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INTERNAL TRADE

INTRODUCTION

Trade refers to buying and selling of goods and services with the objective of earning profit. Mankind has been engaged in trading, in some form or the other, since early days of civilisation. The importance of trade in modern times has increased as new products are being developed every day and are being made available for consumption throughout the world. No individual or country can claim to be self-sufficient in producing all the goods and services required by it. Thus, each one is engaged in producing what it is best suited to produce and exchanging the excess produce with others. On the basis of geographical location of buyers and sellers, trade can broadly be classified into two categories

- (i) Internal trade; and
- (ii) External trade.

Trade which takes place within a country is called internal trade. Trade between two or more countries, on the other hand, is called external trade. The present chapter discusses in detail the meaning and nature of internal trade and explains its different types and the role of chambers of commerce in promoting internal trade.

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. Internal trade can be classified into two broad categories viz., (i) wholesale trade and (ii) retail trade. Generally, for products, which are to be distributed to a large number of buyers who are located over a wide geographical area, it becomes very difficult for the producers to reach all the consumers or users directly. For example, if vegetable oil or bathing soap or salt produced in a factory in any part of the country are to reach millions of consumers throughout the country, the help of wholesalers and retailers becomes very important. Purchase and sale

of goods and services in large quantities for the purpose of resale or intermediate use is referred to as wholesale trade. On the other hand, purchase and sale of goods in relatively small quantities, generally to the ultimate consumers, is referred to as retail trade. Traders dealing in wholesale trade are called wholesale traders and those dealing in retail trade are called retailers. Both retailers and wholesalers are important marketing intermediaries who perform very useful functions in the process of exchange of goods and services between producers and users or ultimate consumers. Internal trade aims at equitable distribution of goods within a nation speedily and at reasonable cost.

WHOLESALE TRADE

As discussed in the previous section, wholesale trade refers to buying and selling of goods and services in large quantities for the purpose of resale or intermediate use. 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. 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.