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# Chapter 10. Internal Trade

## Trade

Trade involves buying and selling goods and services with the goal of earning a profit. Throughout history, mankind has engaged in various forms of trading. In modern times, trade has gained importance due to the continuous development of new products.

### Internal and External Trade:

- Internal trade occurs within a country, involving the buying and selling of goods and services domestically.
- External trade involves trade between two or more countries.

### Internal Trade (within a nation):

- Buying and selling of goods and services within a nation constitute internal trade.
- No custom duty or import duty is levied on internal trade, as goods are part of domestic production and intended for domestic consumption.

### Types of Internal Trade:

Internal trade aims at ensuring equitable distribution of goods within a nation, rapidly and at a reasonable cost. Internal trade can be classified into two main categories: Wholesale Trade and Retail Trade.

### Wholesale Trade:

- Involves buying and selling goods and services in large quantities for the purpose of resale or intermediate use.
- Wholesale traders serve as intermediaries between manufacturers and retailers.
- They take the title of the goods, bear business risks, and perform various functions in the distribution process.
- Functions include grading, packing, storage, transportation, promotion, market information collection, order collection, and distribution of supplies to retailers.

### Retail Trade:

- Involves buying and selling goods in relatively small quantities, typically to ultimate consumers.
- Retailers are the final link in the distribution chain, serving end-users or consumers.
- They purchase from wholesalers or directly from manufacturers.

### Functions of Wholesalers:

- Wholesalers play a crucial role in reaching a large number of buyers spread over a wide geographical area.
- They perform functions that facilitate the distribution of goods and services between producers and users.

**Services of Wholesalers**

The various services that wholesalers provide, both to manufacturers and retailers, contributing significantly to the distribution of goods and services.

**A. Services to Manufacturers**

The key services wholesalers offer to manufacturers:

1. **Facilitating Large Scale Production:**
    - Wholesalers collect small orders from multiple retailers, aggregating them into bulk quantities for manufacturers. This allows manufacturers to undertake large-scale production, benefiting from economies of scale.
2. **Bearing Risks:**
    - Wholesale merchants operate in their name, taking delivery of goods and storing them in warehouses. They bear various risks such as price fluctuations, theft, pilferage, spoilage, and fire, relieving manufacturers from these risks.
3. **Financial Assistance:**
    - Wholesalers provide financial assistance to manufacturers by making cash payments for purchased goods. This helps manufacturers avoid tying up capital in stocks. In some cases, wholesalers may advance money for bulk orders.
4. **Expert Advice:**
    - Wholesalers, being in direct contact with retailers, can offer manufacturers valuable advice on customer preferences, market conditions, competitive activities, and buyer preferences. They serve as an important source of market information.
5. **Help in Marketing Function:**
    - Wholesalers handle the distribution of goods to retailers, who, in turn, sell to a large number of customers over a wide geographical area. This relieves manufacturers of many marketing activities, allowing them to focus on production.
6. **Facilitate Production Continuity:**
    - Wholesalers contribute to the continuity of production by purchasing goods as they are produced and storing them until demanded by retailers or consumers. This ensures a steady production flow throughout the year.
7. **Storage:**
    - Wholesalers take delivery of goods from manufacturers and store them in their warehouses or godowns. This reduces the burden on manufacturers to provide storage facilities for finished products, providing time utility.

In summary, wholesalers play a crucial role in the distribution process by facilitating production, assuming risks, providing financial assistance, offering expert advice, assisting in marketing functions, ensuring production continuity, and providing storage services.

**B. Services to Retailers**

Essential services that wholesalers provide to retailers, supporting them in various aspects of their business. Here are the key services wholesalers offer to retailers:

1. **Availability of Goods:**
    - Wholesalers ensure a diverse range of products from various manufacturers is readily available to retailers. This spares retailers from the task of collecting goods from multiple producers and managing large inventories.
2. **Marketing Support:**
    - Wholesalers perform various marketing functions, including advertising and sales promotions, which benefit retailers. These activities help increase demand for different products, ultimately benefiting retailers.
3. **Grant of Credit:**
    - Wholesalers typically extend credit facilities to their regular customers, which allows retailers to manage their business with a relatively smaller amount of working capital.
4. **Specialized Knowledge:**
    - Wholesalers specialize in specific product lines and possess in-depth knowledge of the market. They share this specialized knowledge with retailers, informing them about new products, their uses, quality, prices, etc. They may also provide advice on the decor of the retail outlet, allocation of shelf space, and product demonstrations.
5. **Risk Sharing:**
    - Wholesalers buy in bulk and sell in smaller quantities to retailers. This allows retailers to avoid the risks associated with storage, pilferage, obsolescence, and price and demand fluctuations that would occur if they had to purchase larger quantities directly from manufacturers.

