

SARIYA COLLEGE, SURIYA DEPT. OF COMMERCE

ICT Teaching-Learning Centre

Paper Name- Business Organization and Management

Topic: Trade

For Students of FYUGP Commerce Sem. I (Minor Paper)

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Trade

Trade refers to sale, transfer or exchange of goods. It is a branch of commerce which involves buying and selling of goods and services. However , it does not include transportation, insurance, packing, banking and advertising etc., which along with it, from part of commerce.

Types of Trade

(1) Internal Trade- Also called domestic trade or home trade, involves the buying and selling of goods within the boundaries of the country. Payment is made in national currency for goods sold, either in cash or through banking system. Home trade may be further classified as follows:

- (a) Wholesale Trade- A wholesaler buys goods in large quantities from the producer. It bridges the gap between producer and retailer.
- (b) Retail Trade- It refers to the sale of goods direct to consumers. A retailer buys goods from wholesaler and sells to customers in small quantities.

(2) International Trade- Also known as foreign trade, involves the buying and selling of goods from and to the other country. Payments have to be converted into currency of other country.

- (a) Import Trade- It involves the procurement of goods from foreign country for domestic use.
- (b) Export Trade-It consists of the supply of home goods for foreign use (sale of goods to foreign buyers)
- (c) Entrepôt Trade- Also called re-export-trade, involves the import of foreign goods with a view to export them.

Auxiliaries to Trade

The word ‘auxiliaries to business’ means the activities which assist business and trade. In fact, they provide the infrastructure for the smooth conduct of business. *The infrastructure includes transparent, warehousing, insurance, financing and banking and other allied services which are known as aids to trade.* These activities help in removing various hindrances that often arise during the processes of production and distribution of goods and services. An overview of these activities is given below:

1. Transport and Communication: Transport helps in removing the hindrance of place in the exchange of goods and services. It is very common that goods are produced at centres different from the centres of consumption. for example, Sugar produced in U.P. and Maharashtra and tea produced in Assam are consumed throughout the country. It is transport which helps in making available the goods at places where they are demanded. Transport has linked all parts of the world with the help of efficient means of transport. Communication facilities are very important in linking the producers, traders and consumers. They help them to exchange information with one another. Postal and courier services, fixed line telephone services, cellular or mobile phone services, e-mail etc., have removed the hindrance of information in the smooth conduct of business.

2. Banking- Banks provide a device through which payments of goods bought and sold are facilitated. They facilitate the purchase and sale of goods on credit. Banks also perform the useful economic function of collecting the savings of the people and business houses and making them available to business firms in the form of loans and advancement. Thus, banks help the business firms to overcome the problem of finance.

3. Insurance- It provides a cover against the loss of goods in the process of transit and storage. An insurance company performs the useful services of compensating for the loss arising from the damage caused to the insured goods through fire, pilferage, theft, flood and the hazards of sea transportation. It, thus, protects the traders from the fear of loss of property and goods in consideration of a nominal insurance premium for the risk covered.

4. Warehousing: There is generally a time lag between the production and consumption of goods. This problem can be solved by storing the goods in warehouse. Storage creates *time utility* and removes the hindrance of time in trade. It performs the useful function of holding the goods for the period they are not demanded. Thus, warehousing discharges the function of storing the goods both for manufacturers and traders for such time till they decide to sell the goods.

5. Advertising- It performs a useful function of bridging the knowledge or information gap about the availability and uses of goods between traders and consumers. In the absence of advertising, goods cannot be sold to a widely scattered market. It is through advertising that the customers come to know about the new products and their utilities. Because of physical spatial distance between the producers and the consumers, advertising is necessary to bridge the information gap.

6. Packaging- Packaging is traditionally done to protect the goods from damage in transit and to facilitate easy transfer of goods to customers. But now it may also be used by any manufacturer to establish his brand image as distinct from of his rivals. Good packaging facilitates delivery of quality products to the consumers and also increase the life of the product.

There is a close interrelationship between the different branches of business described above. One cannot function without the support of others. Commerce helps industry before and after production through the purchase of materials and the sale of finished products. Production of goods and services is meaningless unless they are distributed among the consumers. Trade, involving buying and selling of goods, maintains a smooth flow of commerce and thereby supports industry. At the same time, industry provides the goods and services for distribution and thereby gives rise to commerce. As industry develops, trade and commerce also grow.