



Unit 9

Internal Trade

CBSE Syllabus

- Internal trade - meaning and types
- Services rendered by a wholesaler and a retailer
- Types of retail-trade-Itinerant and small scale fixed shops retailers
- Large scale retailers-Departmental stores, chain stores - concept
- GST (Goods and Services Tax):
Concept and key-features

Learning Outcomes

After going through this unit, the student/ learner would be able to:

- State the meaning and types of internal trade.
- Appreciate the services of wholesalers and retailers.
- Explain the different types of retail trade.
- Highlight the distinctive features of departmental stores, chain stores and mail order business.
- Understand the concept of GST

Internal Trade: Meaning and Types

Meaning of Internal Trade

Buying and selling of goods and services within the boundaries of a nation are referred to as internal trade. Whether the products are purchased from a neighbourhood shop in a locality or a central market or a departmental store or a mall or even from any door-to-door salesperson or from an exhibition, all these are examples of internal trade as the goods are purchased from an individual or establishment within a country. No custom duty or import duty is levied on such trade as goods are part of domestic production and are meant for domestic consumption. Generally, payment has to be made in the legal tender of the country or any other acceptable currency.

Types of Internal Trade

Internal trade can be classified into two broad categories viz., (i) wholesale trade and (ii) retail trade.

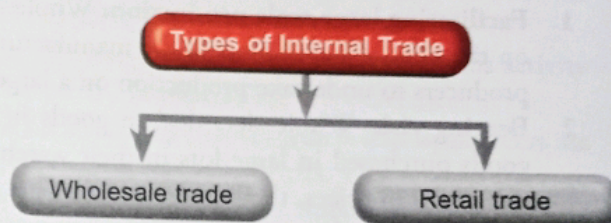
Wholesale trade

Purchase and sale of goods and services in large quantities for the purpose of resale or intermediate use is referred to as wholesale trade.

Wholesaling is concerned with the activities of those persons or establishments which sell to retailers and other merchants, and/or to industrial, institutional and commercial users but who do not sell in significant amount to ultimate consumers.

Wholesalers serve as an important link between manufacturers and retailers.

- They enable the producers not only to reach large number of buyers spread over a wide geographical area (through retailers), but also to perform a variety of functions in the process of distribution of goods and services.
- They generally take the title of the goods and bear the business risks by purchasing and selling the goods in their own name.
- They purchase in bulk and sell in small lots to retailers or industrial users.
- They undertake various activities such as grading of products, packing into smaller lots, storage, transportation, promotion of goods, collection of market information, collection of small and scattered orders of retailers and distribution of supplies to them.
- They also relieve the retailers of maintaining large stock of articles and extend credit facilities to them.



Top Tip

Most of the functions performed by wholesalers are such which cannot be eliminated. If there are no wholesalers, these functions shall have to be performed either by the manufacturers or the retailers.

Retail trade

Purchase and sale of goods in relatively small quantities, generally to the ultimate consumers, is referred to as retail trade.

A retailer is a business enterprise that is engaged in the sale of goods and services directly to the ultimate consumers. The retailer normally buys goods in large quantities from the wholesalers and sells them in small quantities to the ultimate consumers.

A retailer performs different functions in the distribution of goods and services, as stated below:

- Purchases a variety of products from the wholesale distributors and others
- Arranges for proper storage of goods

- Sells the goods in small quantities
- Bears business risks
- Grades the products
- Collects market information
- Extends credit to the buyers
- Promotes the sale of products through displays, participation in various schemes, etc.

Services Rendered by a Wholesaler and a Retailer

Services of Wholesalers

Wholesalers provide various services to manufacturers as well as retailers and provide immense help in the distribution of goods and services.

Services to Manufacturers

Major services offered by wholesalers to the producers of goods and services are given as below:

1. **Facilitating large scale production:** Wholesalers collect small orders from a number of retailers and pass on the pool of such orders to the manufacturers and make purchases in bulk quantities. This enables the producers to undertake production on a large scale and take advantage of the economies of scale.
2. **Bearing risk:** Wholesalers deal in goods in their own name, take delivery of the goods and keep the goods purchased in large lots in their warehouses. In the process, they bear variety of risks such as the risk of fall in prices, theft, pilferage, spoilage, fire, etc. To that extent, they relieve the manufacturers from bearing these risks.
3. **Financial assistance:** The wholesalers provide financial assistance to the manufacturers in the sense that they generally make cash payment for the goods purchased by them. Sometimes they also advance money to the producers for bulk orders placed by them.
4. **Expert advice:** Wholesalers advice the manufacturers about customer's tastes and preferences, market conditions, competitive activities and the features preferred by the buyers.
5. **Help in marketing function:** The wholesalers take care of the distribution of goods to a number of retailers who, in turn, sell these goods to a large number of customers spread over a large geographical area. This relieves the manufacturers from many of the marketing activities and enable them to concentrate on the production activity.
6. **Facilitate production continuity:** The wholesalers facilitate continuity of production activity throughout the year by purchasing the goods as and when these are produced and storing them till the time these are demanded by retailers or consumers in the market.
7. **Storage:** Wholesalers take delivery of goods when these are produced in factory and keep them in their godowns/warehouses. This reduces the burden of manufacturers of providing for storage facilities for the finished products. They thus provide time utility.

Services to Retailers

The important services offered by manufacturers to the retailers are described as below:

1. **Availability of goods:** The wholesalers make the products of various manufacturers readily available to the retailers. This relieves the retailers of the work of collecting goods from several producers and keeping big inventory of the same.
2. **Marketing support:** The wholesalers perform various marketing functions and provide support to the retailers. They undertake advertising and other sales promotional activities to induce customers to purchase the goods. The retailers are benefitted as it helps them in increasing the demand for various new products.
3. **Grant of credit:** The wholesalers generally extend credit facilities to their regular customers. This enables the retailers to manage their business with relatively small amount of working capital.

4. **Specialised knowledge:** The wholesalers pass on the benefit of their specialised knowledge to the retailers. They inform the retailers about the new products, their uses, quality, prices, etc. They may also advise them on the decor of the retail outlet, allocation of shelf space and demonstration of certain products.
5. **Risk sharing:** The wholesalers purchase in bulk and sell in relatively small quantities to the retailers. Being able to purchase merchandise in smaller quantities, retailers are in a position to avoid the risk of storage, pilferage, obsolescence, reduction in prices and demand fluctuations.