In summary, wholesalers play a crucial role in supporting retailers by ensuring the availability of goods, providing marketing support, extending credit facilities, sharing specialized knowledge, and helping retailers mitigate various risks associated with their business.

**Retail Trade:**

- A retailer is a business engaged in selling goods and services directly to ultimate consumers.
- Retailers buy goods in large quantities from wholesalers and sell them in small quantities to consumers.
- Retailing is the final stage in the distribution process, transferring goods from manufacturers or wholesalers to consumers.

- Regardless of how or where the products are sold, if the sales are made directly to consumers, it is considered retailing.

**Functions of Retailers:**

- Retailers perform different functions in the distribution process, including purchasing products from wholesale distributors, arranging proper storage, selling goods in small quantities, bearing business risks, grading products, collecting market information, extending credit, and promoting product sales.

**Services of Retailers:**

**Services to Manufacturers and Wholesalers:**

1. **Help in Distribution:** Retailers assist in distributing products to final consumers, providing place utility.
2. **Personal Selling:** Retailers undertake personal selling efforts, relieving producers of this activity.
3. **Enabling Large-Scale Operations:** Retailer services free manufacturers and wholesalers from making individual sales, enabling them to operate on a larger scale.
4. **Collecting Market Information:** Retailers serve as a valuable source of market information about consumer tastes and preferences.
5. **Help in Promotion:** Retailers participate in promotional activities, such as advertising and incentives, to increase product sales.

**Services to Consumers:**

1. **Regular Availability:** Retailers ensure regular availability of various products from different manufacturers.
2. **New Products Information:** Retailers provide information about new products through effective displays and personal selling efforts.
3. **Convenience in Buying:** Retailers, located near residential areas and open for extended hours, offer convenience to customers.
4. **Wide Selection:** Retailers stock a variety of products, providing consumers with a wide selection of goods.
5. **After-Sales Services:** Retailers offer after-sales services like home delivery, spare parts supply, and customer assistance.
6. **Provide Credit Facilities:** Retailers sometimes extend credit facilities to regular buyers, enabling increased consumption and an improved standard of living.

**Terms of Trade**

The terms mentioned pertain to various aspects of trade transactions and are commonly used in trade documents and agreements. Let's break down each term:

1. **Cash on Delivery (COD):**

- **Definition:** A transaction in which payment for goods or services is made at the time of delivery.
- **Explanation:** The buyer pays for the goods or services upon receipt. If the buyer cannot make the payment at the time of delivery, the goods are typically returned to the seller.

2. **Free on Board or Free on Rail (FoB or FOR):**
    - **Definition:** A contract between the seller and the buyer where all expenses up to the point of delivery to a carrier (ship, rail, lorry, etc.) are to be borne by the seller.
    - **Explanation:** The seller is responsible for costs, including loading the goods onto the carrier. Once the goods are on board or on the rail, the responsibility transfers to the buyer.
3. **Cost, Insurance, and Freight (CFF):**
    - **Definition:** The price of goods, including the cost of goods, insurance, and freight charges payable on goods up to the destination port.
    - **Explanation:** The seller covers the cost of the goods, as well as insurance and freight charges up to the specified destination port. The buyer is responsible for other charges beyond that point.
4. **Errors and Omissions Excepted (E&OE):**
    - **Definition:** A term used in trade documents to indicate that mistakes and omissions should be taken into account.
    - **Explanation:** This term is used to acknowledge that there may be errors or omissions in the document, and it serves as a disclaimer that these should be considered. It's often used to avoid legal liability for unintentional mistakes.

