Traders:** A market trader sells goods at weekly markets when the shops are closed for weekly holiday. He displays goods outside the closed shops. He deals in low-priced articles of daily use. He may also set up stalls on fairs and exhibitions.

Fixed Shops (Small Scale Retail Shops)

Small scale retail shops are the most popular form of retail trade. These may be classified as follows:

1. **Street stalls holders:** These stalls are located in the main streets or street crossings. A stall is an improvised structure made of tin or wood. The street stall holder displays his goods on a temporary platform and sells toys, stationery, hosiery items, etc. at low prices.
2. **Second hand goods shops:** These shops sell used or second hand articles such as books, clothes, furniture, etc. They cater to the needs of poor people who cannot afford new articles. These shops collect goods at private and public auctions.
3. **General stores:** These stores sell a wide variety of products under one roof. .For example, a provision store deals in grocery, bread, butter, toothpaste, razor blades, bathing soap, washing powder, soft drinks, confectionery, cosmetics, etc. Consumers can buy most of their daily requirements at one place. Their time and effort is saved. Some of these stores offer free home delivery and monthly credit facilities to regular customers.
4. **Single line stores:** These stores deal in one line of goods. They keep stock of different size, design and quality of goods in the same line. Book stores, chemist shops, electrical stores, shoe stores, cloth stores, jeweler shops, etc., are examples of single line stores.
5. **Specialty shops:** These shops generally specialise in one type of product rather than dealing in a line of products. Shops selling children's garments, educational books, etc., are examples of such shops.

Question 2. Discuss the meaning, features and advantages of Consumer Cooperative Store.

Answer: Meaning, Features and Advantages of Consumer Cooperative store.

The societies started to help lower and middle class people and protect these sections from the clutches of profit-hungry businessman are called Consumers Cooperative Stores. A consumer's co-operative society is a combination of persons whose aim is to economise by buying in common and retain their profits by selling in common. According to M.C. Sukla, "Consumer Cooperative Store is an economic enterprise set by the consumers for the distribution of fundamental consumption goods, primarily among the shareholders to the

subscriber consumers who are called members of such organization and who have an equal voice in the control of the organization. Features

Following are some of the essential features of a consumer's cooperative store:

1. There is no restriction on membership of a consumer co-operative store as any adult person can become a member of a co-operative.
2. The members of the consumer co-operative store distribute capital in the form of share. A member can purchase shares of a value of? 1000 only. Beyond this, shares are not issued to members.
3. The surplus of a store is distributed among the members in the form of dividend. The dividend is paid in proportion to purchases made by the members.
4. It adopts the principles of 'one man, one vote'. A man is not allowed vote by proxy system.
5. The trading of co-operative stores is made on the basis of cash.
6. A sale can be made to non-members on the basis of market rate.
7. It makes bulk purchases directly from the producers and sell these goods to its members on retail basis.

Advantages

Consumer's Cooperative Store has the following advantages:

1. It facilitates its members in getting pure and unadulterated goods at a competitive price.
2. It develops a state of moral booster to the poor people who develop greater confidence among themselves.
3. As the societies are purchasing goods in bulk quantities from the producers, these are in a better position to supply these goods at a competitive price to its members.
4. It improves the purchasing power of the members since dividend is paid on the basis of purchases made.
5. It encourages people to save.

Question 3. What difficulties can a consumer face if there is no retail shop?

Answer: If there is no retailer then the consumer will not get the services provided by retailers to him. These services are as under:

1. The consumers are provided with a wide variety of products as the retailers stock a wide range of products produced by different firms.
2. The retailers provide expert advice on the merits and uses of different products and thereby educate consumers on the product.
3. As ready stock of different varieties are maintained with the retailers, the consumer is not required to maintain enough stock of the products.
4. The consumers are given the facilities of purchasing according to their purchasing power since a wide range of products are maintained with the retailers.
5. The retailer arranges home delivery of the product if necessary and renders after sale service.

Question 4. Mention different types of Chambers of Commerce in India. Explain any one.

Answer: In India, Chambers of Commerce have been organised at both regional and national levels.

1. Regional Chambers of Commerce

- Indian Chamber of Commerce (Kolkata)
- Bengal Chamber of Commerce (Kolkata)

- Indian Merchants Chamber (Mumbai)
- Mewari Chamber of Commerce (Mumbai)
- Madras Chamber of Commerce (Chennai)
- Punjab, Haryana and Delhi Chambers of Commerce (New Delhi).