Services of Retailers

Retailers serve as an important link between the producers and final consumers in the distribution of products and services. They provide useful services to the consumers, wholesalers and manufacturers. Some of the important services of retailers are described as below:

Services to Manufacturers and Wholesalers

The invaluable services that the retailers render to the wholesalers and producers are given as here under:

1. **Help in distribution of goods:** A retailer's most important service to the wholesalers and manufacturers is to provide help in the distribution of their products by making these available to the final consumers, who may be scattered over a large geographic area. They provide place utility.
2. **Personal selling:** By undertaking personal selling efforts, the retailers relieve the producers of this activity and greatly help them in the process of actualising the sale of the products.
3. **Enabling large-scale operations:** On account of retailer's services, the manufacturers and wholesalers are freed from the trouble of making individual sales to consumers in small quantities. This enables them to operate on, at relatively large scale, and thereby fully concentrate on their other activities.
4. **Collecting market information:** As retailers remain in direct and constant touch with the buyers, they serve as an important source of collecting market information about the tastes, preferences and attitudes of customers.
5. **Help in promotion:** From time-to-time, manufacturers and distributors have to carry on various promotional activities in order to increase the sale of their products. For example, they have to advertise their products and offer short-term incentives in the form of coupons, free gifts, sales contests, and so on. Retailers participate in these activities in various ways and, thereby, help in promoting the sale of the products.

Services to Consumers

Some of the important services of retailers from the point of view of consumers are as follows:

1. **Regular availability of products:** The most important service of a retailer to consumers is to maintain regular availability of various products produced by different manufacturers. This enables the buyers to buy products as and when needed.
2. **New products information:** By arranging for effective display of products and through their personal selling efforts, retailers provide important information about the arrival, special features, etc., of new products to the customers.
3. **Convenience in buying:** Retailers generally buy goods in large quantities and sell these in small quantities, according to the requirements of their customers. Also, they are normally situated very near to the residential areas and remain open for long hours. This offers great convenience to the customers in buying products of their requirements.
4. **Wide selection:** Retailers generally keep stock of a variety of products of different manufacturers. This enables the consumers to make their choice out of a wide selection of goods.
5. **After-sales services:** Retailers provide important after-sales services in the form of home delivery, supply of spare parts and attending to customers.
6. **Provide credit facilities:** The retailers sometimes provide credit facilities to their regular buyers. This enables the consumers to increase their level of consumption and, thereby, their standard of living.

Extra Shots

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. **Errors and Omissions Excepted (E&OE):** 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.

Types of Retail Trade

Itinerant Retailers

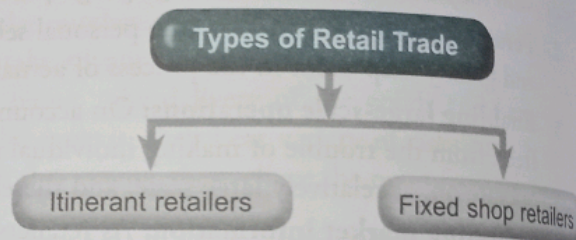
Itinerant retailers are traders who do not have a fixed place of business to operate from. They keep on moving with their wares from street to street or place to place, in search of customers.

Characteristics

1. They are small traders operating with limited resources.
2. They normally deal in consumer products of daily use such as toiletry products, fruits and vegetables, and so on.
3. The emphasis of such traders is on providing greater customer service by making the products available at the very doorstep of the customers.
4. As they do not have any fixed business establishment to operate from, these retailers have to keep their limited inventory of merchandise either at home or at some other place.

Types of Itinerant Retailers

1. **Peddlers and hawkers:** Peddlers and hawkers are probably amongst the oldest form of retailers in the market place who have not lost their utility even during the modern times. They are small producers or petty traders who carry the products on a bicycle, a hand cart, a cycle-rickshaw or on their heads, and move from place to place to sell their merchandise at the doorstep of the customers. They generally deal in non-standardised and low-value products such as toys, vegetables and fruits, fabrics, carpets, snacks and ice creams, etc. They are also found in streets of residential areas, places of exhibitions or meals, and outside schools, during a lunch break. The main advantage of this form of retailing is the provision of convenient service to the consumers. However, one should be careful in dealing with them, as the products they deal in are not always reliable in terms of quality and price.
2. **Market traders:** Market traders are the small retailers who open their shops at different places on fixed days or dates, such as every Saturday or alternate Saturdays, and so on. These traders may be dealing in one particular line of merchandise, say fabrics or ready-made garments, toys, or crockery, or alternatively, they may be general merchants. They are mainly catering to lower-income group of customers and deal in low-priced consumer items of daily use.



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3. **Street traders (pavement vendors):** Street traders are the small retailers who are commonly found at places where huge floating population gathers, for example, near railway stations and bus stands, and sell consumer items of common use, such as stationery items, eatables, ready made garments, newspapers and magazines. They are different from market traders in the sense that they do not change their place of business so frequently.

4. **Cheap jacks:** Cheap jacks are petty retailers who have independent shops of a temporary nature in a business locality. They keep on changing their business from one locality to another, depending upon the potentiality of the area. However, the change of place is not as frequent as in the case of hawkers or market traders. They deal in consumer items as well as services such as repair of watches, shoes, buckets etc.

Fixed Shop Retailers

These are retail shops who maintain permanent establishment to sell their merchandise. They, therefore, do not move from place to place to serve their customers.

Characteristics

1. Compared with the itinerant traders, normally they have greater resources and operate on a relatively large scale. However, there are different size groups of fixed shop retailers, varying from very small to very large.
2. These retailers may be dealing in different products, including consumer durables as well as non-durables.
3. This category of retailers has greater credibility in the minds of customers, and they are in a position to provide greater services to the customers such as home delivery, guarantees, repairs, credit facilities, availability of spares, etc.

Types of Fixed Shop Retailers

1. Small Scale Fixed Shop Retailers

- General stores
- Street stall holders
- Speciality shops
- Second-hand goods shops

2. Large Scale Retailers

- Departmental stores
- Multiple shops or Chain stores

Small Scale Fixed Shop Retailers

1. General stores

General stores are most commonly found in a local market and residential areas. These shops carry stock of a variety of products required to satisfy the day-to-day needs of the consumers residing in nearby localities.

- Such stores remain open for long hours at convenient timings and often provide credit facilities to some of their regular customers.
- The biggest advantage of such stores is in terms of convenience to the customers in buying products of daily use such as grocery items, soft drinks, toiletry products, stationery and confectionery.



Top Tip

As most of their customers are residents of the same locality, an important factor contributing to their success is the image of the owner and the rapport he has established with them.

2. Speciality shops

This type of retail store is becoming very popular, particularly in urban areas. Instead of selling a variety of products of different types, these retail stores specialise in the sale of a specific line of products. For example,

shops selling children's garments, men's wear, ladies shoes, toys and gifts, school uniforms, college books, consumer electronic goods, etc.