**Types of Retailing Trade**

There are many types of retailers in India. For proper understanding, it would be useful, to classify them into certain common categories. Different classifications have been used by experts to categorise retailers into different types. For example, on the basis of ‘size of business’, they may be categorised into large, medium and small retailers. On the basis of ‘type of ownership’, they may be categorised into ‘sole trader’, ‘partnership firm’, ‘cooperative store’ and ‘company’. Similarly, on the basis of ‘merchandise handled’, the different classifications may be ‘speciality store’, ‘supermarket’ and ‘departmental store’. Another common basis of classification is whether or not they have a fixed place of business. On this basis, there are two categories of retailers:

(a) Itinerant retailers, and

(b) Fixed shop retailers

Both these types of retailers have been described in detail in the sections that follow here after.

Itinerant retailers, as described, are those traders who do not have a fixed place of business. They move around with their merchandise, catering to customers at different locations. Here are the characteristics and common types of itinerant retailers:

**Characteristics of Itinerant Retailers:**

1. **Small Traders with Limited Resources:** Itinerant retailers operate on a small scale with limited resources.
2. **Deal in Daily-Use Consumer Products:** They typically deal in consumer products of daily use, such as toiletries, fruits, vegetables, etc.
3. **Emphasis on Customer Service:** Providing greater customer service is a key focus, often delivering products directly to customers' doorsteps.
4. **Limited Inventory:** Due to the absence of a fixed establishment, itinerant retailers maintain a limited inventory, usually at home or another location.

**Common Types of Itinerant Retailers:**

1. **Peddlers and Hawkers:**
    - Description: Peddlers and hawkers are among the oldest forms of retailers. They carry products on bicycles, hand carts, or other means, moving from place to place to sell merchandise at customers' doorsteps.
    - Products: Non-standardized and low-value products like toys, vegetables, fabrics, snacks, etc.
    - Locations: Found in residential areas, exhibition places, outside schools during breaks.
    - Advantage: Provides convenient service to consumers, but product quality and price may vary.
2. **Market Traders:**
    - Description: Small retailers who open shops at different places on fixed days, catering mainly to the lower-income group with low-priced consumer items.
    - Products: One particular line of merchandise or general merchants dealing in low-priced items.
    - Frequency: Open on specific days (e.g., every Saturday).
3. **Street Traders (Pavement Vendors):**
    - Description: Small retailers commonly found at places with a large floating population, selling common-use consumer items.
    - Products: Stationery, eatables, ready-made garments, newspapers, etc.
    - Locations: Near railway stations, bus stands.
    - Difference from Market Traders: They do not change their place as frequently.

4. **Cheap Jacks:**
    - Description: Petty retailers with temporary, independent shops in business localities, changing their business location based on the area's potential.
    - Products and Services: Deal in consumer items and services like watch and shoe repairs.
    - Frequency: Change of place is not as frequent as hawkers or market traders.

These types of itinerant retailers play a role in providing convenience to consumers, especially in areas where fixed establishments may be less practical. However, due diligence is necessary when dealing with them due to variations in product quality and pricing.

**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 of Fixed Shop Retailers**

1. **Permanent Establishment:** Fixed shop retailers maintain a permanent physical presence, operating from a specific location rather than moving from place to place.
2. **Scale of Operations:** They often operate on a larger scale compared to itinerant traders, with varying sizes from small to large establishments.
3. **Product Range:** Fixed shop retailers may deal in a variety of products, including both consumer durables and non-durables.
4. **Credibility and Services:** These retailers typically enjoy greater credibility among customers and can provide additional services such as home delivery, guarantees, repairs, credit facilities, and availability of spares.

**Types of Fixed Shop Retailers**

**1. Fixed Shop Small Retailers:**

- **General Stores:** Common in local markets, offering a variety of products for daily needs. They often provide credit facilities to regular customers.
- **Specialty Shops:** Focus on specific product lines, catering to niche markets.
- **Street Stall Holders:** Small vendors at street crossings, dealing in inexpensive goods and providing convenient services.
- **Second-hand Goods Shop:** Sell used items like books, clothes, furniture, and antiques.

**2. Fixed Shop Large Stores:**

**Departmental Stores:** Large establishments with well-defined departments offering a wide variety of products, aiming to satisfy diverse customer needs under one roof.

