

COMMERCE

Higher Secondary - First Year

1. INTRODUCTION

1. Define commerce

J. Stephenson defines Commerce as “the sum total of those processes which are engaged in the removal of hindrances of person, place and time in the exchange of commodities”.

2. List the auxiliaries of trade

Commerce includes trade and aids to trade such as transport, banking, insurance, warehousing, advertising, etc

3. E-Commerce

- The term e-commerce is known as ‘Electronic Commerce’ used by the media to do business with consumers through internet.
- Electronic commerce promises new ways of working for companies allowing them to react in real-time changes in the market by:
 - Gaining more knowledge about their customers and
 - Increasing the visibility of demand across their supply chains.

4. What is barter system?

- Before the invention of money goods were exchanged for some other goods
- The barter system envisages mutual exchange of one’s goods to other’s goods without money as a medium of exchange

5. What are the difficulties of barter system

- (i). Lack of double coincidence of wants
 - The two persons desiring exchange must have the demand for the goods under the possession of each other.
- (ii). Absence of common measure of value or a medium of exchange
 - Under barter system, we have a direct exchange of goods against goods.
 - For each exchange we have separate valuation.
 - There is no common denominator of values.
 - It is difficult to compare the values of all articles in the absence of a pricing system
- (iii). Absence of direct contact between producer and consumer
 - Seller and buyer may not always have direct contact.
 - A seller and a buyer must have a face-to-face meeting for a barter system.
 - Such meeting in a wider market may not be possible.
- (iv). Lack of surplus stocks
 - When there is no surplus stock of goods, no barter system is possible.

6. How the business activities are classified?

Business activities may be classified into two broad categories namely, a. Industry and b. Commerce

Industry

- Industry involves the production of goods and materials.
- The term industry refers to that part of business activity, which concern itself with the increase in production.
- When the goods of an industry is used for final consumption it is called “consumer goods” e.g. tooth paste, soap, television etc.,
- But if another industrial undertaking for further production uses the goods of an industry, is called “capital goods”. E.g. Machine tools, spare parts etc.,

Industries may be classified into four types:

1. Extractive Industries;
2. Genetic Industries
3. Construction Industries;
4. Manufacturing Industries
5. Assembling Industries

Commerce

- All those activities which are connected with transferring of goods and services from producers to users come under commerce.
- In between these two ends a number of obstacles have to be crossed.
- The goal of commerce is to ensure a proper flow of goods and services for the benefit of producers and consumers.
- There may be difficulties with regard to trade, transport, distribution, finance, storage, insurance, publicity etc.,

7. Hindrances Of Trade**1. Hindrance of persons**

- Producers are few in numbers and are separated from millions of consumers.
- Producers cannot deal directly with each and every consumer.
- So the producer and the consumer do not know each other.
- This difficulty is known as 'personal hindrance'.
- Wholesalers, retailers and the intermediaries purchase and hold the goods and arrange for their sale or distribution to the consumers in different localities.

2. Hindrance of place

- Goods are produced at a few places but are required for use at different places.
- Geographical distance separate producers and consumers.
- This difficulty of distance is removed by transport.
- For example knitwear products of Tirupur are sold throughout the world. Nellore rice is widely consumed in Chennai and other places with the help of various means of transport.
- Transport ensures quick supply of goods at different places where demand exists.

3. Hindrance of time

- It is a common knowledge that certain goods are produced during particular season but are demanded throughout the year.
- Examples are food grain, cotton etc.,
- Similarly a few goods are demanded only during particular season but they have to be manufactured and stored much before.
- Warehousing removes this difficulty by storing the goods in ready stock to meet any essential or usual demand.
- For example, woollen goods are needed in winter and umbrellas and raincoats in the rainy seasons, but they have to be produced and stored much ahead of season.

4. Hindrance of risk

- During the movement of goods from place to place or during storage, there are the possibilities of damage to goods and loss to be sustained.
- Damage by fire, loss due to cyclone, deterioration due to natural causes are the few examples of risks.
- The Insurance companies cover the various kinds of risks by accepting premia.

5. Hindrance of knowledge

- The consumers may not buy the best products available in the market because they may not possess the knowledge of the market conditions. Hence it is known as hindrance of knowledge.
- The absence of information about products is a great hindrance in the way of buying them.
- It is overcome by means of advertisement and salesmanship.

6. Hindrance of finance

- The problem of finance affects the producer, trader and the consumer.
- There is always a time gap between production and consumption and between purchase and sale.
- Banks and other financial institutions make available the required funds on certain principles and proper securities.

8. What are the branches of commerce?

1. Trade

- Trade removes hindrance of person through wholesalers, retailers and mercantile agents.
- Goods are owned and possessed by those who produce them.
- Unless these goods go into the hands of the consumers they will have no meaning for the society.
- Ownership and possession of goods must pass on from the producers to the ultimate consumers.
- Wholesale traders take goods from the producers and from the wholesale traders, retail traders take the goods to the consumers.
- Thus trade, through traders removes hindrance of person.

2. Transport

- Transport removes place hindrance.
- Goods may be produced at places where they are in less demand.
- These goods are to be taken to the place of consumption with the help of transport facilities we can create 'place utility' in goods.
- A producer can produce goods on any scale, according to the demand.
- The various modes of transport i.e., road, rail, sea, air have helped the growth of commerce and industry.

3. Warehousing

- Warehousing removes hindrance of time.
- Many goods, such as cotton, jute, food grains, sugar, etc., are produced during particular seasons of the year. But they are needed throughout the year.
- To make these goods available throughout the year arrangement must be made for their proper storage.
- Similarly certain goods are needed in particular seasons, e.g., woollen cloth is required during winter.
- Raincoats and umbrellas are essential during rainy season. This is done with the help of warehousing.

4. Banking

- There is always a time-gap between the time of production and consumption.
- During this period of time-gap, traders need funds to carry on their trade.
- These funds are made available by commercial banks and other financial institutions.

5. Advertisement and salesmanship

- The consumers may not be aware of the availability of various goods in the market.
- The absence of information about goods is a great hindrance for buying them.
- Advertisement and salesmanship help in informing the consumers about the availability and usefulness of various products in the market.
- With the advent of TV, FM Radio, Internet, etc.,

6. Insurance

- There is a risk involved in transporting goods from one place to another.
- This can be a risk of fire or theft.
- The fear of loss of goods due to any cause is an obstacle in the development of trade.
- The insurance companies provide the coverage for all types of losses of goods.
- The insurance coverage has given a fillip not only to the national trade but also to the international trade.

7. Communication

- The buyers and sellers need the services of various agencies for communicating their messages among themselves.
- The producers inform their customers about the production of goods.
- The intending buyers send orders to producers for the supply of goods.
- The services of post offices, private courier services, fax, telephones, cell phones etc., are utilised for communication purpose.

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