- The speciality shops are generally located in a central place where a large number of customers can be attracted.
- They provide a wide choice to the customers in the selection of goods.

3. Street stall holders/Street shops

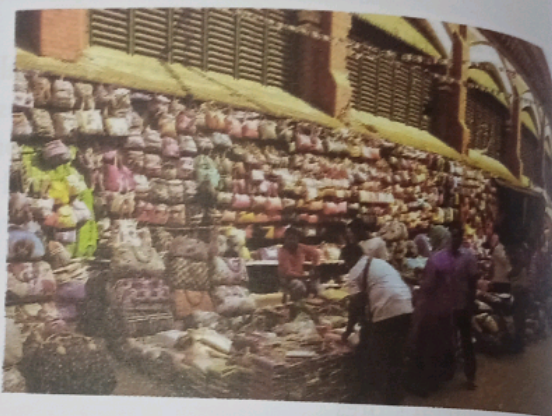
These small vendors are commonly found at street crossings or other places where flow of traffic is heavy. They attract floating customers and deal mainly in goods of cheap variety like hosiery products, toys, cigarettes, soft drinks, etc.

- They get their supplies from local suppliers as well as wholesalers.
- The total area covered by a stall is very limited and, therefore, they handle goods on a very small scale.
- Their main advantage is in providing convenient service to the customers in buying some of the items in their needs.

4. Second-hand goods shop

These shops deal in second-hand or used goods, like books, clothes, automobiles, furniture and other household goods. The goods are sold at lower prices.

- Generally persons with modest means purchase goods from such shops.
- Such shops may also stock rare objects of historical value and antique items which are sold at rather heavy prices to people who have special interest in such antique goods.
- The shops, selling second-hand goods may be located at street crossings or in busy streets in the form of a stall having very little structure — a table or a temporary platform to display the books or may have reasonably good infrastructure, as in the case of those selling furniture or used cars or scooters or motorcycles.



Second hand goods shop

Large Scale Fixed Shop Retailers

Departmental Stores

A departmental store is a large establishment offering a wide variety of products, classified into well-defined departments, aimed at satisfying practically every customer's need under one roof.

It has a number of departments, each one confining its activities to one kind of product.

For example, there may be separate departments for toiletries, medicines, furniture, groceries, electronics, clothing and dress material within a store.

Thus, they satisfy diverse market segments with a wide variety of goods and services.

It is not uncommon for a department store in the United States of America to carry 'needle to an aeroplane' or 'all shopping under one roof.' Everything from 'a pin to an elephant' is the spirit behind a typical department store.

In India real departmental stores have not yet come in a big way in the retailing business. However, some stores on this line in India include 'Akberally' in Mumbai and 'Spencers' in Chennai.



'Spencers' in Chennai

Features

Some of the important features of a departmental store are as follows:

1. A modern departmental store may provide all facilities such as restaurant, travel and information bureau, for whom price is of secondary importance.
2. These stores are generally located at a central place in the heart of a city, which caters to a large number of customers.
3. As the size of these stores is very large, they are generally formed as a joint stock company managed by a board of directors. There is a managing director assisted by a general manager and several department managers.
4. A departmental store combines both the functions of retailing as well as warehousing. They purchase directly from manufacturers and operate separate warehouses. That way they help in eliminating undesirable middlemen between the producers and the customers.
5. They have centralised purchasing arrangements. All the purchases in a department store are made centrally by the purchase department of the store, whereas sales are decentralised in different departments.

Advantages

The major advantages of retailing through departmental stores may be listed as follows:

1. **Attract large number of customers:** As these stores are usually located at central places, they attract a large number of customers during the best part of the day.
2. **Convenience in buying:** By offering large variety of goods under one roof, the departmental stores provide great convenience to customers in buying almost all goods of their requirements at one place. As a result, customers do not have to run from one place to another to complete their shopping.
3. **Attractive services:** A departmental store aims at providing maximum services to the customers. Some of the services offered by it include home delivery of goods, execution of telephone orders, grant of credit facilities and provision for restrooms, telephone booths, restaurants, saloons, etc.
4. **Economy of large-scale operations:** As these stores are organised at a very large scale, the benefits of large scale operations, particularly, in respect of purchase of goods are available to them.
5. **Promotion of sales:** The departmental stores are in a position to spend considerable amount of money on advertising and other promotional activities, which help in boosting their sales.

Chain Stores or Multiple-shops

Chain stores or multiple shops are networks of retail shops that are owned and operated by manufacturers or intermediaries.

- These different shops normally deal in standardised and branded consumer products, which have rapid sales turnover.
- These shops are run by the same organisation and have identical merchandising strategies, with identical products and displays.
- Chain stores are most effective in handling high-volume merchandise, whose sales are relatively constant throughout the year.
- In India, Bata Shoe stores are typical examples of such shops. Similar type of retail outlets are coming up in other products also. For example, the exclusive showrooms of D.C.M., Raymonds and the fast food chains of Nirula's and McDonalds.



Fast Food Chains of McDonalds

**Top Tip**

Another important point in this regard is that mail house business cannot be successfully carried out unless education is wide spread. It is so because only the literate people can be reached through advertisements and other forms of written communication.

Features/ Advantages of Mail Order Business

1. **Limited capital requirement:** Mail order business does not require heavy expenditure on building and other infrastructural facilities. Therefore, it can be started with relatively low amount of capital.
2. **Elimination of middlemen:** The biggest advantage of mail-order business from the point of view of consumers is that unnecessary middlemen between the buyers and sellers are eliminated. This may result in lot of savings both to the buyers as well as to the sellers.
3. **Absence of bad debt:** Since the mail order houses do not extend credit facilities to the customers and there is cash trading, there are no chances of any bad debt on account of non payment of cash by the customers.
4. **Wide reach:** Under this system the goods can be sent to all the places having postal services. This opens wide scope for business as a large number of people throughout the country can be served through mail.
5. **Convenience:** Under this system goods are delivered at the doorstep of the customers. This results in great convenience to the customers in buying these products.

GST (Goods and Services Tax): Concept and Key Features

The Government of India, following the credo of 'One Nation and One Tax', and wanting a unified market in order to ensure the smooth flow of goods across the country implemented the **Goods and Services Tax (GST)** from **July 1, 2017**. The aim is to generate additional revenue for the government and to reduce tax evasion.