**Features of Departmental Stores:**

- **Wide Variety:** Departments specialize in different product categories, providing a comprehensive shopping experience.

- **Facilities:** Modern departmental stores may offer additional facilities such as restaurants, travel services, information bureaus, and restrooms.
- **Location:** Typically located in central areas of cities to attract a large customer base.
- **Management:** Managed as joint-stock companies with centralized purchasing and decentralized sales functions.
- **Warehousing:** Combine retailing and warehousing functions, purchasing directly from manufacturers and maintaining separate warehouses.

**Advantages of Departmental Stores:**

1. **Attract Large Number of Customers:**
    - Central locations attract a large number of customers during peak hours.
2. **Convenience in Buying:**
    - Provides convenience by offering a wide variety of goods under one roof.
    - Customers can complete their shopping without running from one place to another.
3. **Attractive Services:**
    - Offers various services such as home delivery, telephone orders, credit facilities, and amenities like restrooms and restaurants.
4. **Economy of Large-Scale Operations:**
    - Benefits from large-scale operations, especially in purchasing goods.
5. **Promotion of Sales:**
    - Can invest significantly in advertising and promotional activities to boost sales.

**Limitations of Departmental Stores:**

1. **Lack of Personal Attention:**
    - Due to large-scale operations, providing personal attention to customers becomes challenging.
2. **High Operating Cost:**
    - Emphasis on providing services leads to higher operating costs, making prices relatively high.
    - May not be attractive to lower-income groups.
3. **High Possibility of Loss:**
    - High operating costs and large-scale operations increase the likelihood of losses, especially if there are changes in customer tastes or fashion trends.
4. **Inconvenient Location:**

- Central location may not be convenient for urgent purchases needed at short notice.

**Chain Stores or Multiple Shops:**

Chain stores or multiple shops form networks of retail establishments owned and managed by manufacturers or intermediaries. In this arrangement, several shops sharing a common appearance are set up in various localities across the country. These establishments typically focus on standardized and branded consumer products known for their swift sales turnover. Operated by a singular organization, these shops adhere to identical merchandising strategies, offering uniform products and displays.

some important features of chain stores or multiple shops. Here's a breakdown of the key points:

(a) **Strategic Location:**

- Chain stores are strategically located in populous areas to ensure easy accessibility for a sufficient number of customers.
- The goal is to serve customers at locations nearest to their residence or workplace rather than having a central location.

(b) **Centralized Procurement:**

- Manufacturing or procurement of merchandise is centralized at the head office.
- Goods are dispatched to individual retail units based on their specific requirements.
- Centralized procurement leads to cost savings in the overall operation of the stores.

(c) **Branch Management:**

- Each retail shop is under the direct supervision of a Branch Manager.
- The Branch Manager is responsible for the day-to-day management of the respective store.
- Daily reports on sales, cash deposits, and stock requirements are sent to the head office by the Branch Manager.

(d) **Centralized Control:**

- All branches are controlled by the head office.
- The head office formulates policies, and it is responsible for their implementation across all branches.

(e) **Fixed Prices and Cash Transactions:**

- Prices of goods in these shops are fixed.
- All sales are conducted on a cash basis.
- Cash collected from merchandise sales is deposited daily into a local bank account on behalf of the head office, and corresponding reports are sent to the head office.

(f) **Supervision and Inspection:**

- The head office appoints inspectors who supervise day-to-day operations of the shops.

- Inspectors focus on the quality of customer service, adherence to head office policies, and other relevant aspects.

(g) **Effective for High-Volume Merchandise:**

- The chain store operation is particularly effective for handling high-volume merchandise with relatively constant sales throughout the year.
- Examples of such chain stores in India include Bata Shoe stores and exclusive showrooms of companies like D.C.M. and Raymonds, as well as fast-food chains like Nirula's and McDonald's.