2. National Chambers of Commerce

- Federation of Indian Chambers of Commerce and Industry (FICCI)
- Confederation of Indian Industry (CII)
- Associated Chambers of Commerce and Industry (ASSOCHAM)
- All India Organizations of Employers (AIOE)

FICCI:

The Federation of Indian Chambers of Commerce and Industry (FICCI) was established in 1926 in New Delhi. It acts as an apex central body of businessmen in India. It consists of both individual and corporate members.

Its membership consists of 50 chambers of commerce and trade associations, 200 overseas members, and 1500 associate members. Its management is vested in an executive committee. FICCI acts as a representative body of Indian business. It is a non-government, not-for-profit organization. FICCI draws its membership from the corporate sector, both private and public, including SMEs and MNCs. The chamber has an indirect membership of over 2, 50,000 companies from various regional Chambers of Commerce. It is involved in sector specific business policy consensus building, and business promotion and networking. It is headquartered in the national capital New Delhi and has presence in 11 states in India and 8 countries across the world.

Question 5. Explain the services of a wholesaler to a retailer, consumer and general services.

Answer:

To Retailers

1. The retailers are relieved of maintaining huge stock of goods because the wholesaler fills up the stock regularly. The wholesaler buys in large quantities and sell them at convenient lots to the retailers.
2. The wholesaler provides finance and credit facilities to the retailer and thereby relieves the financial difficulties of the retailer.
3. The wholesaler saves retailers from many types of risks. The retailer is not required to carry huge stock as he can get them from the wholesaler at regular interval. By extending credit has saved the retailers a lot.
4. The wholesaler provides valuable advices to the retailer on all matters relating to new product and market condition and thereby relieves him from collection of market data.
5. The wholesaler gives trade discounts on bulk purchase and as such it enables the retailers to earn handful amount of profit.

To Consumer

1. He enables the consumer to purchase required quantities of goods at the desired time because he supplies goods regularly to the retailers.
2. He provides goods at a cheaper rate because he facilitates in large scale production.
3. The wholesaler is in a better position to stabilize prices of the products by adjusting demand and supply. The consumers are benefitted a lot on account of stabilization of prices.
4. There is no shortage of goods as the wholesaler goes on large purchasing.

Question 6. Name and define different large scale retail shops.

Answer: The retail trade is conducted now on a large scale. The mass production of goods and the concentration of population in urban centers has necessitated the establishment of large-scale retail trading houses. There are many advantages of retailing on a large scale. However, in spite of the economies of large scale retailing, the small-scale units could not be eliminated because of the various special advantages possessed by them. Some of the more prominent large-scale retail organizations are as follows:

1. Departmental Stores
2. Multiple Shops or Chain Stores
3. Mail Order Houses
4. Super Markets
5. Consumer Cooperative Stores
6. Vending Machines

1. **Departmental Stores:** A departmental store is a large-scale retail organisation having a number of departments under one roof. Each department specialises in one particular kind of trade. All these departments are centrally organized and are under one united management and control. A departmental store is an organization of several retail stores carried on in one building and under united controlled management. The basic objective of a departmental store is to provide a large variety of merchandise from a pin to an aeroplane at one place.
2. **Multiple Shops or Chain Stores:** A multiple shop system is a network of branch shops, situated at different localities in the city or in different parts of the country, under a centralised management and dealing in similar lines of goods. Such multiple shops are very common and popular in the west and are known as Chain Stores. According to J.L. Fri, "Chain Stores is a group of stores handling similar lines of merchandise with single ownership and centralised location." The Federal Trade Commission defined a chain store as "an organization owing a controlling interest in two or more establishments which sell substantially similar merchandise at retail prices."
3. **Mail Order Sale Houses:** A Mail Order Sale is a retail business where orders are placed by post or mail and goods are received either by registered parcel or V.P.P. i.e., Value Payable Post. Under such a type of selling, the seller advertises his products in the leading dailies and magazines of the area and the intending buyers respond to such advertisements by requesting for catalogues and price lists from the seller. The buyers do not inspect the goods before purchasing but place orders on the basis of the advertisements which they see in the newspapers and magazines. After orders are received from customers, the goods are dispatched by V.P.P. or registered mail. The postman of the buyer's locality delivers the goods to him and takes the payment for the same. Thus the post office plays a vital role in such type of sale, and it is because of this type of sale is also sometimes referred to as "Shopping by Post".
4. **Super Markets:** The super market is a large-scale retail institution specialising in necessities and convenience goods. They have huge premises and generally deal in food and non-food articles. In the words of M. M. Zimmerman, "A super market is a departmentalised retail establishment having four basic departments viz, self-service grocery, meat produce, dairy products plus other household departments, doing a maximum business. It may be entirely owner operated or have some of the departments leased out on a concession basis." Super markets came into existence in the USA during the Great Depression of the thirties. However, the original super markets were established by independent merchants who dealt mainly in food products.
5. **Consumer Co-Operative Stores:** A consumer co-operative is a retail business which is owned by the consumers themselves. Their basic objective is to eliminate middlemen.