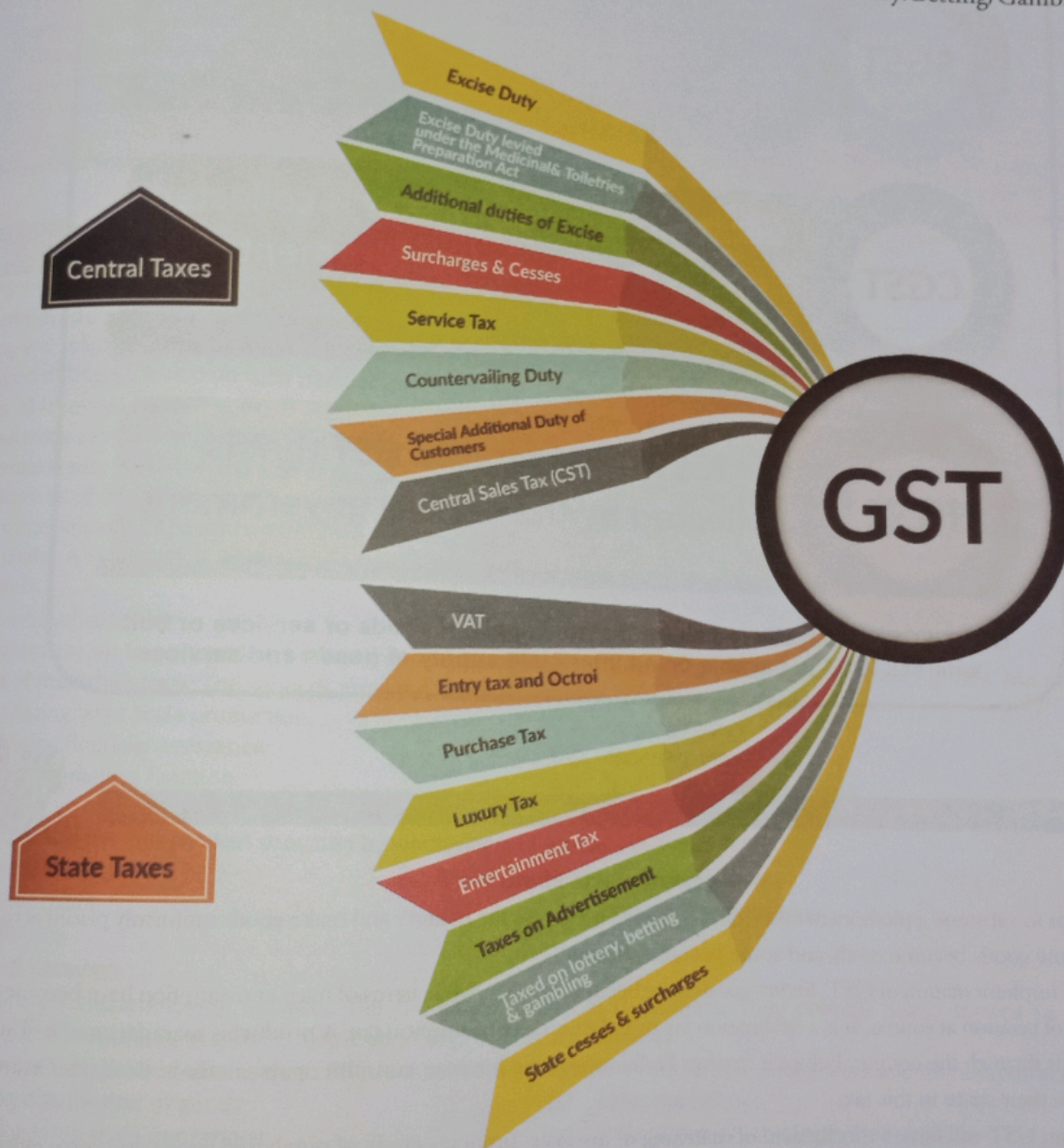
Key Features

1. Goods and Service Tax (GST) is the single comprehensive indirect tax on supply of goods and services, right from the manufacturer/service provider to the consumer.
2. It is a destination based consumption tax with facility of Input Tax Credit (ITC) in the supply chain. The provision of availing input credit at each stage of value chain helps in avoiding the cascading effect (tax on tax) under GST, which is expected to reduce prices of commodities and benefit the consumers. As there have been a number of intermediate goods/services, which were manufactured/provided in the economy, the pre GST tax regime imposed taxes not on the value added at each stage but on the total value of the good/service with minimum facility of utilisation of Input Tax Credit. The total value included taxes paid on intermediate goods/services. This amounted to cascading of tax. Under GST, the tax is discharged at every stage of supply and the credit of tax paid at the previous stage is available for set-off at the next stage of supply of goods and/or services. GST is, thus, effectively a tax on value addition at each stage of supply of goods and/or services; it addresses to establish parity in taxation across the country, and extend principles of 'value-added taxation' to all goods and services.
3. GST is applicable throughout the country with one rate for one type of goods/service. Under GST, there are 5 (five) standard rates applied, i.e. 0%, 5%, 12%, 18% and 28% on supply of all goods and services across the country.

**Top Tip**

Tax liability arises when the taxable person crosses exemption limit i.e., ₹20 lakh.

4. The GST has replaced 17 indirect taxes (8 Central + 9 State levels) and 23 cesses of the Centre and the States, eliminating the need for filing multiple returns and assessments, and rationalising the tax treatment of goods and services along the supply chain from producers to consumers.
- Some of the major taxes levied by the Central Government which have been subsumed in GST are: Central Excise Duty, Service Tax, Central Sales Tax, Cesses like KKC and SBC.
 - The major State taxes/cesses which have been subsumed in GST are: VAT/Sales Tax, Entertainment Tax, Entry Tax, Octroi, Luxury Tax, Taxes on Advertisements, Taxes on Lottery/Betting/Gambling, State cesses on goods, etc.



GST comprises Central GST (CGST) and the State GST (SGST), subsuming levies previously charged by the Central and the State governments respectively.

5. GST (CGST + SGST) is charged at each stage of value addition and the supplier off-sets the levy on inputs in the previous stages of value chain through the tax credit mechanism. The last dealer in the supply chain passes on the added GST to the consumer, making GST a destination-based consumption tax.
6. The territorial spread of GST is the whole country, including Jammu and Kashmir.

7. Import of goods and services is treated as inter-State supplies and would be subject to IGST in addition to the applicable customs duties.
8. Exports and supplies to Special Economic Zones (SEZ) are zero-rated.
9. There are various modes of payment of tax available to the taxpayer, including Internet banking, debit/credit card and National Electronic Funds Transfer (NEFT)/Real Time Gross Settlement (RTGS).

SGST

State GST or SGST that is collected by the state government

CGST

Central GST or CGST that is collected by the central government

IGST

IGST or Integrated GST that is collected by the central government

CGST/SGST is payable on all intra-state supply of goods or services or both, whereas IGST is payable on all inter-state supply of goods and services

DO YOU KNOW?