**Advantages of Chain Stores or Multiple Shops:**

1. **Economies of Scale:**
    - Centralized procurement leads to economies of scale.
2. **Elimination of Middlemen:**
    - Direct selling to consumers eliminates unnecessary middlemen.
3. **No Bad Debts:**
    - All sales are on a cash basis, reducing losses from bad debts.
4. **Transfer of Goods:**
    - Allows for the transfer of goods between locations based on demand, reducing the risk of dead stock.
5. **Diffusion of Risk:**
    - Profits from one shop can cover losses in another, reducing overall organizational risk.
6. **Low Cost:**
    - Centralized purchasing, elimination of middlemen, and centralized promotion contribute to lower business costs.
7. **Flexibility:**
    - The organization can close or relocate shops without significantly affecting overall profitability.

**Limitations of Chain Stores or Multiple Shops:**

1. **Limited Selection of Goods:**
    - Some chain stores offer a limited range of products, limiting consumer choices.
2. **Lack of Initiative:**
    - Personnel may lack initiative as they need to follow instructions from the head office.
3. **Lack of Personal Touch:**

- Lack of initiative may result in employees showing indifference and a lack of personal touch with customers.

4. **Difficult to Change Demand:**
    - Rapid changes in demand can lead to significant losses due to large stocks lying unsold at the central depot.

**Difference between Departmental Stores & Multiple Shops**

| Aspect | Departmental Stores | Multiple Shops |
|---|---|---|
| **Location** | Central location to attract a large customer base. | Spread across various locations to reach customers. |
| **Range of Products** | Offer a wide variety to satisfy diverse needs. | Focus on a specific range of products. |
| **Services Offered** | Emphasize maximum service, including alterations, restaurants, etc. | Limited services, mainly guarantees and repairs. |
| **Pricing** | Variable pricing with occasional discounts. | Fixed prices and uniform pricing policies. |
| **Class of Customers** | Cater to higher-income groups valuing services. | Cater to diverse customers, including lower-income groups. |
| **Credit Facilities** | May provide credit facilities to regular customers. | Strictly cash basis for all sales. |
| **Flexibility** | Have flexibility due to a wide range of products. | Limited flexibility, focusing on a specific product line. |

**Mail Order Houses**

Mail order houses are retail outlets that conduct sales through mail transactions, involving no direct personal interaction between buyers and sellers. Potential customers are reached through various means such as newspaper or magazine advertisements, circulars, catalogs, samples, and bills, providing comprehensive details about the products, including price, features, delivery terms, and payment conditions. Upon receiving orders, items are meticulously scrutinized to meet buyers' specifications and dispatched through postal services.

Different payment alternatives exist, including full advance payment by customers, Value Payable Post (VPP) for goods delivered upon full payment, or utilizing banks to handle deliveries upon payment. This method minimizes the risk of bad debt, ensuring goods are handed over only after full payment, though buyer satisfaction with the dispatched items must be ensured.

However, mail order business is not suitable for all products. Perishable or bulky goods, those challenging to handle, and products without widespread demand are not recommended. Successful mail order operations require a literate population, as communication primarily relies on written forms like advertisements.

**Advantages of Mail Order Houses**

1. **Limited Capital Requirement:**

- Mail order businesses require minimal capital for infrastructure, making it feasible with a relatively low investment.

2. **Elimination of Middlemen:**
    - By eliminating unnecessary intermediaries, mail-order businesses offer potential savings to both buyers and sellers.
3. **Absence of Bad Debt:**
    - Since credit facilities are not extended, the risk of bad debt due to non-payment is eliminated.
4. **Wide Reach:**
    - Goods can be delivered to places with postal services, providing a broad scope for business and reaching a large audience.
5. **Convenience:**
    - Delivery of goods to customers' doorsteps enhances convenience in purchasing.

**Limitations of Mail Order Houses**

1. **Lack of Personal Contact:**
    - Absence of personal contact may lead to misunderstandings and mistrust between buyers and sellers.
2. **High Promotion Cost:**
    - Heavy reliance on advertising increases promotional expenditures for mail order businesses.
3. **No After-Sales Service:**
    - The absence of personal contact results in a lack of after-sales services crucial for customer satisfaction.
4. **No Credit Facilities:**
    - Lack of credit facilities may deter customers with limited means from engaging in this form of trading.
5. **Delayed Delivery:**
    - Orders processed through mail may result in delayed delivery, impacting immediate product availability.
6. **Possibility of Abuse:**
    - The distant nature of the business may provide opportunities for dishonest traders to deceive customers through false claims or unfulfilled commitments.
7. **Dependence on Postal Services:**
    - Success heavily relies on efficient postal services, limiting prospects in areas without adequate postal facilities.