The consumers join together and manage the business and the profit thus earned is retained among themselves in the proportion of their contribution. The society purchases in bulk and avails the discounts and sells in small lots to the members. Some of the co-operative stores are run on a large-scale basis while others are small in size and nature.

6. **Vending Machines:** Such selling machines are extensively used in the west. The vending machine is operated by inserting a coin and the buyer can get the articles. Vending machines are usually acquired to sell articles like cigarettes, soft drinks, chocolates, candles etc. Railway platform and bus tickets are also sold by this method. The articles sold by a vending machine are pre-packed and labeled and are usually of reputed brands. The goods should be uniform in size and shape and less bulky in weight. The installation of such machines is an expensive affair and it needs regular maintenance also. Such machines are quite attractive in appearance and installed at busy shopping centers.

Question 7. Explain the meaning, features, advantages and disadvantages of super market.

Answer: Super market is nothing but a retail organization providing food and household articles to consumer under one roof without any kind of sales pressure from salesmen and sale assistants. The United States of America (USA) is said to be the homeland .of super markets.

In India, Apna Bazaar, Sahakari Bhandar, etc., are some good examples of super markets or super bazaars.

According to Dictionary of Business and Finance, Supermarket is defined as, "Large store selling a wide variety of consumer goods, particularly food and small articles of household requirements."

Features of Super market

The characteristics or features of the super market are as follows:

1. **Centrally located in big premises:** Super markets are normally opened in a central locality where ample space is available. It is housed in big premises. Without such premises proper display of different goods cannot be arranged.
2. **No sales pressure:** One important feature of a super market is self-service. There is a complete absence of salesmen and sales assistants. Thus, there is no sales pressure of any kind. Customers can make a selection according to their needs and desires.
3. **Maintains low prices:** The prices of goods in the super markets are reasonable or low. This is because they (companies running super markets) buy in bulk and enjoy all the advantages of bulk buying. Similarly, their salary bill is low due to the absence of salesmen and sales assistants.
4. **Sell goods on a cash basis:** Super markets sell goods on 'Cash and carry basis In such a kind of a business, credit facilities are usually not offered. This reduces bad debts.
5. **Deals in necessities of life:** Super market deals in commodities, which are required regularly. Thus, they deal in tinned products of well-known brands, groceries and provision, ready made garments, fruits, etc. The turn over is quick as the demand for the necessities of life is a continuous one.
6. **Established by companies:** Super markets are retailing shops, which are large in size. They do business on a large scale and require huge financial resources. Hence, they are normally established by Joint-stock companies.
7. **Deals in pre-packed goods:** Super market normally deals in pre-packed goods or products. It uses latest and up-to-date packing material to protect quality and quantity. On all packages, prices, weights, particulars of goods, grade and quality are specified.
8. **Needs huge capital to operate:** Super market is a large retail trading organization. It requires a substantial amount of capital for big premises, huge warehousing, ample parking and stocking of a wide variety of commodities.

9. **Self-service store:** Customers are given attractive trolleys or hand baskets or bags for keeping goods which they want to buy. Goods are systematically arranged and beautifully displayed. Customers select these goods and keep them in the trolley. Finally, they have to come to the billing section for making payment and then delivery is given at the delivery counter.

Advantages of Super Market

- Saving in labour cost due to self-service system.
- Super market has large turn over.
- Reasonable or low prices of goods.
- Low cost of operation.
- Freedom of selection.
- Shopping is very easy and quick.
- Due to adequate parking space, shopping becomes easy and pleasing activity rather than boredom.
- High degree of efficiency due to elimination of service.
- High margin of profit to organisers.
- Advantages of large scale operations.