Some Facts about GST

1. GST aims to subsume a plethora of taxes into one single tax across the country and make goods uniformly priced across India, albeit some goods become costly and some become cheaper.
2. With the implementation of GST, luxury goods have become costlier, while items of mass consumption have become cheaper.
3. GST is not taxation at source. It is a destination tax or rather it's a consumption tax. A product is manufactured in Tamil Nadu and travels through the country before it reaches Delhi, where the buyer or consumer pays tax for it. Both the Centre and the State have their share in this tax.
4. The Indian GST will have a mechanism of matching of invoices. Input tax credit of purchased goods and services will only be available if the taxable supplies received by the supplier match the supplies received by the supplier. The Goods and Services Tax network is a self-regulating mechanism, which not only checks tax frauds and tax evasion, but also brings in more and more businesses into the formal economy.
5. Anti-profiteering measure is one of the key features of the recently implemented Goods and Services Tax law. These measures prevent entities from making excessive profits. Since the GST, along with the input tax credit, is eventually expected to bring down prices, a National Anti-profiteering Authority (NAA) is to be set up to ensure that the benefits accrued to entities due to reduction in costs is passed on to the consumers. Also, entities that hike rates inordinately, citing GST as the reason, will be checked by this body.

Extra Shots

Benefits of GST

1. It has facilitated the freedom of movement of goods and services and created a common market in the country.
2. It has reduced the cost of business transactions and cascading effect of various taxes on consumers.
3. It has also reduced the overall cost of production, which will make Indian goods/services more competitive in the domestic and international markets.
4. Tax compliance will be easier as all tax payment related services like registration, returns, payments are available online through a common portal www.gst.gov.in.
5. Among other benefits, GST is expected to improve the ease of doing business in tax compliance, reduce the tax burden by eliminating tax-on-tax, improve tax administration, mitigate tax evasion, broaden the organised segment of the economy and boost tax revenues.
6. Tax apart from being a source of revenue for growth also plays a key role in making the State accountable to its taxpayers. Effective taxation ensures that public funds are effectively employed in fulfilling social objectives for sustainable development.

RECAP



Internal trade

Buying and selling of goods and services within the boundaries of a nation are referred to as internal trade. No custom duties or import duties are levied on such trade as goods are part of domestic production and are meant for domestic consumption.

Types of Internal trade

Internal trade can be categorised into two broad categories (i) wholesale trade; and (ii) retailing trade.

Wholesale trade: Purchase and sale of goods and services in large quantities for the purposes of resale or intermediate use is referred to as wholesale trade. Wholesalers perform a number of functions in the process of distribution of goods and services and provide valuable services to manufacturers and retailers.

Retail trade: A retailer is a business enterprise that is engaged in the sale of goods and services directly to the ultimate consumers.

Services of wholesalers

Wholesalers are an important link between manufacturers and retailers. They add value by creating time and place utility.

Services of manufacturers: The services provided by wholesalers to manufacturers include

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| (i) facilitating large scale production; | (ii) bearing risk; |
| (iii) providing financial assistance; | (iv) expert advice; |
| (v) help in marketing function; | (vi) facilitating continuity; and |
| (vii) storage. | |

Services to retailers: The services provided by wholesalers to retailers include

- | | |
|---------------------------|----------------------------|
| (i) availability of goods | (ii) marketing support |
| (iii) grant of credit | (iv) specialised knowledge |
| (v) risk sharing | |

Services of retailers

Retailers are an important link between the producers and final consumers. They provide useful service to consumers wholesalers and manufacturers in the distribution of products and services.

Services to manufacturers/wholesalers: Different services provided by retailers to wholesalers and manufacturers include

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| (i) helping distribution of goods; | (ii) personal selling; |
| (iii) enabling large scale operations; | (iv) collecting market information; and |
| (v) help in promotion of goods and services. | |

Services to consumers: The different services provided by retailers to consumers include

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|--------------------------------------|-----------------------------------|
| (i) regular availability of products | (ii) new product information |
| (iii) convenience of buying | (iv) trade selection |
| (v) after sales services and | (vi) providing credit facilities. |

Types of retail trade

Retail trade can be classified into different types according to their size, type of ownership, on the basis of merchandise handled and whether they have fixed place of business or not.

Retailers can be categorised as (i) itinerant retailers; and (ii) fixed shop retailers.

Itinerant retailers: Itinerant retailers are traders who don't have a fixed place of business to operate from. They are small traders operating with limited resources who keep on moving with their wares from street to street or place to place in search of customers. The major types of such retailers are:

- (i) **Peddlers and hawkers:** They are small producers or petty traders who carry the products on a bicycle or handcart or on their heads and move from place to place, to sell their goods at the doorstep of the customers.
- (ii) **Market traders:** Market traders are small retailers who open their shops at different places on fixed days/dates, catering mainly to lower income group of customers and dealing in low priced consumer items of daily use.
- (iii) **Street traders:** Street traders are the small retailers who are commonly found at places where huge floating population gathers.
- (iv) **Cheap jacks:** Cheap jacks are those petty retailers who have independent shops of a temporary nature in a business location. They deal in consumer items and provide services to consumers in terms of making the products available where needed.

Fixed shop retailers

On the basis of size of operations, (fixed shop retailers can be classified as a) small shopkeepers and (b) large retailers.

Fixed shop small retailers

- (i) **General stores:** General stores carry stock of a variety of products such as grocery items, soft drinks, toiletry products, confectionery, and stationery, needed to satisfy day-to-day needs of consumers, residing in nearby localities.
- (ii) **Speciality shops:** Speciality shops specialise in the sale of specific line of products such as children's garments, men's wear, ladies shoes, school uniform, college books or consumer electronic goods, etc.,
- (iii) **Street stall holders:** These small vendors are commonly found at street crossing or other places where flow of traffic is heavy and deal mainly in goods of cheap variety like hosiery products, toys, cigarettes, soft drinks, etc.
- (iv) **Second hand goods shop:** These shops deal in second hand or used goods of different kinds like furniture, books, clothes and other household articles which are sold at lower prices.

Fixed shop large stores: In fixed shop large stores, the volume and variety of goods stocked is large.

Examples: (i) Departmental stores (ii) Chain stores or multiple shops

Departmental stores

A departmental store is a large establishment offering a wide variety of products, classified into well-designed departments, aimed at satisfying practically every customer's need under one roof.

Advantages:

- | | |
|--|--------------------------------------|
| (a) attracts large number of customers | (b) convenience in buying |
| (c) attractive services | (d) economy of large scale operation |
| (e) promotion of sales | |

Chain stores or multiple shops

These shops are networks of retail shops that are owned and operated by manufacturers or intermediaries dealing in standardised and branded consumer products having rapid sales turnover.