**Consumer Cooperative Store**

A consumer cooperative store is an organization owned, managed, and controlled by its consumers. The primary aim of these stores is to minimize the involvement of middlemen, who tend to inflate product costs, and in turn, offer services to their members. These cooperative stores typically make bulk purchases directly from manufacturers or wholesalers, providing consumers with goods at reasonable prices. By reducing or eliminating middlemen, members gain access to quality products at more affordable rates. Profits generated by consumer cooperative stores are used to declare bonuses to members and strengthen general reserves, welfare funds, or similar funds for the social and educational benefits of their members.

To initiate a consumer cooperative store, a minimum of 10 individuals must join forces to form a voluntary association, which is then registered under the Cooperative Societies Act. Capital for the cooperative store is raised through the issuance of shares to its members. The management of the store is democratic, overseen by an elected managing committee where the principle of one person, one vote is applied. Members' liability in a cooperative store is generally limited to the extent of the capital they contribute. To ensure transparent fund management, the accounts of the stores are audited by the Registrar of Cooperative Societies or an authorized individual.

**Advantages**

The primary advantages of a consumer cooperative store include:

1. **Ease of Formation:**
    - Establishing a consumer cooperative society is a straightforward process, requiring a minimum of ten individuals to form a voluntary association and complete registration formalities.
2. **Limited Liability:**
    - Members' liability in a cooperative store is restricted to the capital they contribute, offering protection beyond which they are not personally responsible for society's debts.
3. **Democratic Management:**
    - Cooperative societies are democratically managed through elected management committees, where each member has equal voting power regardless of the number of shares held.
4. **Lower Prices:**
    - Direct purchasing from manufacturers or wholesalers enables cooperative stores to sell goods at lower prices to their members by eliminating middlemen.
5. **Cash Sales:**
    - Consumer cooperative stores typically operate on a cash basis, reducing the need for extensive working capital.
6. **Convenient Location:**

- Consumer cooperative stores are strategically located in public places for convenient access, allowing members and others to easily purchase products.

**Limitations**

The limitations of consumer cooperative stores include:

1. **Lack of Initiative:**
    - The management of cooperative stores, being voluntary, may lack sufficient initiative and motivation to work effectively.
2. **Shortage of Funds:**
    - Cooperative stores often face a shortage of funds due to limited membership, hindering their growth and expansion.
3. **Lack of Patronage:**
    - Members may not regularly patronize cooperative stores, affecting their successful operation.
4. **Lack of Business Training:**
    - Those managing cooperative stores may lack expertise as they are not formally trained in efficient store operations.

**Supermarkets**

A supermarket is a large retail business unit that offers a diverse range of consumer goods, emphasizing low prices, wide variety and assortment, self-service, and strong merchandising appeal. Typically located in main shopping centers, supermarkets stock items such as food products, low-priced branded goods, groceries, utensils, clothing, electronic appliances, household items, and medicines. Organized on a departmental basis, these stores allow customers to purchase various goods under one roof, with clear pricing and quality tags on racks. Supermarkets operate on a self-service model, where customers select their desired items, bring them to the cash counter for payment, and take home their purchases.

Key Characteristics of Supermarkets:

1. A comprehensive line of food items and groceries is generally available in supermarkets.
2. Buyers can conveniently purchase different products under one roof.
3. Supermarkets operate on the principle of self-service, resulting in lower distribution costs.
4. Prices are typically lower due to bulk purchasing, reduced operational costs, and lower profit margins.
5. Goods are sold strictly on a cash basis.
6. Supermarkets are strategically located in central areas to ensure high turnover.

**Advantages**

Merits of Supermarkets:

1. **One-Stop, Low-Cost Shopping:**

- Supermarkets offer a wide variety of products at affordable prices, providing a convenient and economical shopping experience.