Disadvantages of Super Market

The disadvantages of a super market or Super Bazaar are as follows:

- Super market requires huge financial resources.
- It is normally situated at a long distance from the residential localities.
- There is lack of personal attention.
- Super market does not provide various services such as free home delivery, personal guidance, credit facility and after sale service.
- It faces the problem of co-ordinating activities of various sections of the market.
- It requires large and extensive premises.
- Goods which require explanation by salesmen cannot be sold in such markets.

Question 8. What are the differences between departmental stores and multiple shops?

Answer: The differences between departmental stores and multiple shops are summarized below:

1. **Location:** A departmental store is centrally located and attracts customers towards it. On the other hand, multiple shops are situated in different localities and attempt to reach near the customers.
2. **Variety of goods:** A departmental store deals in a wide variety of products and serves as a universal supplier. On the other hand, a multiple shop specialises in one line of goods.
3. **Type of customers:** A departmental store caters mainly to rich people, whereas multiple shops cater to the general public.
4. **Nature of dealings:** A departmental store sells goods both on cash and credit basis. But multiple shops sell goods on cash and carry basis.
5. **Services:** A departmental store offers banking, post office, restaurant and other facilities to customers. Multiple shops do not offer such services.
6. **Pricing:** Different departments of a departmental store may sell goods at different prices. But all the multiple shops sell goods at the same prices.
7. **Decoration and display:** Every department of a departmental store may have different decoration and display. But all the multiple shops of an owner have uniform shop decoration and window display. A departmental store advertises at local level, whereas

multiple shops advertise at national level.

8. **Object:** A departmental store aims at providing everything at one place. Multiple shop system, on the other hand, is an attempt to eliminate middlemen and establish direct contact between the manufacturer and consumers.
9. **Flexibility:** In a departmental store quick adjustment can be made according to local changes. One line of goods can be substituted by others. Multiple shop system lacks such flexibility.
10. **Control:** In a departmental store, heads of departments have considerable discretion in the management of operations. Branch managers in a multiple shop system have to follow the policies and procedures laid down by the head office.
11. **Ownership:** A departmental store is generally owned and established by a retail trader. On the other hand, multiple shop system usually operates under the ownership and management of a manufacturer or a wholesaler.
12. **Risk:** Risk involved in a departmental store is relatively greater because success depends on the prosperity of a single location. In multiple shops system risks are spread over different shops located in different areas .

Question 9. Mention and define the documents which are used in internal trade.

Answer: 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. **Performa Invoice:** The "statement (or forwarding letter) containing the details of goods consigned from consigner to consignee is known as a Performa Invoice. It gives the particulars regarding 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 consigners and this statement Performa 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) amount 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.

Question 10. Discuss advantages and disadvantages of Mail Oraer House.

Answer: 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

delivers 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 infrastructural facilities are required.
2. They do not 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.

Limitations 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.

IV. Higher Order Thinking Skills (HOTS)

Question 1. What difficulties will be faced by the manufacturers if wholesalers are eliminated from the chain?

Answer: Manufacturer gets following services from retailer which he will not be able to get if wholesaler is eliminated from the chain.

1. By selling under his own brand name the wholesaler often relieves the manufacturer of the need to advertise his product.
2. The wholesaler removes goods in larger quantities as they are produced, thus clearing the production lines.
3. By warehousing the goods the wholesaler bridges the time gap between production and consumption, leaving the manufacturer free to concentrate on his specialised activities.
4. He eliminates the need for a marketing system with all that involves in terms of warehousing space, distribution network, sales staff, accounting records, and debt collection.
5. By paying promptly the wholesaler reduces the working capital required by the manufacturers.

Question 2. "The chambers interact with the government at different levels to reorient or put in place policies which reduce trade hindrances." Comment.

Answer: The chambers interact with the government at different levels to reorient or put in place policies which reduce hindrances, increase interstate movement of goods, introduce transparency and remove multiple layers of inspection and bureaucratic hurdles. It also aims at establishing right kind of infrastructure and simplifying and harmonizing the tax structure.

