



#### IV. Higher Order Thinking Skills (HOTS)

Question 1. What difficulties will be faced by the manufacturers if wholesalers are eliminated from the chain?

Answer: Manufacturer gets following services from retailer which he will not be able to get if wholesaler is eliminated from the chain.

1. By selling under his own brand name the wholesaler often relieves the manufacturer of the need to advertise his product.
2. The wholesaler removes goods in larger quantities as they are produced, thus clearing the production lines.
3. By warehousing the goods the wholesaler bridges the time gap between production and consumption, leaving the manufacturer free to concentrate on his specialised activities.
4. He eliminates the need for a marketing system with all that involves in terms of warehousing space, distribution network, sales staff, accounting records, and debt collection.
5. By paying promptly the wholesaler reduces the working capital required by the manufacturers.

Question 2. “The chambers interact with the government at different levels to reorient or put in place policies which reduce trade hindrances.” Comment.

Answer: The chambers interact with the government at different levels to reorient or put in place policies which reduce hindrances, increase interstate movement of goods, introduce transparency and remove multiple layers of inspection and bureaucratic hurdles. It also aims at establishing right kind of infrastructure and simplifying and harmonizing the tax structure.

- **Transportation:** The Chambers of Commerce and Industry help in many activities concerning interstate movement of goods which includes registration of vehicles, surface transport policies, construction of highways and roads.
- **Octroi and other Local Levies:** The Chambers of Commerce and Industry ensures that its imposition is not at the cost of smooth transportation and local trade.
- **Harmonization between Sales Tax and VAT:** The Chambers of Commerce and Industry plays an important role in interacting with the government to harmonize the sales tax structure in different states. A uniform sales tax is important for balanced growth as it is a source of state revenue.
- **Marketing of Agro products and related issues:** The Chambers of Commerce and Industry can intervene and interact with concerned agencies in formulating policies regarding marketing of agro-products and related issues.
- **Weights and Measures to prevention of duplication in brands:** It is necessary to protect the interests of the consumers as well as traders. They need to be enforced strictly. The Chambers of Commerce and Industry interact with the government and makes such laws which takes action against wrong doers.
- **Excise Duty:** The Chambers of Commerce and Industry play a vital role in streamlining of excise duties.
- **Promoting sound Infrastructure:** The Chambers of Commerce and Industry in collaboration with the government takes

initiative to develop a sound infrastructure.

- Labour Legislations: The Chambers of Commerce and Industry interacts with the government constantly on issues related to labour laws and retrenchment.

Question 3. What difficulties will be faced by the consumers if retailers are eliminated from the chain?

Answer: If retailers are removed, it will lead to direct marketing. In general, you cannot save money by “eliminating the middleman” because intermediaries specialize in performing certain tasks that they can perform more cheaply than the manufacturer. Most grocery products are most efficiently sold to the consumer through retail stores that take a modest mark-up—it would not make sense for manufacturers to ship their grocery products in small quantities directly to consumers.

Intermediaries perform tasks such as

1. Moving the goods efficiently (e.g., large quantities are moved from factories or warehouses to retail stores);
2. Breaking bulk (manufacturers sell to a modest number of wholesalers in large quantities—quantities are then gradually broken down as they make their way toward the consumer);
3. Consolidating goods (retail stores carry a wide assortment of goods from different manufacturers—e.g., super markets span from toilet paper to catsup); and Aiding services (e.g., demonstrations and repairs).
4. If these middlemen are eliminated, they will face absence of these functions which will be troublesome for them.

Question 4. Explain important terms used in context of internal trade.

Answer: The following are the main terms used in the internal trade.

1. Cash on delivery (COD): It refers to a type of transaction in which payment for goods or services is made at the time of delivery. If the buyer is unable to make payment when the goods or services are delivered, then it will be returned to the seller.
2. Free on Board or Free on Rail (FOB or FOR): It refers to a contract between the seller and the buyer in which all the expenses up to the point of delivery to a carrier (it may be a ship, rail, lorry, etc.) are to be borne by seller.
3. Cost, Insurance and Freight (CIF): It is the price of goods which includes not only the cost of goods but also the insurance and freight charges payable on goods.
4. E and OE (Errors and Omissions Expected): It refers to that term which is used in trade documents to say that mistakes and things that have been forgotten should be taken into account. This term is used in an attempt to reduce legal liability for incorrect or incomplete information supplied in a document such as price list, invoice, cash memo, quotation etc.

## V. Value Based Questions

Question 1. Peddlers and hawkers create traffic indiscipline and therefore it must be declared as illegal. Do you agree? Justify your answer.

Answer: I do not agree. In India it is the most visible segment of the urban informal economy. It is indisputable that there are thousands—and in some cases, tens or hundreds of thousands—of street vendors in most big cities of the developing world. Yet it is exceedingly difficult to produce accurate estimates of the number of street traders in any given city. In some countries, official statistics on street vendors are available, though they underestimate the total number of people engaged in street vending. Without providing them an alternative employment, we

cannot think of making it illegal. Yes, for security reasons, they may be asked to get an ID with them or they may be issued a pass by local authorities.

Question 2. Which retail shops are run by the weaker sections? Do you think they are capable to face competition from large scale retail shops? How do they exist then?

Answer: Weaker sections of society run retail shops in following ways:

1. Hawkers and Peddlers: The hawkers carry their goods in a wheeled vehicle while the peddlers carry the goods on their heads or backs.
2. Market Traders: These retailers open their shops at different places on fixed days.
3. Street Traders or Pavement Vendors: These retailers display their goods at busy street corners or pavements.
4. Cheap Shops: These retailers generally hire a small shop in a residential colony for a temporary period.

No, they are not capable to face competition from large scale retailers. In fact they do not have to face competition from large scale retailers because their clientele is different from them. Poor and lower middle class people buy from small retail shops while upper middle class and rich people buy from large scale retail shops. Therefore, they can manage to exist due to following advantages over large scale retail shops.

- A small scale retailer himself looks after his business. He is not required to employ managers or to spend on advertising, etc. Therefore, he can sell goods at lower prices.
- A small scale retailer can take quick decisions. He is not required to consult others.
- A small scale retailer can easily adjust his stocks according to the changing needs and fashions of his customers.
- A small scale retailer can more easily maintain secrecy of his business affairs.

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