Advantages:

- | | |
|------------------------|------------------------------|
| (a) economies of scale | (b) elimination of middlemen |
| (c) no bad debts | (d) transfer of goods |
| (e) diffusion of risk | (e) low cost |
| (f) flexibility | |

Mail order houses

Mail order houses are retail outlets that sell their merchandise through mail, without any direct personal contact with the buyers.

Advantages:

- | | |
|----------------------------------|------------------------------|
| (a) limited capital requirements | (b) elimination of middlemen |
| (c) absence of bad debts | (d) wide reach |
| (e) convenience | |

GST (Goods and Services Tax): Concept and Key Features

GST is a destination-based single tax on the supply of goods and services from the manufacturer to the consumer, and has replaced multiple indirect taxes levied by the Central and the State governments, thereby, converting the country into a unified market.

Among other benefits, GST is expected to improve the ease of doing business in tax compliance, reduce the tax burden by eliminating tax-on-tax, improve tax administration, mitigate tax evasion, broaden the organised segment of the economy and boost tax revenues. The GST has replaced 17 indirect taxes (8 Central + 9 State levels) and 23 cesses of the Centre and the States.

GST comprises Central GST (CGST) and the State GST (SGST), subsuming levies previously charged by the Central and the State governments respectively.

Key Features of GST

1. The territorial spread of GST is the whole country, including Jammu and Kashmir.
2. GST is applicable on the 'supply' of goods or services.
3. It is based on the principle of destination-based consumption tax.
4. Import of goods and services is treated as inter-State supplies and would be subject to IGST in addition to the applicable customs duties.
5. CGST, SGST and IGST are levied at rates mutually agreed upon by the Centre and the States.
6. There are five tax slabs namely 0 per cent, 5 per cent, 12 per cent, 18 per cent and 28 per cent for all goods or services.
7. Exports and supplies to Special Economic Zones (SEZ) are zero-rated.
8. There are various modes of payment of tax available to the taxpayer, including Internet banking, debit/credit card and National Electronic Funds Transfer (NEFT)/Real Time Gross Settlement (RTGS).

Key Terms

Internal Trade – Buying and selling of goods and services within the boundaries of a nation are referred to as internal trade.

Wholesale trade – Purchase and sale of goods and services in large quantities for the purpose of resale or intermediate use is referred to as wholesale trade.

Retail trade – Purchase and sale of goods in relatively small quantities, generally to the ultimate consumers, is referred to as retail trade.

Itinerant Retailers – Itinerant retailers are traders who do not have a fixed place of business to operate from. They keep on moving with their wares from street to street or place to place, in search of customers.

Peddlers and hawkers – They are small producers or petty traders who carry the products on a bicycle, a hand cart, a cycle-rickshaw or on their heads, and move from place to place to sell their merchandise at the doorstep of the customers.

Market traders are the small retailers who open their shops at different places on fixed days or dates, such as every Saturday or alternate Saturdays, and so on.

Street traders are the small retailers who are commonly found at places where huge floating population gathers, for example, near railway stations and bus stands, and sell consumer items of common use, such as stationery items, eatables, ready made garments, newspapers and magazines.

Cheap jacks are petty retailers who have independent shops of a temporary nature in a business locality.

General stores are most commonly found in a local market and residential areas. These shops carry stock of a variety of products required to satisfy the day-to-day needs of the consumers residing in nearby localities.

Speciality shops – These retail stores specialise in the sale of a specific line of products. For example, shops selling children's garments, men's wear, ladies shoes, toys and gifts, school uniforms, college books or consumer electronic goods, etc.

Street stall holders/Street shops – These small vendors are commonly found at street crossings or other places where flow of traffic is heavy. They attract floating customers and deal mainly in goods of cheap variety like hosiery products, toys, cigarettes, soft drinks, etc.

Second-hand goods shop – These shops deal in second-hand or used goods, like books, clothes, automobiles, furniture and other household goods. The goods are sold at lower prices.

Departmental store is a large establishment offering a wide variety of products, classified into well-defined departments, aimed at satisfying practically every customer's need under one roof.

Chain stores or multiple shops are networks of retail shops that are owned and operated by manufacturers or intermediaries.

Mail order houses are the retail outlets that sell their merchandise through mail.

Goods and Service Tax (GST) is the single comprehensive indirect tax on supply of goods and services, right from the manufacturer/service provider to the consumer. The Government of India, following the credo of 'One Nation and One Tax' implemented the Goods and Services Tax (GST) from July 1, 2017. Tax liability arises when the taxable person crosses exemption limit i.e., ₹20 lakh. GST is applicable throughout the country with one rate for one type of goods and service. Under GST, there are 5 (five) standard rates applied, i.e. 0%, 5%, 12%, 18% and 28% on supply of all goods and services across the country.

Objective Type Questions

1. Retailers who have no fixed place of sale are called _____.
(a) Itinerants (b) Street traders
(c) Market traders (d) Hawkers
(Choose the correct alternative)
2. Bata is an example of _____.
(a) Mail order houses (b) General stores
(c) Chain stores (d) Departmental stores
(Choose the correct alternative)
3. Buying and selling of goods and services within the boundaries of a country are referred to as _____.
(a) External trade (b) Export
(c) Internal trade (d) Import
(Choose the correct alternative)
4. Wholesale trade refers to
(a) Exporting goods and services
(b) Importing goods and services
(c) Buying and selling of goods and services in large quantities for the purpose of resale or intermediate use
(d) None of the above
(Choose the correct alternative)
5. Services which wholesalers provide to retailers are _____.
(a) availability of goods (b) Omarketing support
(c) risk sharing (d) all of these
(Choose the correct alternative)
6. Services which retailers provide to consumers are _____.
(a) wide selection of goods (b) after-sales service
(c) provide credit facilities (d) all of these
(Choose the correct alternative)
7. Which of the following do not come under the fixed shop small retailers?
(a) Speciality shops (b) Secondhand goods shops
(c) Peddlers and hawkers (d) Single in stores
(Choose the correct alternative)
8. GST is based on the principle of _____ consumption tax against the present principle of origin-based taxation.
(Fill up the blank with correct answer)
9. There are four tax slabs namely 5 per cent, 12 per cent, 18 per cent and _____ for all goods or services.
(Fill up the blank with correct answer)
10. There are various modes of payment of tax available to the taxpayer, including Internet banking, debit/credit card and _____.
(Fill up the blank with correct answer)
11. Identify the type of fixed shop large retailers in the following cases:
(i) This form of retailer has networks of various retail shops with centralised management and all the shops deal in similar line of standardised and branded consumer products. Bata and Nirula's are the examples of the type of retailer.
(ii) This retailer provides various facilities and services to the consumers such as restaurant, travel and information bureau, telephone booth, rest rooms, etc. Pin to Plane is the motto of this retail stop.
12. Puma stores are network of retail shops owned and operated by Puma Company. These shops operate in different parts of country. One can easily identify these shops in any part of the country as they have same appearance, even their interior is also identical. All the shops are supplied the goods from head office only and all the policies for all branches are made by head office only. Identify the type of retail store mentioned in above case.
13. Wholesale trade consists of buying goods directly from the manufacturers in small quantities. *True/False? Give reason.*
14. The wholesaler is a link between the producer and the ultimate consumer. *True/False? Give reason.*
15. A retailer is an important link between wholesalers and manufacturers. *True/False? Give reason.*
16. A retailer serves as the last link in the chain of distribution of goods. *True/False? Give reason.*
17. A hawker carries goods on his head. *True/False? Give reason.*
18. Departmental stores can do with a small amount of capital. *True/False? Give reason.*
19. Multiple shops mean so many shops under one roof. *True/False? Give reason.*
20. Enumerate any two market information provided by the wholesalers to the manufacturers.
21. Give any two ways of selling goods under retail trade.
22. Name the retailers who do not have a fixed place for business.
23. By what name temporary shops in business locality are known?
24. How are street traders different from market traders?
25. Name the large establishment offering a wide variety of products classified into well-defined departments under one roof.
26. Name the network of retail shops that are owned and operated by a manufacturer or dealer.