2. **Central Location:**
    - Situated in city centers, supermarkets are easily accessible to a large population residing in surrounding areas.
3. **Wide Selection:**
    - Supermarkets maintain a diverse range of goods, facilitating better selection for buyers in terms of designs, colors, etc.
4. **No Bad Debts:**
    - As transactions are typically on a cash basis, there are no bad debts incurred by supermarkets.
5. **Benefits of Large Scale:**
    - Being large-scale retailing stores, supermarkets benefit from lower operating costs due to bulk buying and selling.

**Limitations**

Drawbacks of Supermarkets:

1. **No Credit Facilities:**
    - Supermarkets operate on a cash-only basis, limiting purchasing power for buyers who prefer credit facilities.
2. **Lack of Personal Attention:**
    - The self-service model means customers do not receive personal attention, impacting the effective handling of goods requiring attention.
3. **Mishandling of Goods:**
    - Careless handling of goods by some customers may lead to increased costs for supermarkets.
4. **High Overhead Expenses:**
    - Supermarkets face high overhead expenses, which have not effectively created a low price appeal among customers.
5. **Huge Capital Requirement:**
    - Establishing and running a supermarket requires substantial investment, making it more feasible in larger towns rather than smaller ones.

**Vending Machines**

Vending machines represent a recent revolution in marketing strategies. Coin-operated vending machines have become valuable in the sale of various products, including hot beverages, platform

tickets, milk, soft drinks, chocolates, newspapers, and more, across numerous countries. In addition to these products, an emerging trend in many parts of our country, particularly urban areas, is the utilization of Automated Teller Machines (ATMs) in the banking sector. As the name implies, these machines have completely transformed the banking concept, allowing individuals to withdraw money at any time without visiting a bank branch.

Vending machines are effective for dispensing pre-packaged, low-priced products with high turnover, ensuring uniformity in size and weight. However, the initial installation cost and ongoing expenses for maintenance and repairs can be substantial. Consumers are unable to physically inspect or feel the product before purchase and lack the option to return unwanted items. Special packaging must be designed for these machines, and reliability in their operations is essential. Despite these limitations, with economic growth, vending machines hold promising potential in the retail sales of high-turnover, low-priced consumer products.

**Goods and Services Tax (GST)**

In pursuit of the vision of 'One Nation, One Tax' and aspiring for a unified market to facilitate seamless movement of goods across the country, the Government of India implemented the Goods and Services Tax (GST) on July 1, 2017. This initiative seeks to simplify processes for manufacturers, producers, investors, and consumers. Widely considered as the most transformative tax reform in Indian history, GST not only serves as a revenue source for growth but also holds the state accountable to taxpayers. Effective taxation ensures judicious utilization of public funds to achieve social objectives and sustainable development.

GST is a destination-based single tax applicable to the supply of goods and services from manufacturers to consumers, replacing multiple indirect taxes imposed by both the Central and State governments. This conversion has transformed the nation into a unified market. Beyond simplifying tax compliance, reducing the tax burden, and enhancing tax administration, GST aims to broaden the organized segment of the economy and boost tax revenues.

Key Components of GST:

1. **Central GST (CGST) and State GST (SGST):** These components, charged at each stage of value addition, replace levies previously imposed by the Central and State governments.
2. **Input Credit Mechanism:** The supplier offsets the levy on inputs in prior stages of the value chain through the tax credit mechanism, passing the added GST to the consumer.
3. **Destination-Based Consumption Tax:** GST operates as a destination-based consumption tax, where the last dealer in the supply chain passes on the added GST to the consumer.

GST has replaced 17 indirect taxes and 23 cesses, streamlining the tax treatment of goods and services along the supply chain. By avoiding the cascading effect (tax on tax), GST is expected to reduce commodity prices and benefit consumers.

**Facts about GST:**

1. GST aims to unify taxes across the country, making goods uniformly priced, with some items becoming costlier and others cheaper.
2. Luxury goods have become costlier, while mass consumption items have become more affordable with the implementation of GST.

3. GST is not a taxation-at-source; rather, it is a destination or consumption tax. The consumer pays tax for a product where it is bought, not where it is manufactured.
4. The GST mechanism involves matching invoices, ensuring input tax credit availability only if the taxable supplies align with the supplier's receipts. The Goods and Services Tax network serves as a self-regulating mechanism, curbing tax frauds and fostering business inclusion in the formal economy.
5. An Anti-profiteering Authority is established to prevent entities from making excessive profits. This ensures that benefits from reduced costs due to GST are passed on to consumers.

