

Topic: Introduction to Commerce

1. Meaning of Commerce

What is Commerce?

Commerce is a major branch of production that deals with all the activities involved in the distribution of goods and services from the producer to the final consumer. It creates a bridge between production and consumption.

> Formal Definition: Commerce is the study and application of all activities involved in the buying, selling, and

distribution of goods and services, along with the services that facilitate these transactions, such as transportation, banking, insurance, advertising, warehousing, and communication.

In simpler terms, commerce makes goods available to the people who need them, at the right place, at the right time, and in the right quantity.

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Commerce = Trade + Aids to Trade

It is an essential part of every economic system.

Without commerce, producers would be stuck with goods, and consumers wouldn't get access to them.

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Real-Life Example:

Imagine a cocoa farmer in Ondo State produces 100 bags of cocoa. Commerce ensures:

A transporter carries the cocoa to Lagos port

A bank processes payment from a foreign buyer

An insurance company protects the cargo

An exporter sells it to chocolate makers in Europe

All these activities are commerce in action.

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- 2. Scope of Commerce
- What is the Scope?

The scope of commerce refers to the range of activities it covers. It involves both trade and the supporting services needed to facilitate trade.

- Commerce is broadly divided into:
- A. Trade

This is the core activity of commerce—buying and selling of goods and services.

Trade is divided into:

i. Home Trade

Trade within a country

Includes:

Retail trade (shop to consumer)

Wholesale trade (buying in bulk from manufacturers and selling to retailers)

ii. Foreign Trade (International Trade)

Trade between different countries

Divided into:

Import: Buying goods from other countries

Export: Selling goods to other countries

Entrepôt: Importing goods and reexporting them to other nations

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B. Aids to Trade

These are the supportive services that make trade possible, efficient, and smooth.

i. Transportation

Moves goods from producers to consumers

Types: road, rail, air, sea, pipeline

ii. Banking

Provides credit, loans, payment systems, and safe custody of money

Facilitates financial transactions in trade

iii. Insurance

Protects businesses from risks like fire, theft, accidents, or marine losses

iv. Warehousing

Provides storage for goods until they are needed

Helps manage demand and supply over time

v. Advertising

Informs and persuades potential buyers

Promotes new and existing products

vi. Communication

Allows quick information exchange between buyers, sellers, and service providers

Tools include phones, internet, emails, courier services, etc.

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Summary Table – Scope of Commerce

## Component Description

related information

Trade Buying and selling of goods (home & foreign trade) Transportation Movement of goods from place to place Banking Financing and money management Insurance Risk coverage for goods, businesses, people Warehousing Safe storage of goods Advertising Creating awareness and promoting goods Communication Exchange of trade\_\_\_

3. Functions of Commerce

Commerce plays a vital role in the functioning and growth of the economy. Its functions include:

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1. Facilitates Distribution of Goods

Moves goods from point of production to point of consumption

Ensures availability of goods in different locations

 2. Bridges Gap Between Producers and Consumers Provides a channel of movement through wholesalers, retailers, agents, etc.

3. Creates Employment

Commerce creates millions of jobs:

Retailers, wholesalers, drivers, bankers, marketers, insurance agents, etc.

 4. Encourages Specialization and Division of Labour

Producers focus on what they do best (e.g., manufacturing), while others handle distribution and sales.

5. Promotes Economic Growth

Commerce expands markets and increases national income through trade activities.

6. Improves Standard of Living

Ensures availability of a wide variety of goods and services

Makes life more comfortable through access to essential goods

7. Provides Support Services to Trade

Makes trade efficient with essential services like transport, finance, and advertising

8. Encourages Industrial Growth

Provides markets for raw materials and finished goods

Supports industrialization by enabling smooth input-output flow

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Practical Illustration:

Function Example

mobile transfers

Distribution Goods made in Ibadan reach consumers in Abuja
Employment A logistics firm employs drivers and warehouse staff
Communication Traders use WhatsApp to receive orders
Banking Retailers pay wholesalers via

Warehousing Importers store electronics in warehouses before selling Insurance Goods in transit are insured against accidents

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Commerce is not just a school subject — it is a real-world system that keeps the economy running. It plays a critical role in enabling trade, creating jobs, linking producers with consumers, and making goods available everywhere.

Understanding the meaning, scope, and functions of commerce helps us appreciate how deeply it affects our lives and the economy at large.