Analysing, Evaluating & Creating Type Questions

Q.1 Kharbanda Ltd. deals in a variety of consumer products like toiletries, groceries, electronics, clothing, etc. The work place has been divided into a number of departments and every department sells a particular commodity. In this way almost all the needs of customers are fulfilled under one roof. Manchanda Ltd. deals in footwears. The company has 200 shops at different places of the country. The speciality of the business of this company is that at all its shops the goods available are of the same type, and there prices are also the same. All sales are made strictly on cash basis. Identify the type of retail trade done by Kharbanda Ltd. and Manchanda Ltd. Also state any three features of each.

Ans. Kharbanda Ltd. is running a Departmental Store. It is a fixed shop large retail trade. (6 marks)

Features:

- (i) These stores are generally located at a central place in the heart of a city, which cater to a large number of customers.
- (ii) A departmental store purchases its supplies directly from manufacturers (thereby eliminating undesirable middlemen) and operates separate warehouses.
- (iii) As the size of these stores is very large, they are generally formed as a joint stock company managed by a board of directors. There is a managing director assisted by a general manager and several departmental managers.

The name of the trade of Manchanda Ltd. is Chain Stores or Multiple Shops. It is also a fixed shop large retail trade.

Features:

- (i) These shops are located in fairly populous localities, where sufficient number of customers can be approached.
- (ii) Sales are decentralised. Branch shops are just like ordinary retail shops.
- (iii) Each retail shop is under the direct supervision and control of a Branch Manager, who is responsible for its day-to-day management. He sends daily reports to the head office in respect of the sales, cash deposits and the inventory requirements.

Q.2 Jass is running an artificial jewellery business on the basis of advertisement only. She has not opened any shop and sends goods to her customers through VPP.

Identify the type of retail trade highlighted above and write any four other features also. (5 marks)

Ans. Mail order business

Features:

- (i) Limited capital requirement: Mail order business does not require heavy expenditure on building and other infrastructural facilities. Therefore, it can be started with relatively low amount of capital.
- (ii) Absence of bad debt: Since the mail order houses do not extend credit facilities to the customers and there is cash trading, there are no chances of any bad debt on account of non payment of cash by the customers.
- (iii) Wide reach: Under this system the goods can be sent to all the places having postal services. This opens wide scope for business as a large number of people throughout the country can be served through mail.
- (iv) Convenience: Under this system goods are delivered at the doorstep of the customers. This results in great convenience to the customers in buying these products.

Q.3. Every day, a three wheeled vehicle appears in front of your school selling ice-creams. Name and explain the type of retailer referred here. (3 marks)

Ans. Peddlers and hawkers

They are small producers or petty traders who carry the products on a bicycle, a hand cart, a cycle-rickshaw or on their heads, and move from place to place to sell their merchandise at the doorstep of the customers. They generally deal in non-standardised and low-value products such as toys, vegetables and fruits, fabrics, carpets, snacks and ice creams, etc.

They are also found in streets of residential areas, places of exhibitions or meals, and outside schools, during a lunch break.

Self Assessment Test 1

Internal Trade

Maximum Marks : 25

Time allowed : 1 hour

- Q.1 Wholesalers provide _____ and _____ utility by making products available at right place and required time. (Fill up the blanks with correct answers) (1 mark)
- Q.2 On the basis of merchandise handled, retail trade is classified as: (Choose the correct alternative) (1 mark)
- (a) Large/medium/small retailers
 - (b) Sole trader/partnership firm/cooperative store/company
 - (c) Speciality store/super market/departmental store
 - (d) None of the above
- Q.3 Ramlal sells vegetables in a cycle rickshaw and moves from place to place. He provides them at doorstep of his customers. Which category of itinerant retailer is he? (Choose the correct alternative) (1 mark)
- (a) Market traders
 - (b) Street traders
 - (c) Peddlers and hawkers
 - (d) Cheap jacks
- Q.4 Iftar Siddiqui has a shop of used books in 'Nai Sarak' Delhi. Which type of retail trade is he doing? (Choose the correct alternative) (1 mark)
- (a) General store
 - (b) Cheap jack
 - (c) Speciality shop
 - (d) Second hand goods shop
- Q.5 There is a very famous shopping complex 'Great India Palace' in Noida. Varied types of products and services are available here under one roof. Customers not only purchase the products, entertainment and food. Identify this chief organization of retail trade and state its two features. (3 marks)
- Q.6 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 and Shyam visited and give any one feature of each. (3 marks)
- Q.7 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. (4 marks)
- Q.8 Explain the concept and key features of GST (Goods and Services Tax). (5 marks)
- Q.9 Imagine life without your local market. What difficulties would a consumer face if there is no retail shop? (6 marks)