**Benefits and Empowerment for Citizens:**

- Reduction in overall tax burden
- Elimination of hidden taxes
- Development of a harmonized national market
- Increased disposable income for education and essential needs
- Expanded choices for consumers
- Stimulated economic activity
- More employment opportunities

**Key Features of GST:**

1. Applicability throughout the country.
2. Taxation based on the supply of goods or services, rather than on manufacturing or sale.
3. Destination-based consumption tax principle.
4. Import of goods and services treated as inter-State supplies subject to IGST.
5. Levies (CGST, SGST, and IGST) mutually agreed upon by the Centre and States.
6. Four tax slabs: 5%, 12%, 18%, and 28% for all goods and services.
7. Zero-rated exports and supplies to Special Economic Zones (SEZ).
8. Various payment modes available, including internet banking, debit/credit cards, NEFT, and RTGS.

**GST Council – Constitution:**

- Chairperson: Finance Minister
- Vice Chairperson chosen from among Ministers of State Governments
- Members: MoS (Finance) and all Ministers of Finance/Taxation of each State
- Quorum: 50% of total members
- States have two-thirds weightage, and the Centre has one-third weightage

- Decisions taken by a 75% majority
- Recommendations made on all aspects of GST, including rules and rates, etc.

**Role of Commerce and Industry Associations in the Promotion of Internal Trade:**

Business and industrial associations play a crucial role in advancing and safeguarding the shared interests and objectives of their members. In India, entities such as the Associated Chamber of Commerce and Industry (ASSOCHAM), Confederation of Indian Industry (CII), and Federation of Indian Chambers of Commerce and Industry (FICCI) serve as national guardians of trade, commerce, and industry.

These associations function as catalysts in strengthening internal trade, making it a vital component of overall economic activity. Chambers of Commerce and Industry engage with the government at various levels to shape policies that alleviate obstacles, enhance interstate movement of goods, introduce transparency, and eliminate bureaucratic hurdles and layers of inspection. Additionally, they focus on building robust infrastructure and simplifying and harmonizing tax structures.

Key areas of intervention by these associations include:

1. **Interstate Movement of Goods:**
    - Activities related to inter-state movement, such as vehicle registration, surface transport policies, and infrastructure development, are addressed by Chambers of Commerce and Industry.
    - For instance, initiatives like the construction of the Golden Quadrilateral Corridor have been proposed in collaboration with the government to facilitate internal trade.
2. **Octroi and Local Levies:**
    - Chambers of Commerce work to ensure that local taxes, including octroi, do not impede smooth transportation and local trade.
    - They advocate for a balanced approach that considers revenue generation for local governments without hindering trade operations.
3. **Harmonization of Sales Tax Structure and Value Added Tax (VAT):**
    - Associations collaborate with the government to harmonize sales tax structures across states, recognizing the importance of sales tax revenue for states.
    - Efforts are made to implement Value Added Tax (VAT) as a replacement for sales tax to eliminate the cascading effect.
4. **Marketing of Agro Products and Related Issues:**
    - Associations, along with agricultural federations, play a significant role in the marketing of agricultural products.
    - They work towards streamlining local subsidies and marketing policies, collaborating with organizations involved in selling agro products.
5. **Weights and Measures and Prevention of Duplicate Brands:**

- Chambers of Commerce and Industry engage with the government to formulate and enforce laws related to weights and measures and brand protection.
- The goal is to ensure consumer and trader interests are protected through strict enforcement of relevant regulations.

6. **Excise Duty:**
    - Trade associations interact with the government to streamline excise duties, recognizing their pivotal role in the pricing mechanism and government revenue.
7. **Promoting Sound Infrastructure:**
    - Chambers of Commerce and Industry hold discussions with government agencies to advocate for investments in crucial infrastructure projects, such as roads, ports, electricity, and railways.
8. **Labour Legislation:**
    - Interactions with the government on issues like labour laws and retrenchment contribute to the formulation of simple and flexible labour legislation.
    - Flexible labour laws are seen as beneficial for industry operations, production maximization, and employment generation.