- **Transportation:** The Chambers of Commerce and Industry help in many activities concerning interstate movement of goods which includes registration of vehicles, surface transport policies, construction of highways and roads.
- **Octroi and other Local Levies:** The Chambers of Commerce and Industry ensures that its imposition is not at the cost of smooth transportation and local trade.
- **Harmonization between Sales Tax and VAT:** The Chambers of Commerce and Industry plays an important role in interacting with the government to harmonize the sales tax

structure in different states. A uniform sales tax is important for balanced growth as it is a source of state revenue.

- **Marketing of Agro products and related issues:** The Chambers of Commerce and Industry can intervene and interact with concerned agencies in formulating policies regarding marketing of agro-products and related issues.
- **Weights and Measures to prevention of duplication in brands:** It is necessary to protect the interests of the consumers as well as traders. They need to be enforced strictly. The Chambers of Commerce and Industry interact with the government and makes such laws which takes action against wrong doers.
- **Excise Duty:** The Chambers of Commerce and Industry play a vital role in streamlining of excise duties.
- **Promoting sound Infrastructure:** The Chambers of Commerce and Industry in collaboration with the government takes initiative to develop a sound infrastructure.
- **Labour Legislations:** The Chambers of Commerce and Industry interacts with the government constantly on issues related to labour laws and retrenchment.

Question 3. What difficulties will be faced by the consumers if retailers are eliminated from the chain?

Answer: If retailers are removed, it will lead to direct marketing. In general, you cannot save money by “eliminating the middleman” because intermediaries specialize in performing certain tasks that they can perform more cheaply than the manufacturer. Most grocery products are most efficiently sold to the consumer through retail stores that take a modest mark-up—it would not make sense for manufacturers to ship their grocery products in small quantities directly to consumers.

Intermediaries perform tasks such as

1. Moving the goods efficiently (e.g., large quantities are moved from factories or warehouses to retail stores);
2. Breaking bulk (manufacturers sell to a modest number of wholesalers in large quantities —quantities are then gradually broken down as they make their way toward the consumer);
3. Consolidating goods (retail stores carry a wide assortment of goods from different manufacturers—e.g., super markets span from toilet paper to catsup); and Aiding services (e.g., demonstrations and repairs).
4. If these middlemen are eliminated, they will face absence of these functions which will be troublesome for them.

Question 4. Explain important terms used in context of internal trade.

Answer: The following are the main terms used in the internal 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 (CIF):** It is the price of goods which includes not only the cost of goods but also the insurance and freight charges payable on goods.
4. **E and OE (Errors and Omissions Expected):** 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.

V. Value Based Questions

Question 1. Peddlers and hawkers create traffic indiscipline and therefore it must be declared as illegal. Do you agree? Justify your answer.

Answer: I do not agree. In India it is the most visible segment of the urban informal economy. It is indisputable that there are thousands—and in some cases, tens or hundreds of thousands—of street vendors in most big cities of the developing world. Yet it is exceedingly difficult to produce accurate estimates of the number of street traders in any given city. In some countries, official statistics on street vendors are available, though they underestimate the total number of people engaged in street vending. Without providing them an alternative employment, we cannot think of making it illegal. Yes, for security reasons, they may be asked to get an ID with them or they may be issued a pass by local authorities.

Question 2. Which retail shops are run by the weaker sections? Do you think they are capable to face competition from large scale retail shops? How do they exist then?

Answer: Weaker sections of society run retail shops in following ways:

1. **Hawkers and Peddlers:** The hawkers carry their goods in a wheeled vehicle while the peddlers carry the goods on their heads or backs.
2. **Market Traders:** These retailers open their shops at different places on fixed days.
3. **Street Traders or Pavement Vendors:** These retailers display their goods at busy street corners or pavements.
4. **Cheap Shops:** These retailers generally hire a small shop in a residential colony for a temporary period.

No, they are not capable to face competition from large scale retailers. In fact they do not have to face competition from large scale retailers because their clientele is different from them. Poor and lower middle class people buy from small retail shops while upper middle class and rich people buy from large scale retail shops. Therefore, they can manage to exist due to following advantages over large scale retail shops.

- A small scale retailer himself looks after his business. He is not required to employ managers or to spend on advertising, etc. Therefore, he can sell goods at lower prices.
- A small scale retailer can take quick decisions. He is not required to consult others.
- A small scale retailer can easily adjust his stocks according to the changing needs and fashions of his customers.
- A small scale retailer can more easily maintain secrecy of his business affairs.