Internal Trade

Time allowed : 1 hour

Maximum Marks : 25

- Q.1 John Jacob has a consumer electronic goods shop in South Delhi. Which type of retail trade is he doing?
(Choose the correct alternative) (1 mark)
- (a) General store
(b) Cheap jack
(c) Specialty shop
(d) Second hand goods shop
- Q.2 McDonald's comes under which category of retailers?
(Choose the correct alternative) (1 mark)
- (a) Departmental store
(b) Chain store
(c) Specialty store
(d) General store
- Q.3 "The loss incurred by one shop may be covered by profits in other shops, reducing risk of an organisation".
Advantage of which type of retail trade has been referred to here? (1 mark)
- Q.4 GST is a _____ single tax on the supply of goods & services from the manufacturer to consumer.
(Fill up the blank with correct answer) (1 mark)
- Q.5 Sandeep & Sons Delhi orders pearl jewellery from Nasir Bros, Hyderabad. They enter into a contract and make certain that the payment will be made only on receiving the goods in Delhi at their Shop.
- (a) Identify the term of trade in the above example.
(b) Explain any two other terms of trade. (3 marks)
- Q.6 Rohit displays lots of magazines on a busy street corner near the railway station. Identify and explain the type of retail referred here. (3 marks)
- Q.7 Mention the name and features of the store in which there are a number of departments in the same building selling different types of commodities. (4 marks)
- Q.8 What is meant by itinerant traders? Explain any four types of itinerant traders. (5 marks)
- Q.9 If the wholesaler is eliminated, what difficulties do you think the manufacturers would have to face? (6 marks)

Self Assessment Test 3

Unit 7: Sources of Business Finance
Unit 8: Small Business and Entrepreneurship
Unit 9: Internal Trade

Time allowed : 1 hour 30 minutes

Maximum Marks : 40

(Choose the correct alternative) (1 mark)

Q.1 Which tax is called 'One Nation and One Tax'?

- (a) Sales tax
- (c) Custom duty
- (b) GST
- (d) None of these

Q.2 GST has replaced _____ indirect taxes and _____ cesses of the Centre and the States.

(Choose the correct alternative) (1 mark)

Q.3 Big Bazaar is an example of which type of fixed shop?

- (a) Specialty shop
- (b) Departmental store
- (c) Chain store
- (d) General store

(Choose the correct alternative) (1 mark)

Q.4 Which of these is included in Owner's Fund?

- (a) Debenture
- (b) Loan from SBI
- (c) Equity share
- (d) Trade credit

(Choose the correct alternative) (1 mark)

Q.5 Trade credit is example of _____.

- (a) Long-term finance
- (b) Medium-term finance
- (c) Short-term finance
- (d) All of the above

(Choose the correct alternative) (1 mark)

Q.6 Trade involving buying and selling of goods and services within the boundaries of a nation is called International Trade.

(True/False) (1 mark)

Q.7 Why is entrepreneurship regarded as a creative activity?

(1 mark)

Q.8 A micro small scale industry has investment of ₹24 lakhs and engaged in manufacturing business. Now it wants to increase its investment by ₹4 lakhs. What type of small business will it become and what is the maximum investment limit in such cases?

(1 mark)

Q.9 Sukhvinder Singh designed an software application to monitor pulse rate, blood pressure, BMI, etc. of a user. Since this idea was new, his friend Rajesh asks him to get an IPR for it. What use do you think will it have for Sukhvinder? Explain.

(3 marks)

Q.10 Tara Ltd. decided to raise funds through issue of equity shares as the board of Directors know that a company has to pay dividend to equity shareholders only when it earns profits. Board of Directors decided that they record losses for the first 3 years so that they don't have to pay any dividend to the shareholders. Are the Boards of Directors right in thinking? Give valid reasons.

(3 marks)

Q.11 Explain briefly the characteristic features of itinerant retailers.

(3 marks)

- Q.12 Mr. Manav Sharma is the finance manager of 'Setu Limited' company needs ₹50 crores. To arrange the capital needed Mr. Sharma has two options— Issue of equity shares or debentures. After consideration of all facts, he decided in favour of issuing debentures. He presented his decision before the CEO who asked why he had opted for debentures equity shares. Mr. Sharma replied that debentures are fixed charge funds and do not participate in profits of the company. State any three more facts that Mr. Sharma must have presented before the CEO about the debentures and equity shares. (3 marks)
- Q.13 "Avika Ltd." company, an IT giant company registered in India wants to top the huge amount of resources for its growth and expansion from U.S.A. for long term needs. It also needs money for a period of less than 3 years to meet its medium cum short term needs. The company is following the practice of educating and giving employment to under privileged youth. 50% of its office electricity is generated through solar power. Which two sources of finance should be used by the company to meet its requirement? Explain their features. (4 marks)
- Q.14 What do you understand by multiple shops? Give two examples. State its four features. (5 marks)
- Q.15 After completing MBA from FMS, Delhi, Raveena decided to enter into a startup business. She wants to explore the dairy product business after hearing news of adulteration being found in the milk all over Delhi. She does feasibility studies and finds there is a demand for healthy and quality products in the market. She is confused about the options available to her for her startup. Suggest any 5 ways through which she can finance it. (5 marks)
- Q.16 Describe the services rendered by wholesalers to manufacturers and retailers. (three each) (6 marks)

Check List to Objective Type Questions

1. (a)
2. (c)
3. (c)
4. (c)
5. (d)
6. (d)
7. (c)
8. destination-based
9. 28 per cent
10. National Electronic Funds Transfer (NEFT)/Real Time Gross Settlement (RTGS)
11. (i) Chain stores or Multiple shops
(ii) Departmental stores
12. Chain Stores or Multiple Shops
13. False: They purchase in bulk from manufacturers and sell in small lots to retailers or industrial users.
14. False: Wholesalers serve an important link between manufacturers and retailers. They do not sell products to the ultimate consumers.
15. False: A retailer is an important link between wholesalers and consumers. He buys goods in large quantities from the wholesalers and sells them in small quantities to the ultimate consumers.
16. True: A retailer is in direct and regular contact link with consumers.
17. True: A hawker carries goods on his head or on a bicycle or a handcart, and move from place to place to sell their goods at the doorstep of the customers.
18. False: Departmental stores need a large amount of capital for establishment. Moreover, their operating costs are very high because they provide many attractive services to their customers (e.g., free home delivery of goods, provision for rest-rooms, telephone booths).
19. False: Multiple shops are networks of retail shops located throughout in specific areas of a country, e.g., Bata shoe stores, Big Apple.
20. (i) Customers' tastes and preferences
(ii) Activities of competitors.
21. (i) Personally on door-to-door basis (e.g., sale of cosmetics/detergent powder).
(ii) In a store (e.g., sale of mobile phones at Hotspot).
22. Itinerants
23. Cheap jacks, e.g., shoe repairing, watch repairing, etc.
24. They do not change their place of business so frequently. They sell stationery items, eatables, newspapers, etc. near bus stands or railway stations.
25. Departmental store
26. Chain stores or Multiple shops